The Sharing Economy –
Managing the Challenge &
Creating Opportunities

League of California Cities

Annual Conference

October 2016
The Sharing Economy

- BookMooch
- Coasten
- RelayRides
- NeighborGoods
- LendingClub
- Airbnb
- ParkatmyHouse.com
- Uber
- TaskRabbit
- Lyft
- Zipcar
Sharing economies allow individuals and groups to make money from underused assets. In this way, physical assets are shared as services. For example, a car owner may allow someone to rent out her vehicle while she is not using it, or a condo owner may rent out his condo while he’s on vacation.

(Source: PwC)

Other names include: ‘Peer Economy’, ‘Collaborative Consumption’ and the ‘Collaborative Economy.’
Collaborative Economy Honeycomb Version 1.0

The Collaborative Economy enables people to efficiently get what they need from each other. Similarly, in nature, honeycombs are resilient structures that efficiently enable many individuals to access, share, and grow resources among a common group.

In this visual representation, this economy is organized into discrete families, sub-classes, and example companies. To access the full directory of 9000+ companies visit the Mesh Index, at meshing.it/companies managed by Mesh Labs.

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Design by Vladimir Mirkovic www.transartdesign.com
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19% of the total US adult population has engaged in a sharing economy transaction.

Percentage of US adults who have engaged in a sharing economy transaction:
- 9% Entertainment and Media
- 8% Automotive and Transportation
- 6% Hospitality and Dining
- 2% Retail

- Airbnb averages 425,000 guests per night, 22% more than Hilton Worldwide.
- Uber operates in more than 250 cities after only five years in operation.

“PwC’s projections show that five key sharing sectors – travel, car sharing, finance, staffing, and music and video streaming – have the potential to increase global revenues from roughly $15 billion today to around $335 billion by 2025.”
- 6% of the US population has participated as a consumer in the hospitality sharing economy; 1.4% have served as a provider.
- Customization of travel experience
- Major platforms: Airbnb, Homeaway/VRBO, Couchsurfing

“The sharing economy effect is accelerating with internet and technology and is something that is impacting our business,”

- Christopher Nassetta, President/CEO Hilton Worldwide
Benefits

• Keeps travelers local and their dollars within the jurisdiction.
• Provide residents with additional income/capital to spend.
• Gives travelers more scalable and affordable lodging options.

Concerns

• TOT Revenues
• Zoning - Commercializing of residential areas.
• Safety – Loss of control over residents/occupants.
8% of adults in the US have participated in some form of automotive sharing; 1% have served as a provider.

- Access over ownership
- Major platforms: Uber, Lyft, Cars2Go, Zipcar, Relay Rides

“I think the biggest change that we’re seeing here is that people are choosing to buy mobility as opposed to just buying a car.”

- Shelby Clark, CEO, Peers.org
Benefits

- Safety – Decrease in drunk-driving.
- Environmental – Reduction in vehicles and increase in higher quality vehicles.
- Infrastructure – Less wear on existing roads/more people per vehicle. Solves parking challenges.
- Tourism – Increase in time and spending.

Concerns

- Safety – Oversight of drivers. Liabilities.
- Regulation – Direct competitor to taxi industry with less regulation
- Driver Status– Employee? Independent Contractor (1099)?
- Business License Collection
Wherever there is change, and wherever there is uncertainty, there is opportunity!
- Mark Cuban
Case Study:
City of Long Beach
Alternative Work Arrangements

- Harvard economist Lawrence Katz and Princeton’s Alan B. Krueger found that the number of Americans with alternative work arrangements rose 9.4 million from February 2005 to November 2015 (Jonathan Ortmans).

- “A recent study...suggests that one in three members of the American workforce (and a higher proportion of younger people) do some freelance work.” (Economist)
NerdWallet Ranks Long Beach 10th Best City for Freelancers

Long Beach allows taxis to lower fares as they compete with Uber, Lyft

Maybe it's the city's proximity to an entertainment hub. Beach is full of fiercely independent citizens. Either way Long Beach as the 10th Best City for Freelancers in the
Growing the Next Generation of Businesses

- Changes in the labor market require that we rethink how work is structured and regulated.
- Make it easier for individuals to manage their own pensions, health care and other benefits that have historically been tied to jobs.
- Strengthen the entrepreneurial ecosystem for independent contractors, sole proprietors, and new business models.
- Design solutions around users (e.g. provide more navigators, co-working hubs and spaces, high tech infrastructure, and leverage external support services).
User Centered Design

• Seek to understand the experience of today’s entrepreneur.
• Identify obstacles and design solutions to help overcome those obstacles.
• Start with interventions and build up to policy.
Know Your Data

Days to Issue License by License Class

- Banking/Insurance
- Miscellaneous Mobile
- Contractors
- Wholesale
- Manufacturing
- Unique Businesses
- Vending
- Home Based
- Professionals
- Services
- Retailing
Navigational Tools

Shift from Regulator to Navigator

• Help entrepreneurs to be more successful.
• Reduce confusion, cost, and improve competitiveness. Time is money.
• Connect entrepreneurs to resources outside City Hall.
• Create “open source” solutions that leverage outside resources and partnerships.
Digital Mindset

Meet them Where they Are

• Communicate complex policies and procedures in short, creative, online media.

• Provide resources to the “necessity” entrepreneurs.

• Encourage competition and diversity. Encourage connection to the outside world.

• Goal: reduce the average and median days to license and permitting approval.
Share Information.

- Clarify your user and measure the impact.
- Report results to your external partners in real time.
- Utilize free or low-cost tools already available online to share progress and shape strategy.
- Goal: invest in what works to drive usage.
Enable Connectivity

• Connect entrepreneurs to consumers, outside markets, and to each other.
• Build the highway, train, and good movement infrastructure of the future.
• Leverage unused bandwidth to support the private sector.
Strengthen Your Partners

• You are not alone. Make it easy for partners to help you.
• Create the platform. Let them create the content.

Need help starting a business?
Try our new pilot website: bizport.longbeach.gov
References


*Nelson, Laura. Long Beach allows taxis to lower fares as they compete with Uber, LyftLos Angeles Times, May 2015:*

Case Study:
City of San Diego
• Current TOT rate is 10.5%
  • Collected from all lodging businesses for stays of less than one month
  • Fiscal Year 2016 Collections = $202.5 million

• Tourism Marketing District rate is 2.0%
  • Assessed on lodging businesses with 70 or greater rooms
  • Fiscal Year 2016 Collections = $36.3 million

• Two citizens initiatives in November related to TOT
  • Measure C: Downtown Stadium Initiative
  • Measure D: The Citizens’ Plan for the Responsible Management of Major Tourism and Entertainment Resources
Variety of internet home hosting platforms operating within the City

Increasing supply and popularity of short term rentals within the City

Compliance of internet home hosting platforms with local TOT laws relies on a strong definition of an “Operator”
• City of San Diego Municipal Code definition of an “Operator” for purposes of TOT is:

  • The Person who is the proprietor of the Hotel, Recreational Vehicle Park, or Campground, whether in the capacity of owner, lessee, sublessee, mortgage in possession, licensee, or any other agent capacity. “Operator” includes a managing agent, a resident manager, or a resident agent, of any type or character, other than an employee without management responsibility.
### City of San Diego TOT Receipts

<table>
<thead>
<tr>
<th>Type of Property</th>
<th>FY 2015 Receipts</th>
<th>% of Total</th>
<th>FY 2016 Receipts</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels</td>
<td>$ 178.5</td>
<td>96%</td>
<td>$ 188.1</td>
<td>93%</td>
</tr>
<tr>
<td>Short-Term Rentals and RV Parks</td>
<td>$ 7.8</td>
<td>4%</td>
<td>$ 14.5</td>
<td>7%</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 186.3</td>
<td>100%</td>
<td>$ 202.5</td>
<td>100%</td>
</tr>
</tbody>
</table>
• Car sharing programs allow for increased flexibility in the rental of cars, targeting occasional car users

• Goal of reducing green house emissions in accordance with the City’s Climate Action Plan

• Pilot car sharing program with Car2Go began in November 2011 and ran through 2015
• First all electric car sharing network in North America
• Pilot program allowed user to pick up and drop off a car anywhere in the 33 square mile San Diego network
• Pilot program results were as follows:
  • 27,000 members
  • 385 Smart ForTwo electric vehicles
  • Over 7,000 trips a week of 7-12 miles
  • Typical trip duration of 8 to 15 minutes
  • 10 dedicated Car2Go parking locations in the urban core
• Success of car sharing corporate sponsorship pilot program resulted in expansion to two providers:
  • Car2Go
  • Zip Car

• Payments to the City for participation in the car sharing corporate sponsorship program include:
  • Metered and Dedicated Parking - $450 annually per vehicle
  • Program Participation fee - $45 annually per vehicle
  • Car Share Expansion Fund - $25 annually per combustion vehicle
Car Sharing Program

• **Car2Go**
  • Five-year corporate sponsorship agreement
  • Continues with 385 vehicles and a 33 square mile network
  • Pick-up and return anywhere in the network
  • Rentals available by minutes, hours, and days
  • Dedicated parking areas and no cost metered parking

• **ZipCar**
  • Five-year corporate sponsorship agreement
  • Began in San Diego market in July 2013 at local universities and commercial partners
  • Drive anywhere but must pickup and return at same location
  • Variety of vehicle options - sedans, SUVs, trucks, etc.
  • Driver responsible for parking while vehicle is in use
Bike Sharing Program

• Rent a bike from an unattended station, ride it wherever within the network, and return it to any unattended station
• Rental length options include by the hour, day, week, month or unlimited annual memberships
• Green program targeting a reduction in traffic, noise, and air pollution and required by:
  • City of San Diego Climate Action Plan
  • City of San Diego Bicycle Master Plan
  • San Diego Association of Government (SANDAG) Regional Plan
In July 2013, City of San Diego entered into a 10-year corporate partnership agreement with DecoBike, LLC as the “Official Bike Share Provider”

- Granted exclusive advertising rights on bikeshare kiosks and bicycles
- Exempt from permit requirements for installing bikeshare kiosks in public right-of-way
- Required $8.0 million capital investment from DecoBike and payment of marketing rights fee based on gross advertising and bike rental revenue
- Revenue to City estimated at $1.1m to $2.6m over 10 years
Bike Sharing Program – Results to Date

- DecoBike got off to a slow start

- 2015 Annual Report - DecoBike installed 97 stations and recorded 103,640 rides

- January-June 30, 2016 – 60,200 rides with 140,000 projected for the year

- Urban core accounted for 67% of rides

- Tourist areas home to the top performing locations primarily along the waterfront
Sharing Economy: What’s on the Horizon?
Policy Considerations - Lodging

- **SB 593** would have bolstered local efforts to effectively regulate land use impacts and collect applicable taxes (*this was the first major bill of 2015-16 but died.*)

- **SB 1220 (Harper)** would have prohibited a city or county from levying a tax on the privilege of occupying a residential short-term rental unit. (Dead in 2015)

- **SB 1102 (McGuire)** proposed to create a method that would allow online platforms (“collecting platforms”) to elect to participate and collect TOT revenues and the return the revenue to locals. The State Controller would be responsible for developing guidelines to implement the bill. The bill’s provisions included that local governments must notify the State Controller if they wish to be a “collecting jurisdiction”; “collecting platforms” would be subject to an annual audit or review that is conducted by the Controller; local governments’ would need to make a request of the Controller to allow locals or designated officer to review the Controller’s audit findings. (*Dead in 2016*)

- **SB 133 (McGuire)** would have set up a mechanism to allow locals and on-line platforms to ‘opt in’ a process for the collection of TOT revenues. (*Dead in 2016*)
• **SB 761 (Hall)** makes property owner’s permission a requirement *(chaptered in 2015)*
• **AB 229 (Chang)** prevents state agencies from prohibiting employees traveling on official business from using transportation network companies or short-term rentals *(chaptered in 2015)*
• **SB 1092 / Monning** requires hosting platforms to provide notice warning individuals to review any restrictions on their homeowners’ or renters’ insurance policy related to short-term rental activities to ensure possible losses are covered. *(Chaptered in 2016)*
Airbnb Will Begin Collecting Transient Occupancy Taxes For San Francisco Bookings Next Month

Posted Sep 17, 2014 by Ryan Lawler (@ryanlawler)

Instead of Fighting, Some Cities Team Up With Airbnb and Uber

While many places try to regulate or ban sharing-economy companies, a few are taking advantage of them to improve their emergency preparedness and transportation options.
AB 650/ Low prohibits cities and counties from creating additional rules and regulations on taxicab transportation services; This bill would make those provisions inapplicable to a city or county, other than the City and County of San Francisco, on the date upon which the Director of Finance notifies the Speaker of the Assembly and the President pro Tempore of the Senate of the completion of a state reorganization of transportation duties from the Public Utilities Commission to other agencies, if taxicab transportation services are included in the reorganization. (Governor’s Desk)
Local Policy Considerations - Transportation

Great for you
- It's like having a car, without the hassles
- Access to over 100 cars in Port Phillip
- Choice of vehicles including vans, cars with child seats, luxury and pet friendly vehicles
- A smart alternative to an extra car
- If you drive around 2,500 km a year you could save more than $2,800 annually by making the switch to car share (Choice Magazine May 2015)

"Not having to worry about parking and servicing is a big plus." - Niall, Elwood

"It is way cheaper to use car share and the savings go to my mortgage." - Judith, Albert Park

Great for everyone
- Car share reduces parking demand and the number of cars on our streets
- Helps to reduce pollution
- Improves health and well-being through increased walking and bike riding

"Being a car share member means I don’t need to own my own car, leaving one more space on the street for people who really need it." - Craig, Elwood

Did you know?
- Each dollar the City of Port Phillip spends on car share delivers $2.43 in benefits*
- One car share vehicle replaces 10 private vehicles*
- With over 100 car share vehicles in Port Phillip that means there are 1,000 fewer cars

*Philip Boyle and Associates 2016

The population of our city is growing and without good travel choices new residents will bring MORE CARS with them making it even MORE DIFFICULT to drive and park

Typical car share users reduce the distance they drive by about 50%*
• Sharing is not just a fad.
• There is no one-size-fits-all approach.
• Share!
• Look for the win-win

“You’re not going to stop Airbnb—it’s its own rocketship...figure out how you can benefit from this changing landscape.”

- Shelby Clark, CEO, Peers.org
Thank you

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