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CITY COUNCIL PASSES MAYOR EMANUEL'S HOUSE-SHARING REFORMS AND PROTECTIONS

Proposal Will Strengthen and Support Emerging Industry While Protecting Residents and Quality of Life in Chicago's Neighborhoods; Generate Funding Source to Address Homelessness

City Council today passed an ordinance that will reasonably regulate the emerging house sharing industry after significant dialogue between Aldermen, community groups, industry stakeholders and the Emanuel administration. The ordinance will regulate the house sharing industry with strengthened protections for consumers and quality of life while generating new revenue to invest in supportive services and housing for the homeless.

"While other cities struggle to regulate the new sharing economy, Chicago worked with stakeholders to create a consensus around how to reasonably regulate these emerging industries in a way that protects consumers and neighborhoods," said Mayor Emanuel. "Further, this productive dialogue has resulted in an ordinance that provides a dedicated funding stream to address homelessness."

The ordinance requires companies to be licensed as a short term residential rental intermediary (like Airbnb) or advertising platform (like HomeAway), imposing different obligations for data collection and reporting to support different business models. Both company types must submit and comply with a quality of life plan to address problem units operating on their platform. To ensure the City can track units made available for lodging and respond to complaints, units will be required to register as a shared housing unit if booked through an intermediary or be licensed as a vacation rental if booked through an advertising platform or offline. Additionally, hosts who rent multiple shared housing units will be required to obtain a shared housing unit operator license, which would subject the host's units to heightened regulatory standards.

"Knowing where every one of these units is operating will help us protect the quality of life in our residential neighborhoods," said Alderman Joe Moore. "My primary goal as chairman of the Housing and Real Estate Committee is to support and expand affordable housing in Chicago and the funds generated by our proposal do just that."

"This ordinance encourages innovation while injecting accountability into these short-term rental units," said Alderman Ameya Pawar. "It also generates much-needed funds for affordable housing."

The new ordinance is expected to generate more than $2 million in revenue annually by collecting a four percent surcharge on the booking of any shared-housing unit or vacation rental. Up to eight percent of the revenue raised from this surcharge will be used for enforcement and administration purposes, with one half of the remaining revenue used to fund supportive services attached to permanent housing for homeless families and the other half to fund supportive services and housing for the chronically homeless.

The ordinance also has several protections to address quality of life issues. Clear limits are set on the number of allowable units within buildings: in single-family homes, only primary residences can be rented; in homes with two to four units, only primary residences can be rented and only one unit per building can be rented; buildings with more than five units will be limited to the lesser of one quarter of the total number of dwelling units or six rental units. However, an adjustment process will afford hosts additional flexibility to rent units that do not conform to these limits, and will require a public safety evaluation, advance notice to adjoining neighbors and a recommendation from the affected Alderman. Buildings with more than five units are not eligible for this process.

The ordinance also includes a variety of enforcement tools, including the creation of an ineligible list of units that will not be allowed to operate and a list of prohibited buildings that, at the discretion of the building's homeowner's association, condo board, or property owner, would allow for a prohibition of short-term rental activity in their building. The ordinance also creates a one-strike-and-you're-out rule for certain egregious conditions and a three-strikes-and-you're-out rule for units that cause a disturbance. To ensure compliance, the ordinance establishes a clear penalty structure, as violators may be fined $1,500 to $3,000 per offense, with each day that a violation exists treated as a separate and distinct offense. Egregious conditions, criminal activity or public nuisance will be subject to a heightened $2,500 to $5,000 per offense penalty.

With the passage of this ordinance, Chicago is the first city in the country to establish a requirement for a clear plan of operations for the removal of listings from a company's platform. Companies are subject to a clear penalty structure to ensure compliance with the proposed regulations. The quality of life plan established by the ordinance will require Airbnb to establish a 24/7 hotline and the City will ensure that residence can be connected to the hotline by calling 3-1-1. Finally, requiring intermediaries pay a $60 per unit fee in addition to a flat $10,000 annual license fee, more than $200,000 annually will be generated to fund the ordinance's enforcement.

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