

THE COMMODIFICATION OF EVERYDAY LIFE: THIS BED'S FOR SALE



**A REPORT ON VACATION RENTALS BY
THE ANTI-EVICTION MAPPING PROJECT
JULY 2014**



THE COMMODIFICATION OF EVERYDAY LIFE: THIS BED'S FOR SALE

THESE ARE NOT ILLEGAL HOTELS. These are amazing stories within a core community of hosts and travelers adding to the diverse fabric of New York.

-David Hantman, Head of Global Public Policy for Airbnb

HOUSING IS BOTH a necessity of life and, in our society, a commodity, provided for profit. The tension between the two underlies the vagaries of housing policy in the United States.

-Peter Marcuse and Dennis Keating, 2006

**WWW.ANTIEVICTIONMAPPINGPROJECT.NET
ANTIEVICTIONMAP@RISEUP.NET
[@ANTIEVICTIONMAP](https://twitter.com/ANTIEVICTIONMAP)**

Boosters of the Sharing Economy promise that many modern problems will be solved if government simply gets out of the way. Lyft and RelayRides facilitate sharing privately owned cars, which will lessen environmental degradation due to over-consumption. With decreasing job security, thanks to off-shoring and corporate consolidation, you can now “be your own boss” by becoming a Lyft or Uber driver, or find piecemeal work on TaskRabbit—with no access to benefits or health insurance. As long as you don’t think too deeply about the implications for labor law, insurance liability, or tax avoidance, the Sharing Economy sounds marvelous.

This report investigates the effects of turning homes into vacation rentals in San Francisco. These rentals typically violate the San Francisco Administrative code 41A against rentals less than 30 days, and may violate zoning laws. Few hosts seek the required conditional use permits from the Planning Department, nor obtain proper insurance, so nearly every advertisement on sites such as Airbnb, HomeAway, VRBO or Flipkey are violations. Lobbyists for the industry have argued that the effects on rental supply is minimal, and at the same time, that the industry is so popular it cannot be stopped. Instead of trusting the boosters--who have much to gain by the continued non-enforcement of existing law and who also aim to amend zoning laws to legalize the industry--we offer some original data gathered over the last two years.

In Part One, our research, along with data from the industry’s own commissioned reports, will answer the questions:

- Who benefits and who does not from apartment sharing in San Francisco?
- Has there been a tangible loss of housing stock or a rise in prices due to the growing industry of vacation rentals?
- Who succeeds the most in the vacation rental business and what are their strategies?

Part Two concludes this report with a discussion of whether the practice of “sharing” homes lives up to its promise of a collective experiment and whether it is beneficial, benign or destructive. We urge you to read this section if you are interested in tackling more theoretical questions, such as:

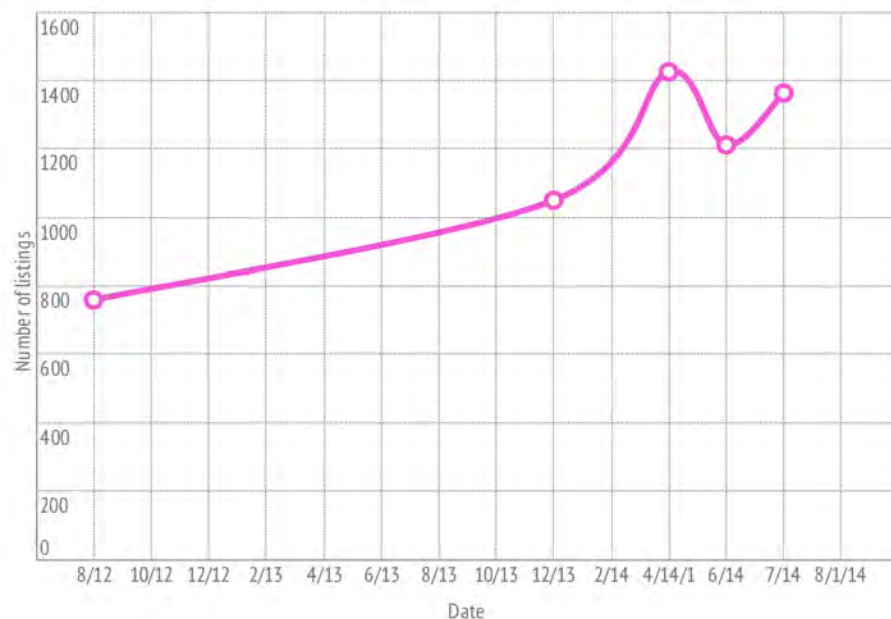
- What are the social, political and economic effects when shelter or “home” becomes a tool of entrepreneurialism?
- How have the traditional roles of landlord, tenant and speculator been upset by sharing homes and what does that mean for tenant advocates and the ideology behind rent control?
- And finally, what does a neighborhood-level economy which courts tourism do to residents, workers and neighborhood cohesion?

PART ONE: HAVE VACATION RENTALS AFFECTED SAN FRANCISCO'S HOUSING STOCK?

Vacation home purchases in San Francisco are on the rise. Census data counts 5,564 vacation homes in San Francisco—up from 3,764 in 2000 and 1,509 in 1990.¹ Over a two year period, we tracked the volume and listing prices of rentals on the website VRBO.com (Vacation Rentals by Owner). We chose VRBO because the listings are offered by owner hosts rather than renters. Owners who choose to offer their surplus housing stock to tourists rather than residents should be a clear concern for city officials who are scrambling to provide enough housing for residents.

Website listings were counted on August 5, 2012; December 12, 2013; and April 14, 2014: Between the time period of August, 2012 and December, 2013: 290 listings were added--representing a 38 percent increase over 16 months.

Number of listings on VBRO, 8/12 to 4/14



Note: The drop on April 14th occurred after the announcement of two City Attorney cases.

Between December, 2013 and April, 2014: another 376 listings were added for a total of 1425. **This represents a 36 percent increase in only four months time!!!**

¹ Glantz, A. <http://www.nytimes.com/2011/07/22/us/22bchomes.html?pagewanted=all>

In 2012 and 2013, these figures were presented to the Board of Supervisors to spur concern, yet the problem only got worse due to lack of enforcement. Unless these owners waited for tenants to move out on their own and then not re-rent, some coercion probably occurred either in the form of buyout offers or evictions.

Is it worth the risk? How lucrative is being an illegal vacation rental host?

Although most short-term vacation rentals violate two sets of local laws, owners cannot resist the profits that can be made. VRBO's San Francisco online community offer each other advice on how to respond if you receive a letter of warning by the enforcement department Planning Department--the advice is to basically deny the violation and continue hosting as there is rarely followup. VRBO sends out staff to rent and review properties, meaning they are knowingly renting units that lack conditional use permits and proper insurance, so cannot plead innocence about what the hosts on their site are doing.

To illustrate the profits that can be made from illegal rentals, we tracked one identifiable owner over a two-year period.

Case Study

BJ is a leading realtor who has for many years lived and specialized in Noe Valley. Her husband Malcolm is a marketing executive in a software company. They and their 16-year-old Shar Pei, Zelda, split their time between Noe Valley and the Sonoma wine country.²

BJ and Malcolm own a five-unit building in Noe Valley and four of their neutrally decorated units are available year round to rent. They also own and rent out two other "homes" in Sonoma.

- At the time of writing, the average monthly rent for a two-bedroom in Noe Valley was \$4084—an increase of \$452, or 11 percent, since our first study in 2012.
- BJ and Malcolm's rental prices also increased over this time from \$1600 in 2012 to \$2000 per week in 2014, although their costs as owners probably did not increase.
- Their nightly rate increased from \$275 in 2012 to \$325 in 2014—an 18 percent increase.

If we assume most tourists rent by the week for their discounted weekly rate of \$2000, they will earn \$32,000 in four months (\$8000 per month / \$128,000 per year). **This constitutes 195 percent of what market rate tenants would pay.**

² Owner's own description from VRBO listing

A calendar booked with consecutive shorter stays earns the owners even more money as they are requesting \$325-\$375 a night (\$2275-\$2625 per week). They have three other units in the building available which are not included in these figures.

Consolidation of Wealth

In our study of VRBO, we were able to identify 311 unique buildings and their addresses. Our data shows:

- 31% of identifiable owners on VRBO list more than one unit for rent.
 - This figure is similar to a report commissioned by Airbnb which found that 30% of hosts list more than the unit they live in.³
 - The San Francisco Chronicle counted 1,278 hosts offering more than one AirBnB.⁴
- Owners make reference to multiple vacant units offered in the same building—buildings that would otherwise qualify for rent control
- An estimated 783 units are on VRBO that would be rent-controlled if rented to long-term tenants
- These are all second homes; no owner resides in them.

Many “owners” are actually real estate professionals and professional property managers listing units for other people. A study of rival Airbnb in New York found that 46 percent of the volume of rentals in New York comes from the hosts who offer more than one unit. In other words, **46 percent** of Airbnb’s revenue comes from the 30 percent of multi-unit managers—the professionals—rather than individuals simply sharing the space in which they live.⁵

Our data showed clear evidence of owners acquiring new buildings to turn into vacation rentals with no intentions of ever being landlords. Although they lack permits and are violating local laws, the lucrateness makes it worth it the effort. No-fault evictions have been found at some addresses backing up anecdotal evidence from tenants seeking advice from the San Francisco Tenants Union. Some owners have reviews that date back seven years. These illegal rentals also affect prices for home buyers in a competitive market, because the inflated potential profits to be made are factored into the asking price.

“Extra unit run as a vacation rental on VRBO. Potential annual earning potential \$123,000 a year!” -Real estate listing for home for sale in the Mission District

³ Airbnb commissioned report by HR&A Advisors 2012, p 5.

⁴ Said, C. <http://www.sfchronicle.com/business/item/airbnb-san-francisco-30110.php>

⁵ Slee, T. <http://tomslee.net/2013/10/notes-on-airbnbs-new-york-business.html>

Summary:

If illegal hotels are left to flourish, owners of residential buildings will come to expect more and more income from their investment, which pushes resident rents and home prices upwards. Taking units off the resident rental market also decreases supply, which contributes to rising rents.

San Francisco Administrative code Section 41A – the purpose of which is to preserve affordable rent-controlled housing stock because of the shortage.

- (a) **Unlawful Actions.** It shall be unlawful for
- (1) any owner to offer a residential unit for rent for tourist or transient use,
 - (2) any owner to offer a residential unit for rent to a business entity that will allow the use of a residential unit for tourist or transient use, or
 - (3) any business entity to allow the use of a residential unit for tourist or transient use.

The sharing economy boosters like to argue that vacation rentals are so innovative that there isn't a law which applies yet. However, the law is quite clear...

Renters as Professional Hoteliers

Pamela Kelley, a real estate agent, began her illegal vacation rental business by promising her own landlord that she would give up her rent-controlled apartment if she could rent it out year-round on Airbnb, for ten percent of the profits. She was so fearless of city enforcement that she bragged about her lucrative business to the *New York Times* in 2011.⁶ She now has a website which lists seven other properties. (Home2SanFrancisco.com).



SAN FRANCISCO'S RESIDENTIAL SPECIALIST

Wealth Tends to Consolidate

46% of the *volume* of rentals in New York comes from the hosts who have more than one offering. In other words, 46% of Airbnb's revenue comes from 30% of its users—the multi-unit professional managers.

⁶ Glantz, A.

Similarly, pseudonym “Bradley,” a former New Yorker and options trader, claimed to be renting out six units on San Francisco’s Airbnb in 2013, some without the landlord’s knowledge. He is careful not to choose buildings with live-in landlords or sign leases at two apartments managed by the same company. His first year goal was to rent a new apartment every month, and have 12 of them by the end of the year, enough to comfortably quit his day job. He was on track to make \$144,000 in 2013, the year he gave an interview to Fast Company magazine.⁷



Photo: Meredith Galante/Business Insider

In New York, Robert “Toshi” Chan—who was raised in San Francisco—has been ordered to pay a \$1 million settlement for not having proper hotel permits or insurance while managing **220 properties** on Airbnb.

For his part, the self-styled hotelier claims the “Toshi effect” isn’t his fault. “I had no idea that the landlords were evicting all of their tenants to give me the space,” Toshi said. “Landlords were coming to me and saying we want you to rent the entire building, because I can get a much bigger loan with you as my tenant would take this money out and buy another apartment.”⁸

New York City has been far more aggressive in pursuing illegal rental operators. The same year that Toshi was apprehended, San Francisco's Planning Department had curbed only 5 buildings, although there are thousands of them flagrantly operating without conditional use permits.⁹ It is not as if the problem of illegal vacation rentals is unknown; as of May 2014, the Planning Department had a backlog of 1200 complaints filed but claimed to lack the staff or tools for enforcement. If San Francisco decides that it wants to allow some vacation rental use, a registry of permission would be an essential tool to determine the legitimate from the illegitimate vacation rentals online.

Upsetting the terrain of tenant advocacy

Renters who host on Airbnb upset the traditional discourse of tenant advocates by acting like sub landlords. The question for tenant advocates becomes: is it more important to protect ALL tenants from eviction threats, OR to curb behavior which conflicts with the goal of de-commodifying housing? Do you ban vacation rentals for everyone and watch as tenants who host on Airbnb get evicted? Or do you "legalize it" and let owners and tenants profit off of their homes and drive up rents? It also undermines arguments of the importance of rent control; there is a hypocrisy in renters who want their rent to be price-controlled while at the same time seeking unlimited profit themselves from their rented homes.

If the goal is to protect renters, are tenants advocates required to also protect the Pamela Kelley's and the Bradley's of the world? Perhaps we can decide by looking at *Who Airbnbs?*

The Digital Divide: Who are the tenant hosts?

In a 2012 report, commissioned by Airbnb, the summary claimed that Airbnb makes "urban housing more affordable"¹⁰—never mind that Airbnb rentals create no new housing and break existing housing laws. There is some validity to the claim insofar as San Francisco's high rents can be alleviated for the individual acting as host and help them to remain in an expensive city. *How that helps the rest of the city residents is unclear.*

8. Glantz, A.

9. Kessler, S. <http://www.fastcompany.com/3021179/secrets-of-running-a-six-figure-airbnb-business>

10. HR&A Advisors 2012, p 5

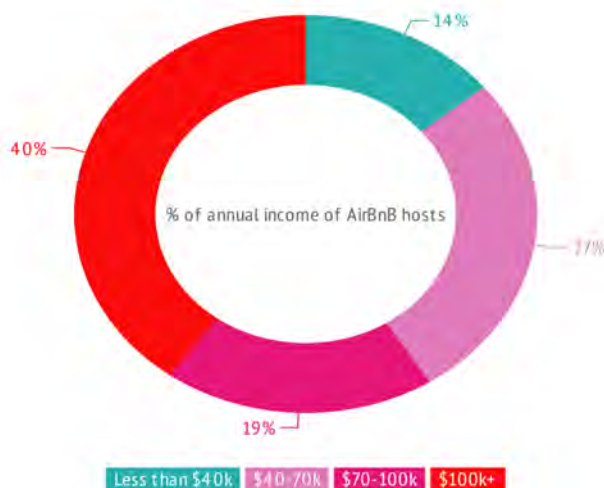
Airbnb is best suited for the young and flexible who have the luxury of staying elsewhere while renting out their entire apartment. Working class families with children, the elderly and their caretakers, or the mobility-impaired don't usually have the option of slipping off to a friend's, partner's or a second home for the weekend. Furthermore, a Harvard Business School study of Airbnb, which includes photographs of hosts, found that Black hosts listed prices an average of 12 percent lower compared to non-Black hosts as they competed for vacationers in the very same neighborhoods.¹¹

An article by Commode and Bentley in 2013, describes young newcomers to New Orleans deliberately overspending on apartment rents because they plan to make up the difference by becoming an Airbnb host. This contradicts Airbnb's logic that hosting makes rents more affordable; signing leases within your means also makes rents affordable. Our research revealed many people who purchase condos in San Francisco, but their homes are not their primary residence. As San Francisco contemplates how to find funds to build new housing, one wonders if regulating and de-incentivizing this kind of space hoarding--perhaps with a vacancy tax?--might be more efficient as it would immediately return thousands of rent-controlled apartments to the market.

In Airbnb's report on San Francisco, the demographic results reflected the gentrification of the city, with a prevalence of young affluent single people as hosts:

- 59 percent of hosts earn over \$70,000 a year, including 40 percent of hosts who earn over \$100,000.¹²
- 52 percent of hosts offer entire empty homes to vacationers and 43 percent have a spare private room to share while San Francisco is in the midst of a severe housing shortage.¹³

Annual household income of AirBnB hosts, 2012



11. Edelman, B and Luca, M. "The Digital Discrimination: The Case of airbnb.com." Harvard Business School Working Paper, Jan 10, 2014

12. HR & A Advisors, 2012, p 5

13. Ibid.

If the purpose of hosting is simply to make one's rent affordable, one has to wonder whether sharing that extra space with a permanent roommate or giving up your second apartment to move in with your partner is not the more noble effort, because it actually benefits people looking for permanent housing.

PART TWO: THE SEMIOTICS OF TOURISM

Recently, Airbnb hosts have been “politicized” into forming a PAC to lobby for the legalization of vacation rentals. They want the zoning code changed citywide to suit their personal interests, while couching the rhetoric in grassroots activism. The PAC is not entirely spontaneous however, but is led by well-connected Airbnb lobbyist and former city official, David Owen—former Chief of Staff to the Board of Supervisors. Owen’s press release claimed concern about “predatory landlords” who evict tenants caught being hosts, which mimics the language of anti-eviction activism.¹⁴ The Anti-Eviction Mapping Project is also concerned about predatory landlords. Until now however, Airbnb spokespersons have never lent support to more important tenant rights issues, such as the rise in no-fault evictions and displacement followed by gentrification—displacement that may very well be caused by the rise of illegal vacation rentals as the city is transformed into a vacationer’s playground.



Photo: Tim Hussin, San Francisco Chronicle

14. McGowen, E. www.thebolditalic.com/articles/4847-airbnb-co-opts-anti-eviction-cause-to-protect-its-hosts

Sharing the Utopian Dream

The basic characteristic of sharing economy marketplaces is that they extract value—with the designers of the web platforms taking a huge cut—from the stuff we already have.¹⁵ Although ultimately seeking profit for themselves, boosters of the sharing economy co-opt the discourse of environmentalism, the counterculture, and collectivism. The participants downplay the money one can make and the privileged aspect of having spare rooms to let and prefer to see the sharing economy as the gateway to world peace:

How cool would it be to have people from different cultures living together?
What kind of world would that be? I think it would be a better one.

—Brian Chesky, Airbnb cofounder in a 2011 promotional video.

While academic boosters of the New Economy¹⁶ tout the jobs created, spilling over from the presence of high-wage earners and tourists, they do not explain what type of jobs are created, what they pay and whether these workers live in the cities they service.¹⁷ Incentivizing tourism, with changes to the zoning code, is problematic for neighborhood residents and is shortsighted in protecting what makes San Francisco unique. Tourism is tied to a world system of multinational capitalism, through airports, infrastructure, signifiers, and interchangeable equivalent goods for sale. Tourism unites segments of the world population from richer countries through shared values.¹⁸ There is a sense of what is deemed significant to cultured people: the Eiffel tower, the Golden Gate Bridge, Tartine Bakery, or the Taj Mahal. Airbnb's most popular city destinations—those with the most online users—correspond to already established urban centers of wealthy capitalist societies. The more a city becomes bland and homogenized, however, the less unique and marketable it becomes.

Tourism and gentrification are intractably linked. Gentrification clears the way for homogenized comforts. Tourists get to play the leisurely role of “a ‘shopper’ and a spender whose life becomes significant and exciting only when one is exercising power by choosing what to buy.”¹⁹

15. Zerolnick, J. “Couch Surfer and Billionaires: On the Sharing Economy.” A transcribed interview, <http://capitalmain.com/the-hype-of-sharing-lyft-airbnb-et-al/>

16. An economy based on services—typically tech-based ones—rather than traditional manufacturing jobs.

17. See Enrico Moretti or Richard Florida on spillover jobs.

18. Culler, J. “The Semiotics of Tourism.” (University of Oklahoma Press, 1990), p. 4

19. *Ibid.*, p.3



Barcelona, Photo: Erik Keeling

Service Workers: Digging Their Own Graves

Desirability and the prices that buyers or renters are willing to pay in a city are based on a combination of location and accessibility, the past labor and technology that developed the site, the cultural offerings, neighborhood safety, schools, infrastructure, and also marketing hype. When these attributes are considered positive ones and housing prices sharply increase, we begin to talk about gentrification—or in San Francisco’s case “hyper-gentrification.”

“This means that the value of urban land is primarily a collective social creation.”²⁰

We have seen this refusal to acknowledge the collective effort devastate San Francisco’s Mission District—which is also Airbnb’s most popular San Franciscan neighborhood. The Mission



20. Lees, L.; Slater, T. and Wyly, E. Gentrification. (New York Routledge, 2008), p. 51

which now has new rents higher than established wealthy areas like Pacific Heights,²¹ offers an example of the quest for a “vibrant” lifestyle.

The working class Latino heritage can still be felt in the restaurants, festivals, and murals, but housing opportunities are being rapidly gobbled up as pied-à-terre, and by affluent newcomers, who prefer lively neighborhoods over gated suburban communities. As a third-generation Latino Mission resident might say, “They love us for our tamales, but they don’t mind taking our homes.”

Everyday people that made San Francisco (and the Mission) attractive as a tourist destination and a place to live, find themselves priced out. Renters who provide the city’s vital services, work in cultural institutions, or fought for civil rights advancement contributed to the overall dynamism of the city—yet for their efforts, they are told to leave so that individual property owner’s can enjoy their private gains. If the tenant’s grandfather happened to have been employed as the laborer who built that pretty Victorian which is now such a prized purchase, the contribution does not matter because the new buyer can afford to pay more than the laborer’s grandson. The grandson must get out of the way so the new owner can enjoy their property “rights.”

Conclusion

We do not believe the sharing economy, when it comes to affording housing costs, is anything innovative or cooperative; Airbnb, Flipkey and VRBO are individual profit-seeking couched in claims of pseudo-collectivism. The most interesting thing about the vacation rental problem for us is how it upsets the traditional rules of rent exchange-- when renters become hosts--as it exposes the outrage of owners who demand exclusivity over monopoly rents. Many property owners feel viscerally that rent controls, property taxes, and other regulations constitute a form of extreme government overreach. They barely acknowledge that the United States was founded on bizarre government decrees which gave the few the right to seize, control and profit from parcels of “conquered” land--as long as you fit in their preferred categories of race and gender. Contrary to the freedom desired by property owners as masters of their own domain, “without government ‘regulation,’ there could be no exchange at all.”²²

21. Solis, S. <http://www.sfchronicle.com/news/article/Meet-the-monarch-of-the-Mission-who-s-fighting-5428478.php#/0>

22. Logan, J. and Molotch, H. *Urban Fortunes* (Berkeley: University Press, 1987), p. 27

In the end, the benefits of commodifying everyday life are uneven and familiar. Some get very rich extracting fees from others who take the risks, some play the game to benefit themselves while undermining others, and some are excluded from participation altogether along the usual lines of race, age and class. The sharing economy represents the loss of hard fought tenant and labor gains, heightens levels of social inequality and increases the grip of the market in new spheres of social life. The sharing economy is a gateway drug towards selfishness:

You are now urged to put a price on who gets your parking spot, who shares your bed, and who's at your dinner table.²³ Human interaction such as visiting friends, acts of random kindness and civic responsibility are reduced to potential loss of profits.

Instead, the Anti-Eviction Mapping Project would prefer if our city officials and residents fostered a cooperative spirit which acknowledges a Right to the City for all--in which the ability to live, play and engage with the city is not determined solely by your income and where we are not encouraged to maximize personal gain while ignoring the collective good.

*- Anti-Eviction Mapping Project
July 26, 2014*

Note: We are crowdsourcing data and collecting anonymous tips about illegal vacation rentals in San Francisco here: www.antievictionmappingproject.net/airbnb.html

