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CONTACT:

Mayor's Press Office

312.744.3334

press@cityofchicago.org

**CITY COUNCIL APPROVES ORDINANCE TO REFORM SHARED HOUSING
INDUSTRY**

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

CHICAGO – The City Council today approved Mayor Lori E. Lightfoot's ordinance that will strengthen Chicago's 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, which will be implemented by the Department of Business Affairs and Consumer Protection (BACP) will prohibit the use of Shared Housing units for single-night reservations, require hosts to submit registration applications directly to BACP and receive approval before listing, create a tiered license fee and host registration fee and increase the City's ability to enforce against and remove problem units.

"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."

Chicago's Shared Housing industry has been regulated since 2016 under a groundbreaking regulatory model that made Chicago the first city in the nation to receive information from hosts, allowing the city to enforce restrictions designed to protect quality of life throughout Chicago. However, the industry has evolved over the past four years, and the ordinance passed 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:



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- 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;
- Enhance BACP's enforcement authority around Shared Housing units being used for parties;
- Expand the zoning districts that can prohibit Shared Housing through Restricted Residential Zones; and
- Create a tiered licensing fee for platforms to make it easier for small operators to become licensed while adding a 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. The ordinance passed today was created following the efforts of a working group created by Mayor Lightfoot and led in part by Alderman Mitts, Chairman of the Committee on License and Consumer Protection. The Working Group was created 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 our previous regulations have restricted our ability to ensure responsible operations,” said Emma Mitts, 37th Ward Alderman and Chairman of the Committee on License and Consumer Protection. “Under this ordinance, Chicago is taking the lead with strong and ground-breaking regulations that ensure safety, protect residents and maintain innovation within the industry.”

Unlike with any business license application, shared housing hosts have been granted the ability to immediately list and rent their units through an intermediary before they received approval from BACP. Under the ordinance passed today, 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.



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Additionally, for all other business licenses, the City receives critical application information directly from the applicant. However, shared housing hosts have submitted their information directly to the intermediary, who then has submitted this information to BACP every two weeks. This has led to incomplete data and a lack of identifying information that would support enforcement against problem locations. The ordinance passed today will require applicants to submit complete and accurate information directly to BACP along with a new \$125 registration fee 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.

““This ordinance is a needed change; for too long, communities have suffered from out of control ‘party houses,’ in my ward and throughout the city,” said Michele Smith, 43rd Ward Alderman and co-sponsor of the reform ordinance. “Now more Chicago residents who want to restrict short term rentals in their community will be able to petition to keep them out of their precinct.”

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

Currently, 25% of registered voters within certain residentially zoned precincts can petition to prohibit Shared Housing within their precinct. Under today's ordinance, this will be expanded so that additional precincts could take advantage of this option. For the first time, Restricted Residential Zones can now be established in RT-3.5, RT-4, RM-4.5 and RM-5 zoning districts.

Finally, the ordinance passed today will create a tiered licensing fee for intermediaries and increase the registration fee for each host. Previously, all intermediaries paid 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.

The single-night prohibition, increased enforcement authority and Restricted Residential Zone expansion will come into effect on October 17 (ten days after



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publication of this ordinance). The additional reforms, including the new application process and registration fee, will come into effect on April 1, 2021.

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