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Hostel environment

They say home is where the heart is, but these days, it's also where an underground economy is booming.

As the so-called sharing economy continues to grow by leaps and bounds, local governments and the hospitality industry are seeking to rein in the flourishing business of short-term rentals of private homes and apartments with new laws and more aggressive enforcement efforts.

Advertised on internet-based platforms, led by home-sharing giant Airbnb, rooms and entire homes and apartments are reaping millions of dollars in unreported income for their owners, while these hosts can skirt safety regulations and avoid paying a bundle in local occupancy and sales taxes.

A look at Airbnb's own statistics provides a window into just how lucrative home-sharing has become here. On Long Island, hosts who have rented rooms in their homes or their entire houses and apartments that were listed on the popular online platform earned more than \$20.49 million from Sept. 1, 2015 to Sept. 1, 2016.



These homes in Aquebogue and Baiting Hollow are advertised as short-term rentals on Airbnb.



Of the 17,680 guests who rented rooms or whole homes on Long Island through Airbnb in the last year, 14,840 or nearly 84 percent of them rented them in Suffolk County. Most of those shared homes were in the Hamptons, the North Fork or Fire Island. Short-term rentals in Suffolk reserved through Airbnb increased by 191 percent as compared with the previous year. As of Sept. 1, there were 1,276 available listings in Suffolk and 239 available listings in Nassau, Airbnb reported.

Hospitality trade groups are pushing Gov. Andrew Cuomo to sign a law passed by the state legislature this year that would make it illegal to advertise short-term apartment rentals on home-sharing websites or other publications. In 2010, the state made the practice of renting apartments or other homes in New York City for fewer than 30 days illegal and a New York trade group is supporting proposed legislation that would regulate short-term rentals on Long Island and the rest of the state.

Mark Dorr, president of the New York State Hospitality & Tourism Association, said the proposed law wouldn't be mandatory, but instead could be used by municipalities on an "opt-in" basis.

"When I travel the state, most communities want something to help," Dorr said via email.

The law supported by the state's tourism trade group, but not yet introduced in the legislature, would make rentals of rooms in a house or apartment or an entire home for less than 30 days illegal unless the owner stays in the rental property for the duration of the stay. The host would also have to provide proof of a real estate rental agreement or contract and provide proof of insurance liability coverage during the rental period. They would also have to show proof of proper tax collections, including sales, occupancy and income taxes. Violators could face fines of at least \$1,000 per day.

Of course, Airbnb bristles at such restrictive legislation.

"We hope that lawmakers recognize the huge economic impact home-sharing has on entire communities, particularly local businesses, and look for ways to make it easier, not harder, for local residents to share their homes and make ends meet," said Airbnb spokesman Peter Schottenfels via email.

However it's the loss of revenue from these short-term, home-sharing rentals that has been top of mind for Suffolk Comptroller John Kennedy, whose office began an enforcement campaign 14 months ago to collect the county's 3 percent occupancy tax from scofflaw hosts.

So far, Kennedy says it's been an arduous yet fruitful initiative.

"We had 340 registered venues and today we have more than 600 and we have another 300 open cases that we've identified," Kennedy told LIBN.

Since the collection campaign began, the comptroller has assessed \$591,000 in uncollected occupancy taxes and has recovered about \$442,000. More than half of that money has come from hosts renting out rooms or entire homes that they've listed on Airbnb and other online listing platforms, such as HomeAway.com, VRBO.com and TripAdvisor.com.

Airbnb executives met with county officials in Nov. 2014 to try and cut a deal that would have added the 3 percent occupancy tax to its platform and collect it in bulk. But Airbnb wanted to keep its hosts anonymous, not reveal their addresses and limit the county's ability to audit them, which were all deal breakers for the county.

First adopted in 1992, Suffolk's hotel/motel occupancy tax was originally 0.75 percent and in 2008 was raised to 3 percent, still relatively low compared with many other places. The effective hotel room occupancy tax in New York City is about 18 percent, while Connecticut has a 15 percent occupancy tax.

Kennedy said the money collected from Suffolk's occupancy tax is a dedicated revenue stream used to create and craft amenities to promote tourism. Some of it funds museums and historical societies to help support their operations. It also helps fund the Long Island Convention and Visitors Bureau and Sports Commission, with the balance going to the parks department. The county's 3 percent tax sunsets in Dec. 2017.

"We'll be lobbying to extend it," Kennedy said. "We're also looking for additional funds to support the monitoring and oversight in collecting the tax."

Besides avoiding occupancy taxes, hosts of short-term room and whole-house rentals may also be skipping out on paying their share of sales taxes.

"If they provide ancillary services such as providing meals and laundry, that is subject to sales tax," Kennedy said.

To those in the traditional hospitality industry, the home-sharing phenomenon is unwelcome competition that could also pose a serious threat to safety.

Lee Browning, who owns the 114-room Hilton Garden Inn in Riverhead and is developing a 131-room Marriott Residence Inn next door, said he's invested nearly \$1 million in a fire suppression system for the new hotel, something you'd likely not find in a short-term rental in a private home.

"They have no fire protection, no rules to go by. These people are not subject to any of those things," Browning said. "My home doesn't have fire sprinklers, but my hotel does. When the first house burns and eight people die, then the politicians will respond."

AIRBNB ON LONG ISLAND (SEPT. 1, 2015 TO SEPT. 1, 2016)	
<p>NASSAU COUNTY</p> <p>Avg. host age: 46 Avg. annual earnings for typical host: \$4,800 Days hosted annually for typical listing: 30 Total inbound guests in the past year: 3,200 Avg. length of stay per guest (days): 4.9 Total income earned by host households: \$1.865 million</p>	<p>SUFFOLK COUNTY</p> <p>Avg. host age: 49 Avg. annual earnings for typical host: \$4,800 Days hosted annually for typical listing: 16 Total inbound guests in the past year: 14,840 Avg. length of stay per guest (days): 3.1 Total income earned by host households: \$18.626 million</p>
SOURCE: AIRBNB	

Some Long Island municipalities have already enacted laws that ban short-term rentals. The towns of Southold and Islip have made it illegal to rent homes or apartments for fewer than 14 days, though Islip has exempted Fire Island from its law. The Village of Great Neck Estates will consider similar legislation next month.

Despite the crackdowns, prospective guests can find plenty of short-term Long Island rentals on home-sharing platforms for the third weekend in October, including a two-bedroom waterfront cottage on Fort Pond in Montauk for \$594 a night; a one-bedroom studio in Cherry Grove on Fire Island for \$330 a night; and a bedroom in a home in Mastic Beach for \$84 a night.

By comparison, a double room at the Riverhead Hilton Garden Inn on the same weekend runs \$293 a night; a room including breakfast at A Walk in the Woods bed and breakfast in Southold costs \$330 a night; and a room with two beds at the Melville Marriott is offered for \$170 a night.

But Airbnb hosts like Karen Webb of Centerport say they're not competing with hotels.

"There are very few hotels in my area," Webb said. "It's a different experience than a hotel. The service we're providing is important to our community."

Webb, who is a registered landlord with the Town of Huntington, charges from \$45 to \$95 a night for a room in her ranch-style home, depending on the season and day of the week. She is also onboard with regulations and paying the required taxes.

"I'm OK with regulation," Webb said. "It would assure guests that Airbnb hosts are safe."

Airbnb takes a piece from both sides of a home-sharing rental. The company gets a 6 to 12 percent rental fee from guests and an additional 3 percent from hosts for each reservation. Investors remain high on the profitable rental-listing platform. Airbnb recently raised \$850 million in a new round of funding, lifting the company to a \$30 billion valuation, according to CNBC.

Despite the vitriol towards home-sharing from hoteliers, tourism officials say they would rather regulate the concept than ban it altogether.



KRISTEN JARNAGIN: 'We have to meet the needs of our visitors.'

Kristen Jarnagin, CEO of the Long Island

Convention and Visitors Bureau and Sports Commission, noted that guests who stay in private short-term rentals also spend money at area restaurants and retail shops. She said outlawing home-sharing could have an adverse effect on the \$5.5 billion tourism industry on Long Island, which now gets 9 million visitors a year.

“We have to be sensitive that we have a very limited hotel supply, especially in peak tourist destinations,” Jarnagin said. “We need to meet the needs of our visitors.”

Kennedy just wants to make sure the county gets paid, adding that restrictions on short-term rentals are a local enforcement kind of thing.

“Folks love to come here and they come from all over the world,” he said. “But if they engage with Airbnb, they should be remitting.”

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