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MAYOR LIGHTFOOT INTRODUCES ORDINANCE TO REFORM SHARED HOUSING INDUSTRY

Proposal will bring needed transparency and oversight to Chicago's home-sharing regulations and make it easier to prevent and remove problem party locations

CHICAGO – Mayor Lori E. Lightfoot along with Department of Business Affairs and Consumer Protection (BACP) Commissioner Rosa Escareño today introduced an ordinance to City Council to strengthen the regulatory oversight of the shared housing industry. The reform ordinance will improve transparency within the home-sharing industry while giving the City of Chicago more regulatory authority to prevent and remove “party houses” and other problem locations. The new ordinance is co-sponsored by Alderman Emma Mitts, Chairman of the Committee on License and Consumer Protection.

“Chicago’s home-sharing industry is a critical link for residents and visitors in our city, that’s why with this monumental ordinance, we are not only ensuring customers have the transparency they need but also making it easier for small operators to become licensed in our city,” said Mayor Lightfoot. “By enhancing the City’s enforcement powers against bad actors and increasing regulatory oversight through BACP, we can further ensure this new and innovative industry remains safe for all of Chicago’s residents.”

Passed in 2016, Chicago’s current shared housing ordinance was a ground-breaking regulatory approach that made Chicago the first city in the nation to receive information from hosts, allowing the city to enforce restrictions designed to protect the quality of life throughout Chicago. However, the industry has evolved over the past four years, and the ordinance introduced today will make significant regulatory changes that are necessary to ensure safe and responsible operations. The new regulations will reform the industry in the following ways:

- Remove the ability for shared housing hosts to list units and accept reservations while their registration application is pending;
- Make BACP the point of intake for registration applications;
- Prohibit the use of shared housing units for single-night reservations;



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- Enhance BACP’s enforcement authority around shared housing units being used for parties; and
- Create a tiered licensing fee for platforms to make it easier for small operators to become licensed while increasing the per-unit registration fee.

“Over the last four years, we have worked tirelessly to oversee the evolving shared housing industry within the limits of the existing regulations,” said BACP Commissioner Rosa Escareño. “This ordinance will modernize the process, improve host registrations and enhance the City’s ability to hold problem actors accountable while preserving the innovation that is critical to this industry.”

Currently, there are 8,869 shared housing units listed through two licensed shared housing intermediaries – Airbnb and HomeAway. Today’s introduction follows a shared housing subject matter hearing in March, at which BACP, aldermen and residents expressed their concerns over the existing Shared Housing regulations. Leading up to that hearing, Mayor Lightfoot established a working group, led in part by Alderman Mitts, to review the regulations and prepare a new regulatory structure. Today’s ordinance is a product of that working group and will bring much-needed transparency, enforcement authority and regulatory change to address the issues raised at the subject matter hearing.

“The home-sharing industry is an important part of our city, but the current regulations restrict our ability to ensure responsible operations,” said Ald. Emma Mitts (37th Ward), Chairman of the Committee on License and Consumer Protection. “Under this proposal, Chicago is taking the lead with strong and ground-breaking regulations that ensure safety, protect residents and maintain innovation within the industry.”

Under current regulations, unlike with any business license application, shared housing hosts are granted the ability to immediately list and rent their units on the intermediary before they receive approval from BACP. They must remove their listing only upon final denial from BACP. This means that units that would be rejected due to existing regulatory restrictions can still accept reservations during a registration and appeals process that could last for months. Under today’s proposed ordinance, shared housing hosts will no longer be able to list and rent their unit while their application is pending and must wait until an application is approved by BACP before listing their unit on any platform. This will strengthen existing regulations by preventing the listing of units at prohibited locations and prevent frivolous appeals that unnecessarily prolong the application process.

Additionally, for all other business licenses, the City receives critical application information directly from the applicant. However, shared housing hosts currently



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submit their information directly to the intermediary, who then submits this information to BACP every two weeks. This leads to incomplete data and a lack of identifying information that would support the enforcement against problem locations. For example, BACP only receives the public-facing name for the host, which is often just their first name and is therefore not useful when enforcement is necessary. Today's ordinance will require applicants to submit complete and accurate information directly to BACP in order to register. This will improve the City's ability to ensure regulations are being met and take enforcement when necessary against problem locations.

In order to stop the proliferation of problem party locations that negatively impact neighboring residents, the proposed ordinance will prohibit the use of shared housing for single-night reservations and enhance the City's enforcement authority to prevent and remove party houses. The ordinance will make it easier for the City to revoke a registration after one instance of an illegal party or overcrowding, while lowering the threshold for revocation for other nuisance conditions.

Finally, the proposed ordinance will create a tiered licensing fee for intermediaries and increase the registration fee for each host. Currently, all intermediaries pay an annual fee of \$10,000, no matter the size of the platform. Under the proposal, intermediaries with 1 to 499 units will pay a decreased fee of \$5,000 per year, intermediaries with 500 to 999 units will pay \$7,500, and intermediaries with 1,000 or more units will pay the current rate of \$10,000 per year. This will make it easier for smaller operators to compete and come into compliance. Additionally, per unit fees will increase from \$60 to \$125 per year.

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