

# Squeezed Out:

## Airbnb's Commercialization of Home-Sharing in Toronto

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## Executive Summary

*Squeezed Out: Airbnb's commercialization of home-sharing in Toronto* provides a thorough investigation of Toronto's short-term rental market, and sheds light into the various issues associated with the proliferation of Airbnb and other short-term companies. Consumer protection, health and safety, housing availability and affordability, and the negative impacts of commercial ghost hotels are the main issues that *Squeezed Out: Airbnb's Commercialization of home-sharing in Toronto* will discuss. Following an in-depth examination of regulations in other jurisdictions, this report will clearly demonstrate that in order to effectively regulate home-sharing, Toronto must establish clear parameters around platform accountability. Appended to this report are a series of model regulations for Toronto's City Council's consideration.

*Squeezed Out: Airbnb's commercialization of home-sharing in Toronto* is based on the analysis of data supplied by Tom Slee, a technology professional based in Waterloo and author of "What's Yours is Mine: Against the Sharing Economy," an essential work that shows that the so-called sharing economy has little to do with actual sharing. It is also the result of input the Fairbnb.ca Coalition has received from its member organizations and is informed by many individuals from across Canada who have contacted the Coalition since its launch in July 2016.

Our analysis demonstrates, contrary to Airbnb's many public statements, that a large proportion of Airbnb's revenue is generated through business that does not involve the practice of home-sharing. In Toronto, 63% of its revenue derives from renting so-called entire-homes/apartments, rather than from sharing a spare bedroom. We also show that only 16% (1,385) of Airbnb's so-called multi-listing hosts, that is individuals who operate two or more listings at any given time, control a disproportionately large share (38%) of Airbnb's total listings, and by 2017 also generate the majority (52%) of the company's revenue. These statistics point to the fact that Airbnb enables commercial businesses on its platform under the guise of home-sharing. Businesses, the Fairbnb.ca Coalition refers to as "ghost hotels."

Airbnb routinely claims that its service engenders a more "authentic" form of tourism that allows visitors to spread tourist dollars to areas outside of main tourist destinations. The facts tell a different story. In Toronto, Airbnb's revenue is generated in less than a handful of the city's 140 neighbourhoods, centred predominantly in the city's traditional hotel district, in condominium buildings in the downtown core.

The latter finding raises issues around the legality of Airbnb as most of the listings are located in condominium buildings, many of which do not permit, either by declaration or by condo board rules, transient rentals shorter than thirty consecutive calendar days. It is also in these areas where we found that about 70% of the available rental listings are for short-term Airbnb units. This number indicates that Torontonians looking for a place to live are losing precious housing stock to Airbnb.

Investigations into other jurisdictions around the world show that any attempt to regulate the short-term rental sector cannot rely on the voluntary compliance of individual hosts. Any such attempt must be based on regulatory mechanisms that hold online short-term rental platforms like Airbnb accountable for enforcing a municipality's rules and regulations and liable for any violations. Regulatory efforts in Santa Monica, San Francisco, New York City and Chicago are presented as valuable lessons when it comes to developing an approach to regulate short-term rentals.

Lastly, we present workable, feasible and achievable model legislation that would support real home-sharing and rein in the trend of turning residential homes into hotels. This legislation follows best practices in "home-sharing" regulation from around the world.

## Introduction

Airbnb is an internet based company that enables the listing, searching and booking of residential accommodation. Sometimes referred to as a peer-to-peer online platform, Airbnb connects hosts to guests and takes charge of the entire booking process. To generate revenue, the company charges a fee to both, the hosts and guests, for every booking that takes place. Hosts can list and guests can book three different categories of accommodation: entire homes, private rooms and shared rooms. These "innovations" have made it easy to convert residential housing stock into quasi hotel rooms and suites.

While certainly not the only online platform that enables people to rent out their homes to the traveling public, Airbnb is the largest and most successful. Founded in 2008, Airbnb rapidly rose to become the market leader among internet based companies like VRBO, FlipKey, Roomorama, Homeaway and others who offer similar services. Today, Airbnb operates in 34,000 cities across 191 countries, providing accommodation to 60,000,000 guests worldwide.<sup>1</sup> In 2015 alone, Airbnb is said to have booked over 80,000,000 overnight stays.<sup>2</sup> Valued at US\$30-billion and growing, Airbnb has become a major force in the accommodation sector, rivalling the world's largest hotel chains (Figure 1).<sup>3</sup> In its wake, the company is reshaping housing and labour markets, which places formidable challenges on regulators.

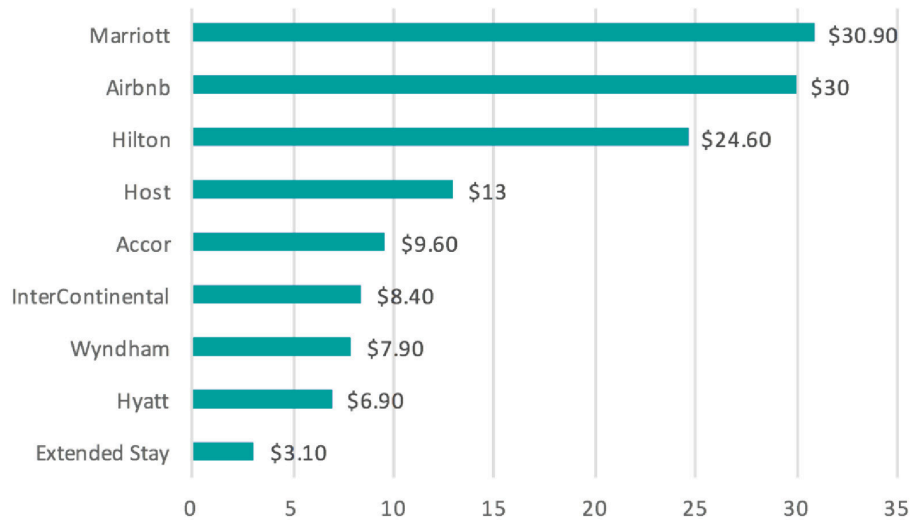


Figure 1: Market cap/valuation (in billion US\$). Source: Yahoo Finance (2016)

Airbnb's success is predicated on what some call "regulatory entrepreneurship," that is, a strategy to enter a market aggressively in order to grow quickly until too big to be banned when regulators are finally in a position to respond.<sup>4</sup> In other words, Airbnb expands by skirting a whole range of existing regulations, including zoning by-laws, tax rules, tenancy laws, condominium board rules, condominium declarations, employment and labour laws and, in many cases, disability, fire and health and safety standards. By doing so, Airbnb can offer accommodation at a fraction of the cost that is being charged in the legal and regulated lodging sector.<sup>5</sup> Rather than focus on demand side explanations,<sup>6</sup> we highlight that much of Airbnb's success is based on this unfair economic advantage. As we will show below, Airbnb's regulatory entrepreneurialism is accompanied by significant cost and risk to the public.

Airbnb's rapid growth in markets relies on skirting existing rules and regulations so it can grow until too big to be banned when regulators are able to respond.

Airbnb's own reports routinely argue that there is a positive economic impact to the municipalities in which it is operating and that it spreads tourist dollars away from traditional hotel districts.<sup>7</sup> This argument was also mimicked in its most recent economic impact statement for the City of Toronto, where Airbnb claims that 73% of their guests stay in areas where "traditional hotel accommodations are simply not available."<sup>8</sup> Not only are such claims refuted in academic literature,<sup>9</sup> but our analysis also clearly demonstrates that this is not the case in Toronto. Below, we illustrate

Most of Airbnb's short-term rental business takes place in what the company calls Toronto's "conventional hotel market."

that the overwhelming majority of existing Airbnb listings and reviews left by guests in Toronto are concentrated in only four out of the city's 140 neighbourhoods, all of them located downtown. We show, in other words, that most of Airbnb's short-term rental business takes place in what the company calls Toronto's "conventional hotel market."<sup>10</sup>

Aside from such misleading information, Airbnb claims that its guests spent \$417 million in Toronto while visiting in 2016.<sup>11</sup> While this sounds positive, recent research by Morgan Stanley shows that 98% of this money would have been spent in Toronto even without Airbnb, as tourists would simply use alternative accommodation options, leading among them, traditional hotels, closely followed by B&Bs and simply friends and family (Figure 2).<sup>12</sup>

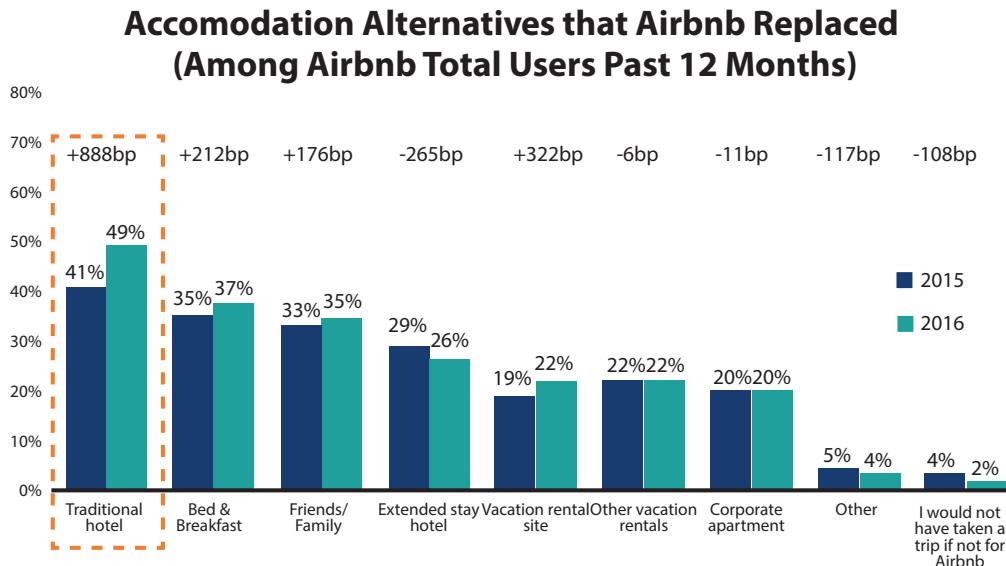


Figure 2: Only 2% Would Stay away if Airbnb Banned: Morgan Stanley (2016)

Not only would the money tourists bring to jurisdictions using Airbnb have been spent in them anyway,<sup>13</sup> but jurisdictions actually appear to be losing revenue in the form of taxes,<sup>14</sup> as Airbnb allows its hotel-like hosts to fly under the local commercial property tax radar and the company's own competitiveness relies heavily on avoiding taxes and laws that the regulated lodging sector abides

by.<sup>15</sup> To the contrary, mounting evidence suggests that Airbnb enables business practices that significantly undermine the public good in a plethora of ways.

16% of hosts operate 2 or more listings, control 38% of Toronto's listings and generate 52% of Airbnb's revenue

Airbnb's ads promote a narrative that their hosts are mostly engaged in sharing spare rooms (Figure 3), while as this report will show, two thirds (68%) of Airbnb's revenue stems from renting out entire homes/apartments – which means that these places are not shared. In fact, as of January 2017, a stunning

52% of Airbnb's revenue is generated by so-called multi-listing hosts, that is, by individuals who run short-term rental businesses. Again, none of this has anything to do with sharing.



Figure 3: Airbnb Ad Forgrounding Home-Sharing. Source: [www.stimulantonline.ca](http://www.stimulantonline.ca)

Airbnb's ads, occasional data dumps, and a reluctance to share crucial data with local governments do much to confuse observers and regulators, and make it difficult to assess the company's impact on the local housing market, tax revenue, the local economy, etc.<sup>16</sup>

A cursory review of recent national and international media reporting is sufficient to illustrate that Airbnb has been embroiled in legal battles over its regulatory entrepreneurialism across the world. More recently, international media coverage has evolved from initially celebrating Airbnb as the darling of the "sharing economy," to focussing on Airbnb's embattled status in virtually all its major markets.<sup>17</sup>

If there is one thing that critics in these major markets agree on, it is that Airbnb's intention to turn any home into a potential hotel comes at significant cost and risk. In other words, Airbnb's biggest advantage - drawing on a virtually endless supply of hotel rooms without having to invest in fixed assets - has turned out to be its own biggest challenge. As Airbnb use intensifies in residential neighbourhoods around the world, so do the problems that have given rise to opposition, calls for regulation and, in some jurisdictions, like Berlin or New York, outright bans.

Chief among these problems is Airbnb's impact on housing availability and affordability.<sup>18</sup> This problem is most pronounced in those cities where skyrocketing housing costs, extremely low vacancy rates and affordable housing crises overlap with a healthy tourist industry.<sup>19</sup> In these cities, landlords make more money renting short-term rentals for as little as 60 days a year than they would renting the same units long-term.<sup>20</sup> Turning homes into hotels, however, turns out to be detrimental not only to local residents in desperate need of affordable rental housing, but also to the bottom line of regulated hotels and hotel workers.

Another not to be underestimated set of problems relates to the ways in which Airbnb use impacts the character of local residential neighbourhoods. In Toronto, for instance, short-term rental use in condominium high rise buildings and residential low rise neighbourhoods alike, have caused problems with respect to health and safety, crime, consumer protection and tax fairness. As property owners, investors, property management companies and, in some cases tenants, engage in the leasing and subleasing of homes on online platforms like Airbnb, we see conflicts arise between those interested in short-term profits and those who intended to live in condominium buildings and residential neighbourhoods, unencumbered by the transient nature of hotel use.

## Fairbnb.ca Is Pro Home-Sharing

Fairbnb.ca is pro-home sharing. If somebody wants to occasionally rent out a spare bedroom in their primary residence, be our guest.

Before we demystify Airbnb's Toronto business, we want to be very clear about our position vis-à-vis Airbnb and other short-term rental platforms. Fairbnb.ca is pro-home sharing. If somebody wants to occasionally rent out a spare bedroom in their primary residence, we take no issue with that as long as it is legal and safe. While we do not believe that the so-called "sharing economy" has much to offer outside of growing gig-economy jobs and precarious forms of employment, we are pragmatic when it comes to the short-term rental market and agree that renting out a spare bedroom in a primary residence could feasibly be considered "home-sharing." The definitional squabble about how to define home sharing, of course, has practical implications when it comes to regulating short-term rental companies.

What we do not consider home-sharing is very simply this: if someone rents an entire home/ apartment on platforms like Airbnb, this person cannot possibly be sharing the place. Moreover, if someone owns or leases multiple homes and rents these out on short-term rental platforms, this can also not possibly be considered a practice of "home-sharing." In both cases, access and use of space is handed over exclusively to guests, visitors and tourists for a period of time in exchange for money. While we see some use for provisions to allow for the limited (or "capped") renting of entire homes/



apartments, provided that these caps are enforceable, multiple-listing hosts must be removed from Airbnb and other short-term rental platforms.

From this common sense understanding of what home-sharing means flows our own definition:

A home can only be shared if the host is present, if the home is the host's primary residence, and if the host is the legal tenant and/or owner and satisfies all legal and regulatory requirements. Following these basic conditions cuts out all the multi-listing hosts who run commercial businesses under the guise of "home-sharing," and places as many units as possible back on Toronto's housing market. The latter is of particular importance. It is Fairbnb.ca's position that any home that could be on the rental housing market should not be withheld to provide short-term accommodations to the travelling public.

## Why Focus on Airbnb?

*"The idea is to have a high level of compliance. In other cities, they might get 30 percent compliance. If we get what Airbnb has, which is 75 to 80 percent of the market ... we'll already from the beginning have a high rate of compliance."*

—New Orleans Deputy Mayor Ryan Berni.<sup>21</sup>

Why focus on Airbnb when it is not the only online platform offering short-term rentals in Toronto? After all, there are a plethora of companies that turn residential homes into hotel-like uses across the city. That said, as City of Toronto staff pointed out in the report titled "Developing an Approach to Regulating Short-term Rentals," these secondary players collectively control less than 15% of the overall supply of those 12,000 plus residential homes and rooms that are currently being offered to the travelling public in Toronto.<sup>22</sup>

With over 85% of market share (Figure 4), Airbnb is unambiguously the market leader, turning residential homes into quasi-hotels more rapidly than any other competitor. It is no surprise then, that the disruption Airbnb causes to housing markets and people's daily lives attracts the bulk of attention, particularly that of policy

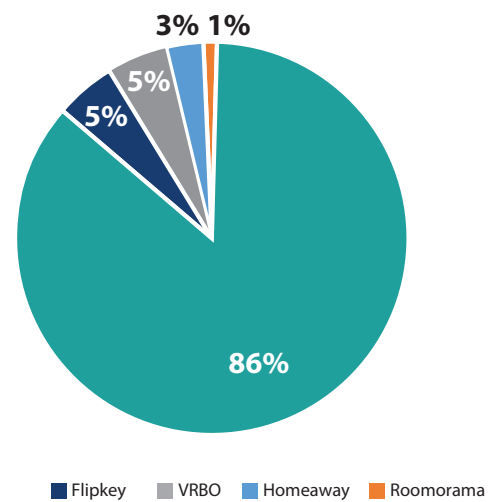


Figure 4: Estimated Airbnb Market Share Toronto.  
Source: City of Toronto (2016)

makers and elected officials concerned with bringing safety and consumer protection to residential neighbourhoods and fairness to the housing and short-term rental market.

### Platform accountability and regular data sharing must be key components of any regulatory regime.

Fairbnb.ca's focus on Airbnb is thus the result of pragmatism: while short-term rental regulation across all existing platforms is our goal, the company's sheer size and market dominance holds the promise of a high rate of regulatory compliance. This sounds like an oxymoron given Airbnb's history and reputation as a company that ignores existing rules and regulations and as one that is quick to sue any government engaged in a serious attempt at regulation.<sup>23</sup> Yet, the fact that Airbnb dominates the market means that if the City of Toronto forces Airbnb to conform to its rules - through platform accountability measures - the City automatically arrives at an 85% rate of compliance. Platform accountability and regular data sharing must be key components of any such regulatory regime. Airbnb's own well documented actions in jurisdictions around the world, as we will illustrate below, have shown us that any solution based on the notion of voluntary compliance and host responsibility is not going to lead to the envisioned results. Online rental platforms like Airbnb must be held accountable themselves.

Fortunately, jurisdictions around the world have spearheaded useful approaches to the regulation of online short-term rental platforms like Airbnb. Santa Monica, San Francisco, New York, New Orleans, Chicago, Amsterdam, London, Berlin, and others, provide us with useful insights on how to best regulate the rapidly expanding short-term rental industry.

## The Need for Data Disclosure Requirements

### Airbnb's reluctance to share crucial data with municipalities prevents informed public policy responses.

As Jennifer S. Fan points out in a recent Boston College Law Review article, companies with valuations of a billion dollars or more pose serious problems to the development of sound public policy. This is because companies like Airbnb, valued at \$30-billion, have a major impact on housing and labour markets and indeed the fabric of entire cities, yet their private status means that the kind of information about these companies needed to shape public policy remains off limits to regulators. Their impact on public lives is so large, argues Fan, that we need new and enhanced disclosure requirements for behemoths like Airbnb and that we need to seriously rethink current regulatory regimes.<sup>24</sup>

Because of Airbnb's resistance to enter into data sharing agreements, it is extremely difficult to produce data driven public policy decisions. Activists like Murray Cox and technology professionals like Tom Slee have been on the forefront of a movement to make relevant data about Airbnb publically available. Their techniques rely on "scraping" Airbnb's website data, which provides us with information about total listings, the composition of listings, the location and concentration of listings, the number of reviews, content of reviews, among other data sets. Their information has been used by organizations and municipalities around the world. By sharing this data on websites such as [www.insideairbnb.com](http://www.insideairbnb.com) or [www.tomslee.net](http://www.tomslee.net), this data has become a cornerstone for the rethinking of public policy and regulatory regimes vis-a-vis short-term rental platforms like Airbnb.

More recently, companies like Airdna or Hostcompliance have joined the group of those who scrape Airbnb data and have turned this endeavour into a for-profit activity. Fairbnb.ca has carefully reviewed data from all the above-mentioned individuals and organizations and found their data to be very similar in terms of overall numbers and proportions. In what follows, we will rely on data provided to us by Tom Slee. For more information about Slee's data collections, methods and accuracy, visit [www.tomslee.net](http://www.tomslee.net).

## Demystifying Toronto's Airbnb Business

This section dissects Toronto's Airbnb market to show that so-called entire home/apartment listings are Airbnb's main selling product. Moreover, it will show that so-called multi-listing hosts, individuals who run one or more entire homes/apartments generate more than half of Airbnb's revenue in Toronto's market. Both aspects contradict Airbnb's claims that their hosts are engaged in home-sharing, and illustrate that weeding out a few bad apples - that is, the 16% of hosts that run commercial businesses on Airbnb's online platform under the guise of "home-sharing" - would result in a major loss of revenue for the short-term rental platform.

This section will also take a closer look at where Airbnb's revenue is generated. This analysis confirms an earlier report by the Canadian Centre for Policy Alternatives,<sup>25</sup> which showed that the vast majority of Airbnb's business in Toronto takes place in three hot-spot areas: Liberty Village, Church-Yonge and Toronto's Waterfront-Island Community. It will stress that Toronto's Airbnb business is disproportionately concentrated in what realtors call CO1, a district that has undergone a boom in condominium construction over the last decade. It suggests that the majority of Airbnb listings are indeed found in condominium buildings, many of which do not allow short-term rental use of less than thirty days.

## Total Number of Airbnb Listings in Toronto

The total number of Airbnb's short-term rental listings have dramatically increased in Toronto (Figure 5). According to data shared by Airbnb with City of Toronto staff, there were just about 80 listings in the city in 2010.<sup>26</sup> The data provided to us by our analysts show that by the end of 2016, Airbnb offered close to 12,000 vacation rentals in Toronto, representing about 25% of Toronto's overall lodging supply (hotel rooms and Airbnb listings).<sup>27</sup> In other words, since 2010, Airbnb listings have grown by 14,900%. Considering that this number has more than doubled since 2014, there is no indication that the trend of turning residential homes into short-term rentals for tourists, guests and visitors will slow anytime soon.

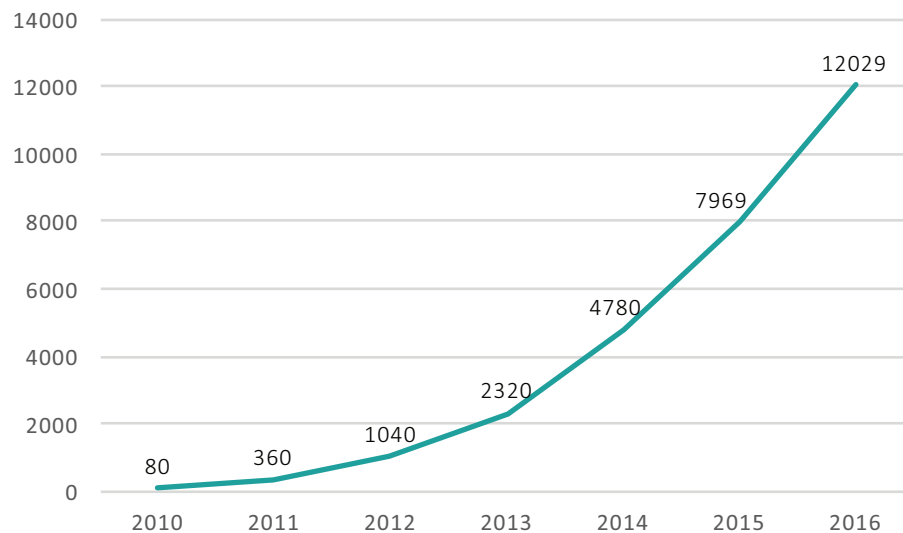


Figure 5: Total Number of Listings over Time. Source: Slee and Custom Tabulations

## Total Number of Listings and Hosts over Time

Airbnb has long lost its status as a company whose main business lies in enabling so-called “home-sharing.” To clarify this point, it is instructive to compare the total number of listings to the total number of hosts over time. As illustrated in Figure 6 below, if Airbnb's Toronto business were really about allowing individuals to share their homes with guests and tourists in exchange for money - already an obvious departure from the meaning of “to share” - the total number of listings would be identical to the total number of hosts. Yet, as early as 2012 it has become apparent that the number of listings has grown faster than the number of actual hosts, an indication that some hosts are operating commercial businesses, renting multiple residential properties on the short-term rental market. By 2015, we can identify a sharp increase in the number of listings relative to the number of hosts,

a trend that has continued since and has resulted in a 28% gap between total number of listings (12,029) and actual hosts (8651) at the close of 2016. What this illustrates is that over the course of the last two years, commercial businesses have begun to run what the Fairbnb.ca Coalition calls “ghost hotels” in residential neighbourhoods and condominium buildings.

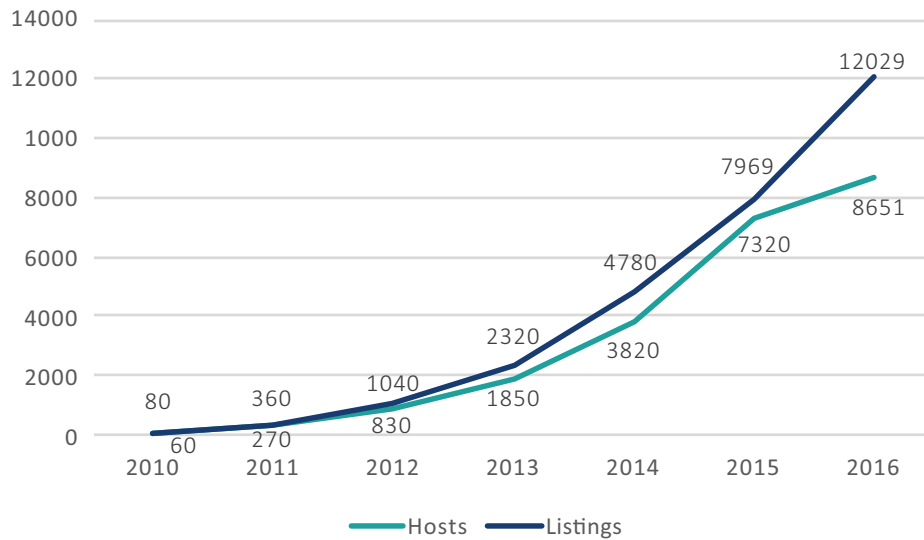


Figure 6: Total Number of Airbnb Hosts and Listings 2010-2016.

Source: Slee and Custom Tabulations

## Toronto's Ghost-Hotel Listings

The number of individuals who operate commercial businesses through Airbnb is small, but highly significant. This small number of hosts controls a disproportionate share of Airbnb’s short-term rental supply and is responsible for a disproportionate share of Airbnb revenue in Toronto. Currently, there are 1,384 so-called multi-listing hosts (Figure 7) that have removed housing – planned, zoned and approved for residential use - from Toronto’s housing market, and have offered it to tourists, visitors and guests on a short-term basis.

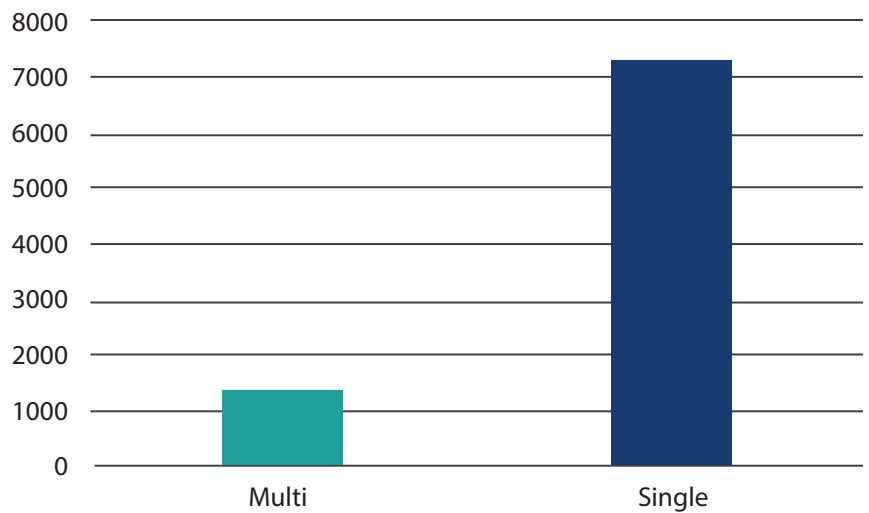


Figure 7: Host Types (November 2016): Source: Slee and Custom Tabulations

As Figure 8 shows, these commercial hosts only make up about 16% of Airbnb's total hosts in Toronto.

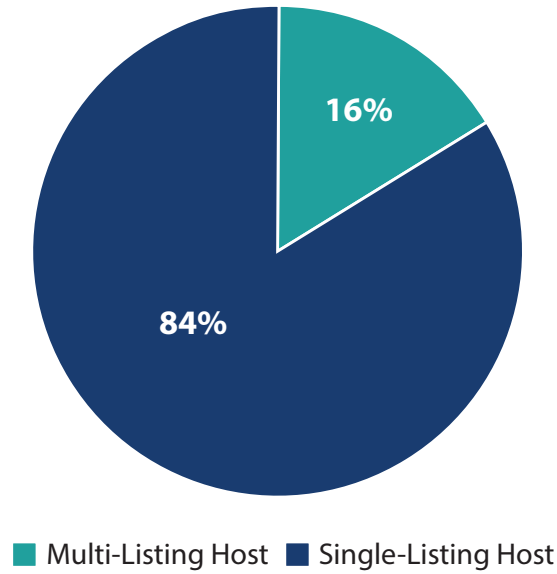


Figure 8: Host Types as % of Total Airbnb Hosts (November 2016). Source: Slee and Custom Tabulations

Yet, as Figure 9 illustrates, these hosts control a disproportionate share of Airbnb's total listings, and their share continues to increase. By the end of 2016, multi-listing hosts offer close to 40% of Airbnb's total listings in Toronto.

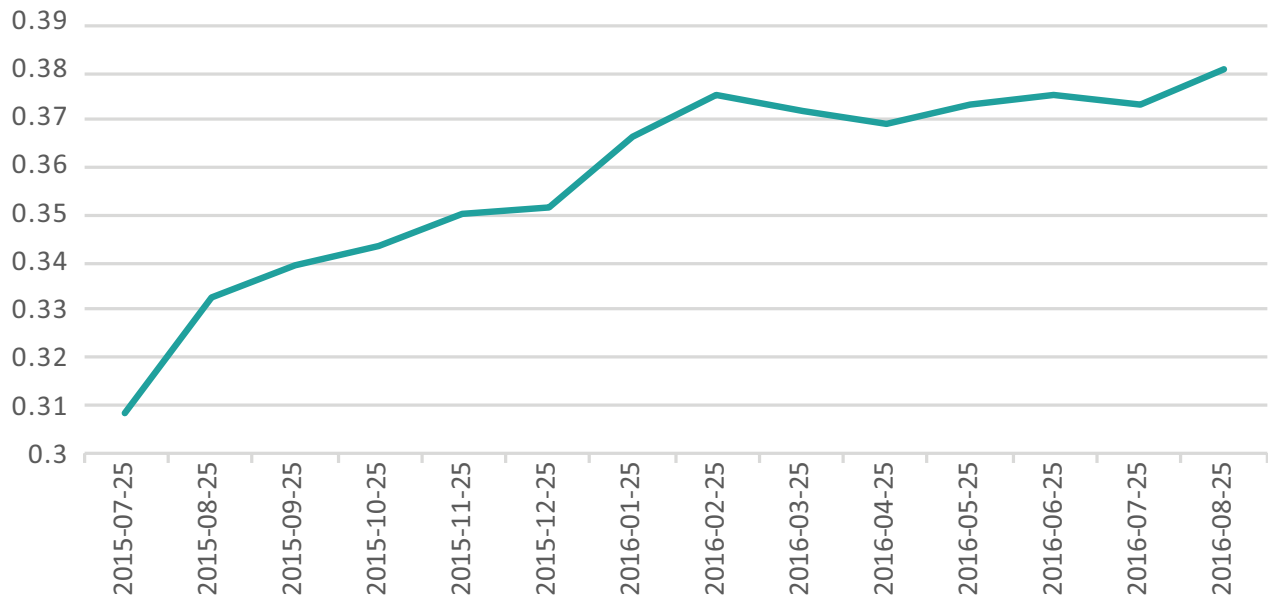


Figure 9: Multi-Listing hosts as % of total units Over Time. Source: Slee and Custom Tabulations

Figure 10 depicts the top 20 of Toronto’s most prolific commercial Airbnb hosts. Toronto Suite Rentals operated 62 Airbnb listings by the end of 2016, leading the charge among the 1,384 multi-listing hosts.

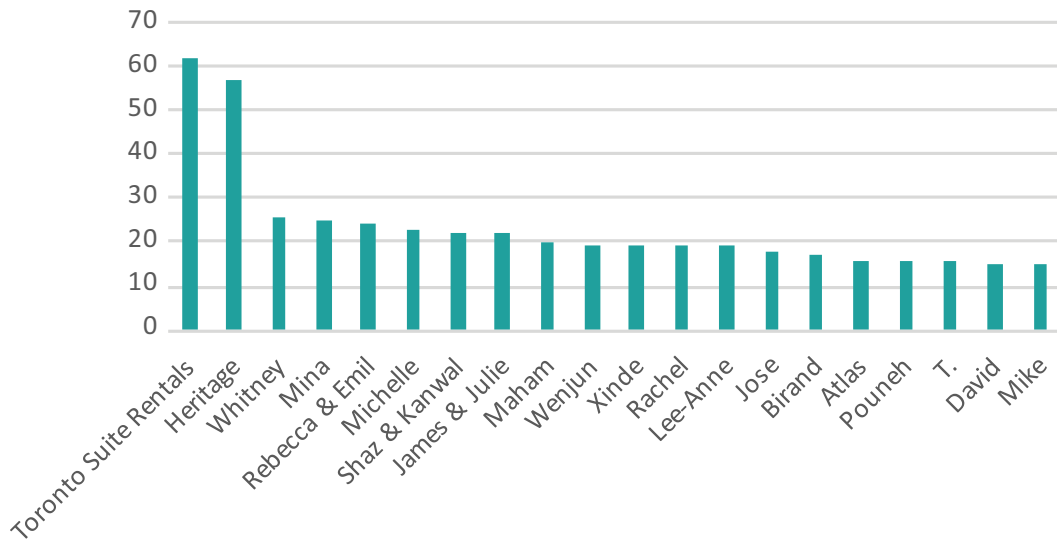


Figure 10: Top 20 multi listing Hosts (December 2016). Source: Slee and Custom Tabulations

## Single and Multi-Listing Host Reviews

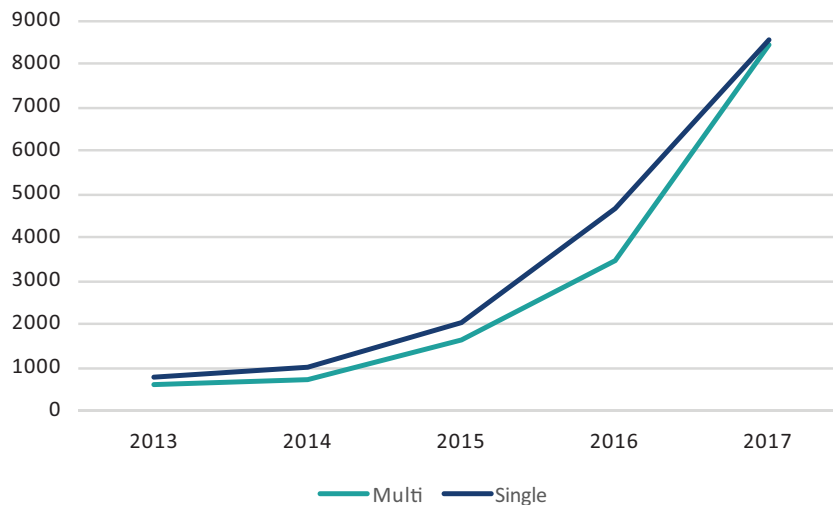


Figure 11: Reviews by Host-type over Time. Source: Slee and Custom Tabulations

As Figure 11 shows, by the end of 2016, Toronto’s 1,384 multi-listing hosts (16%) generate as many reviews as 7,266 single-listing hosts (84%). If one takes the number of reviews by host-type as an

approximation of overnight stays, it is fair to say that ghost hotel operators are responsible for a disproportionate amount of Airbnb's overnight stays in Toronto.

## 52% of Revenue Generated by Multi-Listing Hosts

*“For a company that bills itself as an opportunity to share your home for extra cash, a large proportion of listings are posted by a small group of hosts who list multiple properties.”*

—CCPA-Ontario Director Trish Hennessy<sup>28</sup>

To approximate actual revenue figures,<sup>29</sup> we multiply the number of reviews by the nightly rate and estimate the average length of stay across all listings.<sup>30</sup> We then adjust the resulting figure for the proportion of visitors who leave a review.<sup>31</sup> This calculation is performed to account for single and multiple listings to estimate overall revenues before we account for the share of total revenue generated by multi-listing hosts.

	Hosts	Listings	Reviews	Revenue (\$)	Hosts %	Listings %	Reviews %	Revenue %
<b>Multiple</b>	1384	4469	10217	953151.00	16.00	38.08	49.78	51.67
<b>Single</b>	7266	7266	10307	891509.00	84.00	61.92	50.22	48.33
<b>Total</b>	<b>8,650</b>	<b>11,735</b>	<b>20,524</b>	<b>1,844,660</b>				

Figure 12: Revenue Generation by Host-Type (November 2016). Source: Slee and Custom Tabulations

As Figure 12 and 13 show, by November 2016, close to 52% of the revenue generated by Airbnb is the result of ghost hotel operators, that is multi-listing hosts who are very likely not sharing their space but rather running 2 or more listings at any given time for the sole purpose of generating a profit.

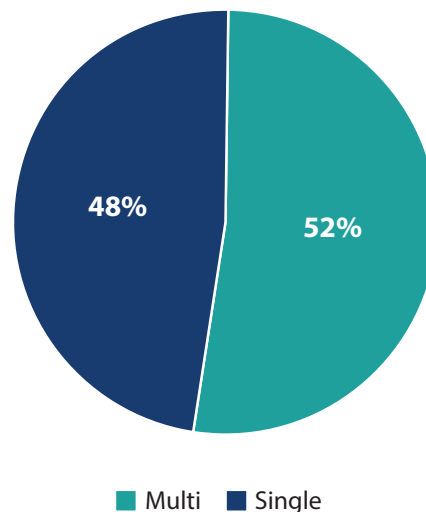


Figure 13: % of Total Revenue by Host-type (November 2016). Source: Slee and Custom Tabulations



It is worthwhile to note that our estimate is relatively conservative. An earlier study completed by Chris Gibbs at Ryerson University estimated the market share of revenue produced by multi-listing hosts in Toronto is approximately 57%.<sup>32</sup>

## Listings Dominated by Entire Homes/Apartments

Differentiating Toronto's total Airbnb vacation rental supply by room type, Figure 14, illustrates that so-called "entire homes/apartments," which can include entire single family homes, entire rental apartments and/or entire condominium units, represent the lions share (63%) of Airbnb overnight stays in Toronto. So-called "private rooms," which for the most part refer to a second or third bedroom offered for rent in the host's primary residence, only account for about one-third (34%) of Airbnb's total vacation rental supply. The room type that comes closest to the actual practice of home sharing, so-called "shared rooms," represents a negligible aspect (3%) of Airbnb's market in the City of Toronto.

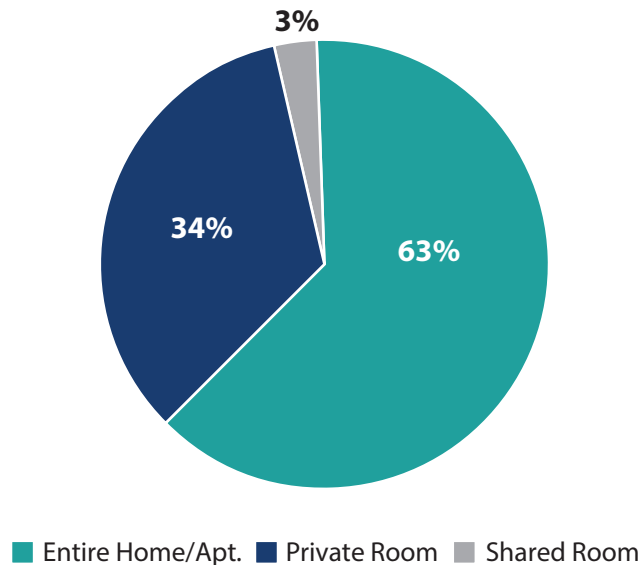


Figure 14: Listings by Room Type (November 2016). Source: Slee and Custom Tabulations

It is interesting to note that despite the growing total number of vacation rentals over time, the proportions of the three different rental types relative to the total number of vacation rentals have remained fairly constant (Figure 15). Two-thirds of Airbnb's listings tend to fall into the "entire home/apartment" category, whereas one-third tends to fall into the "private room" category, and a negligible 2% falls into the "shared room" category.

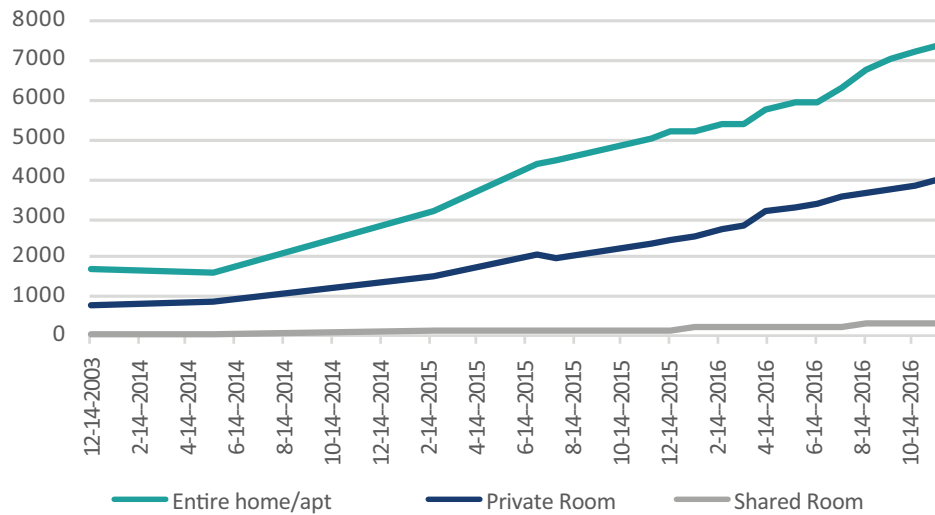


Figure 15: Listings by Room Type Over Time. Source: Slee and Custom Tabulations

## Best Selling Product: Entire Homes

Renting out entire homes, by definition, means hosts are not sharing their space.

An analysis of the number of reviews by room type (Figure 16) allows us to approximate a room type's intensity of use and its contribution to Airbnb's overall revenue. Using this method, we find that close to two-thirds of Airbnb's revenue generated in Toronto is the result of renting entire homes/apartments to tourists, visitors and guests. This is another illustration of the fact that Airbnb's ability to generate revenue in Toronto's market has little to do with enabling hosts to share their homes and that the company relies heavily on turning entire residential homes into short-term vacation rentals.

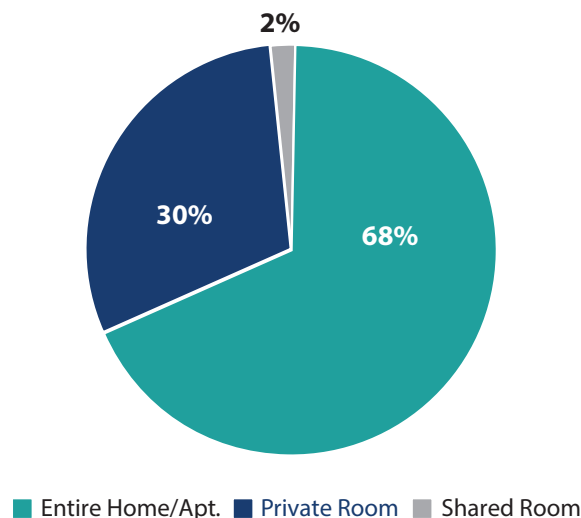


Figure 16: Reviews by Room Type (November 2016). Source: Slee and Custom Tabulations

Looking at the number of reviews by room type over time (Figure 17), we can see that Airbnb’s entire home/apartment category has become Airbnb’s main selling product. While Airbnb may have started out as a home sharing company enabling hosts to share their homes with guests, our analysis suggests that Airbnb has evolved into a company that removes entire homes/apartments from the local housing market for use as short-term rentals by tourists and visitors.

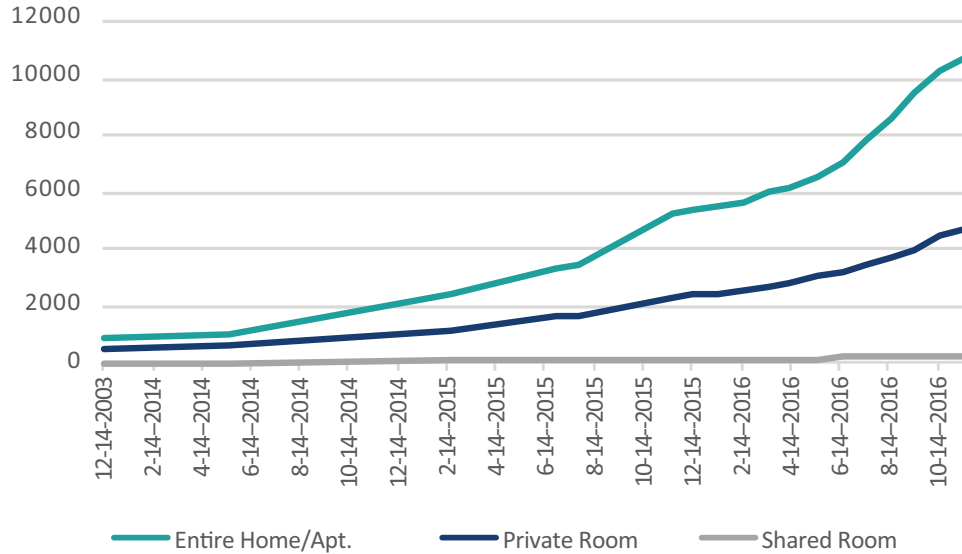


Figure 17: Reviews by Room Type Over Time. Source: Slee and Custom Tabulations

## Revenue Generation Concentrated Downtown

*“Airbnb’s 2016 downtown Toronto revenue alone is equivalent to the revenue generated by it across the total GTA in 2015”*

— Greater Toronto Hotel Association<sup>33</sup>

By focussing on Toronto’s neighbourhoods, we can approximate Airbnb’s saturation and concentration across the city’s geography. As Figure 18 makes immediately clear, the vast majority of total listings as of November 2016 are located in the following three areas: Waterfront Communities (1960), Niagara (613) and the Church-Yonge Corridor (473).

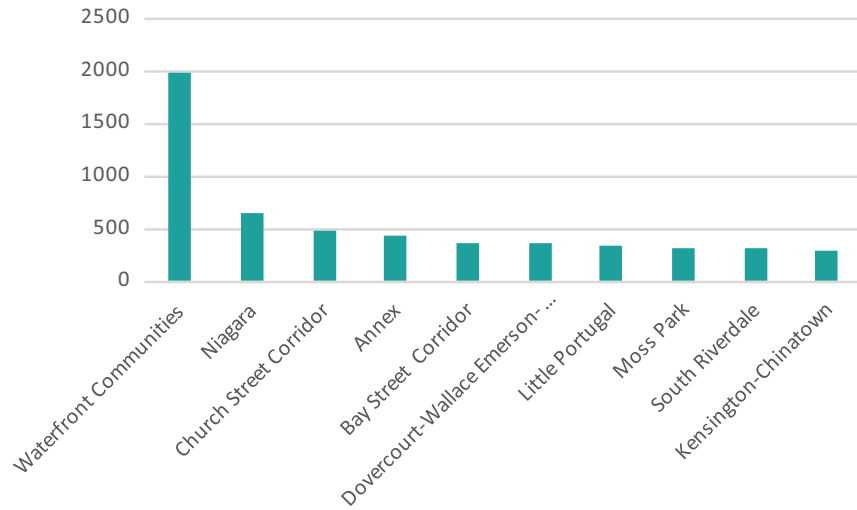


Figure 18: Total Number of Listings by Neighbourhood (Top 10) (November 2016).

Source: Slee and Custom Tabulations

Toronto's Airbnb Listings concentrated in the city's main hotel districts

When comparing the number of reviews across all of Toronto's neighbourhoods (Figure 19) it becomes apparent that the vast majority of reviews, and hence overnight stays and revenue generation, are concentrated in less than a handful of Toronto's neighbourhoods. Needless to say, Airbnb's main business in Toronto takes place in close proximity to the city's hotels, rendering Airbnb's claim that "74% of Airbnb are properties outside of the main hotel districts"<sup>34</sup> highly suspicious. Our

Toronto data shows that the core of Airbnb's business takes place in condominium towers next door to existing hotel properties.

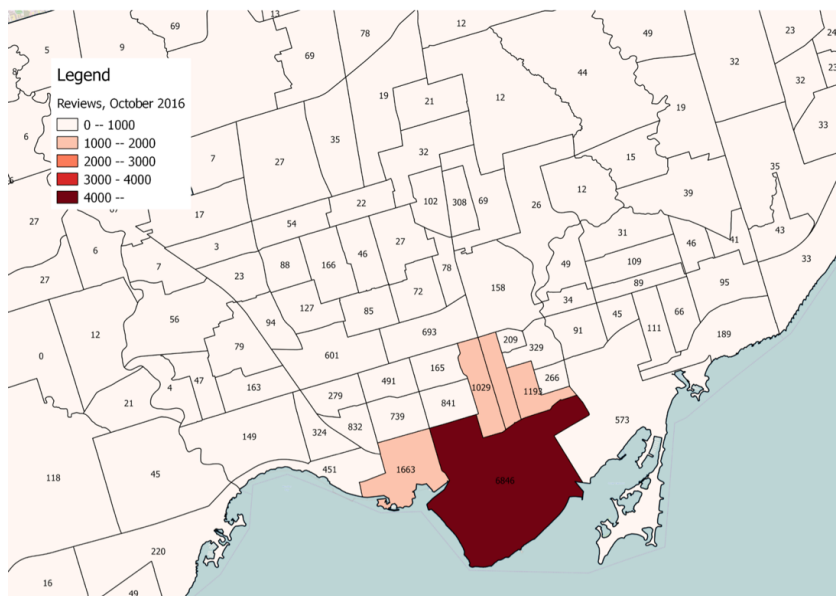


Figure 19: Number of Reviews by Neighbourhoods. Source: Slee and Custom Tabulations

## Ghost Hotels Dominate Toronto's Waterfront

Looking at Airbnb listing data in Toronto's top three Airbnb neighbourhoods shows that the total number of listings in the city's Waterfront Communities have quadrupled in two years, from fewer than 500 Airbnb listings in 2014 to over 2,100 by December 2016 (Figure 20).

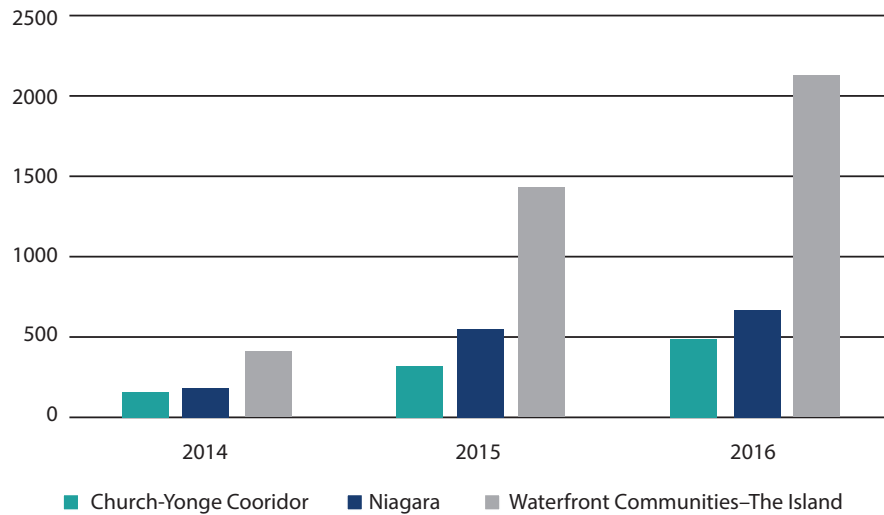
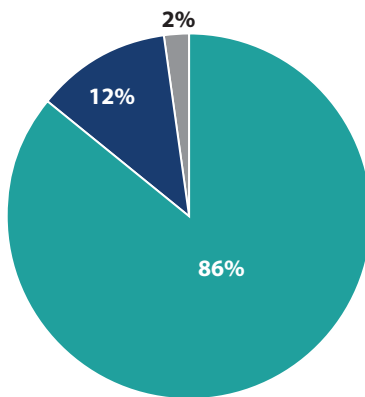


Figure 20: Total Number of Listings Over time in top 3 neighbourhoods.

Source: Slee and Custom Tabulations

Out of those 2,000 plus Airbnb listings, 86% are of the entire home/apartment nature, suggesting that these units are not shared. Private rooms (12%) and shared rooms (2%) are clearly underrepresented in this neighbourhood (Figure 21).

41% of waterfront listings are homes turned into vacation rentals.



Entire Home/Apt. Private Room Shared Room

Out of the total listings, 41% are multi-listings, that is, these are homes that are turned into ghost hotel rooms by hosts who operate two or more Airbnb rentals at any given time (Figure 22). Hosts who run multiple listings are not practicing home-sharing, but rather running a commercial business, in an area that is near Toronto's main attractions, the waterfront, the entertainment district, the Rogers Centre, CN Tower, etc.

Figure 21: Airbnb Listing Types in Waterfront Neighbourhood (December 2016).

Source: Slee and Custom Tabulations

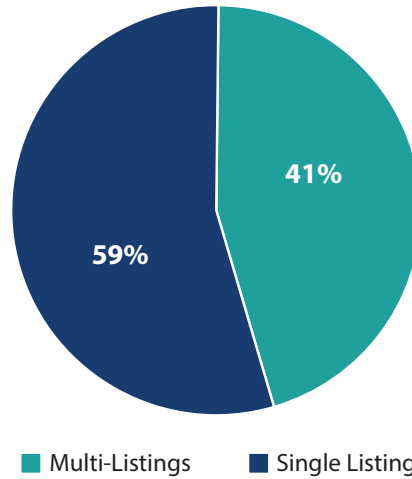


Figure 22: % of Multi-listings and Single listings in Waterfront Communities.

Source: Slee and Custom Tabulations.

What is particularly noteworthy is the fact that Toronto’s waterfront area underwent rapid residential intensification over the course of the last decade. The built form in this neighbourhood consists predominantly of high rise condominium buildings.<sup>35</sup> As Figure 23 shows, 93% of the dwellings in the area are buildings of 5 storeys and more.<sup>36</sup> In other words, Airbnb listings in this neighbourhood are mainly residential condominium units turned into ghost hotel suites.

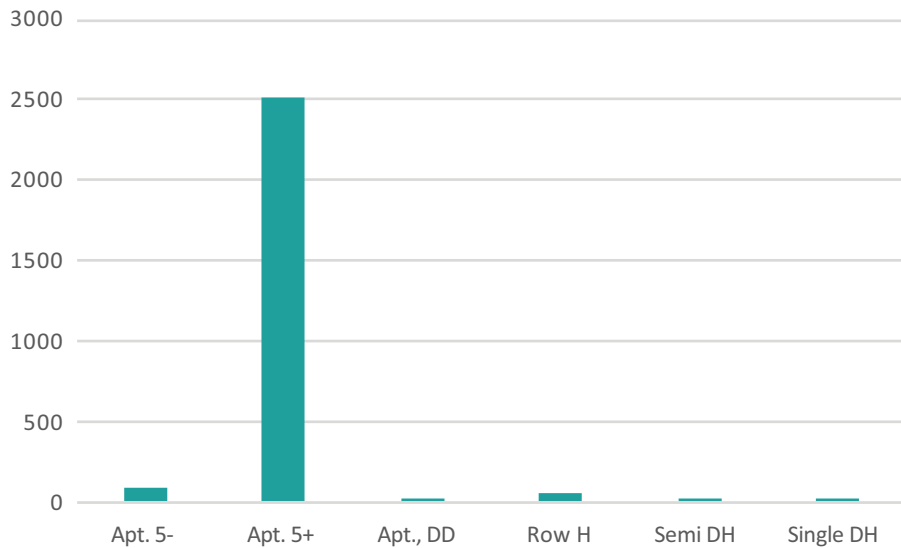


Figure 23: Private Dwelling by Structure in Waterfront Communities - The Island.

Source: City of Toronto (2013)<sup>36a</sup>

In contrast to Airbnb’s narrative that Airbnb provides visitors and guests with “authentic” experiences outside of traditional hotel districts, Figure 24 shows that the vast majority of Airbnb’s entire home

listings are concentrated in direct proximity to Toronto's downtown hotels. This illustrates that Airbnb's unregulated ghost hotels are directly competing with the city's established hotels.

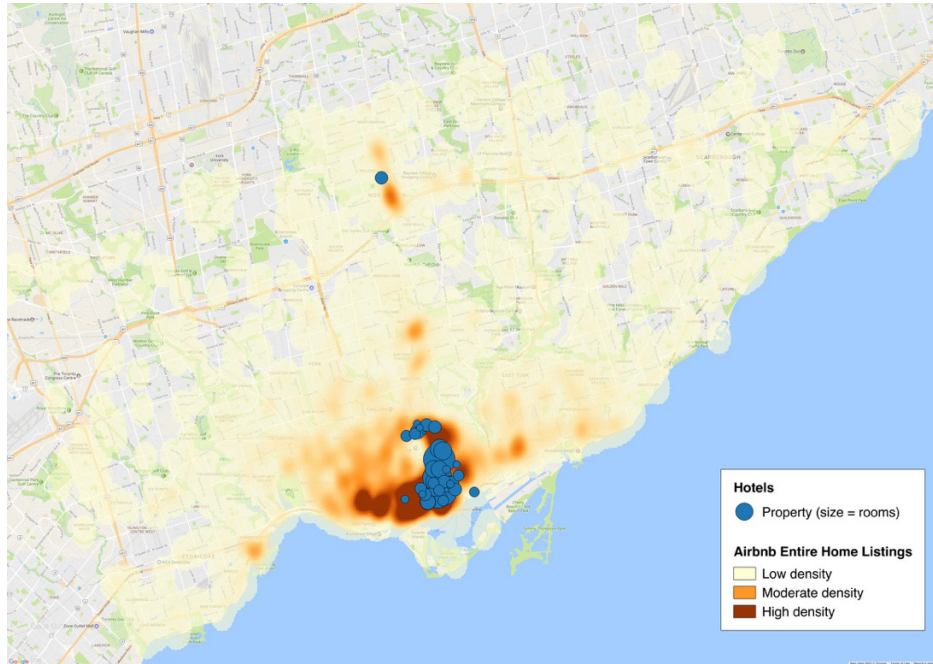


Figure 24: Toronto Hotels vs. Airbnb's Entire Home Listings. Source: Slee and Custom Tabulations

## Airbnb's Vacation Rentals Devour Rental Units in CO1

*“Conditions in the condominium apartment rental market tightened substantially in the third quarter, with listings down on a much greater basis relative to rental transactions. This means that competition between renters was enhanced, which fed through into average rent increases well-above the rate of inflation.”*

— Jason Mercer, the Toronto Real Estate Board Director of Market Analysis, 2016<sup>37</sup>

Analysing the distribution of Airbnb's listing across Toronto by Toronto Real Estate Board districts, we discover that a disproportionate amount (close to 30%) of Airbnb's short-term rentals located in Toronto have been made available in C01 (Figure 25), a district bordered by Bloor Street to the north, Dufferin Street to the west, the Lake Ontario to the south and Yonge Street to the east.

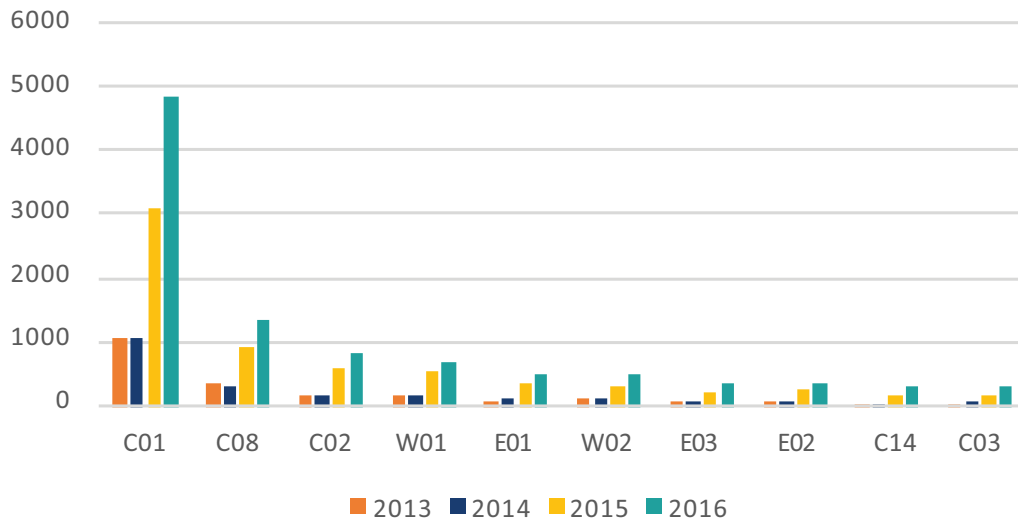


Figure 25: Growth in Airbnb Listings in Top 10 MLS Districts (2013-2016).

Source: Slee and Custom Tabulations

Our focus on CO1 highlights the tremendous growth of the short-term rental market in this area. Between 2014 and 2016, the number of Airbnb vacation rentals almost increased fivefold (Figure 26), a rapid proliferation of tourist accommodation with no sign in sight that turning homes into vacation rentals will slow down anytime soon.

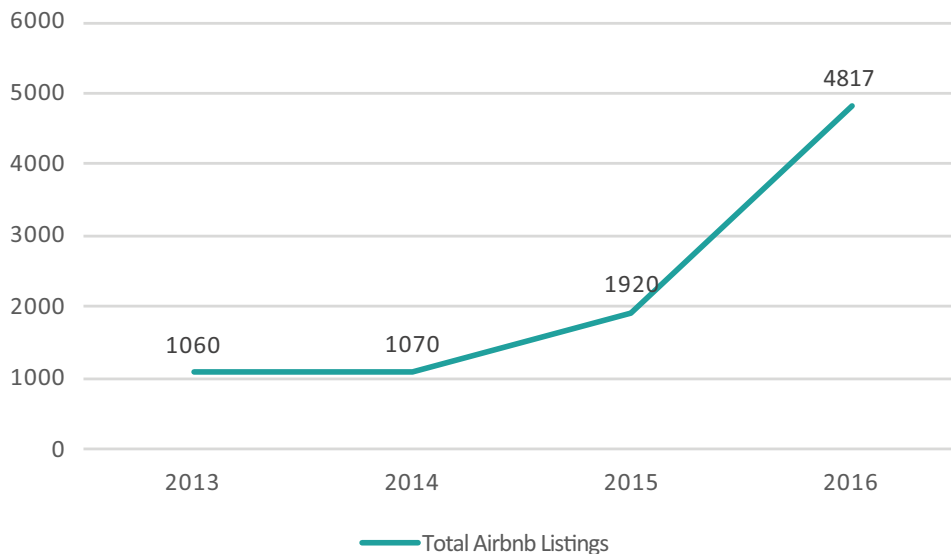


Figure 26: Growth of Total Number of Airbnb Listings in CO1. Source: Slee and Custom Tabulations

Out of the 4,817 total Airbnb listings on offer in CO1, 77% or 3,696 are of the entire home/apartment nature, 1,042 or 21% are private rooms and only 2% or 79 are shared rooms (Figure 27, 28). This indicates that most the units available to tourists and visitors are not shared with the hosts.



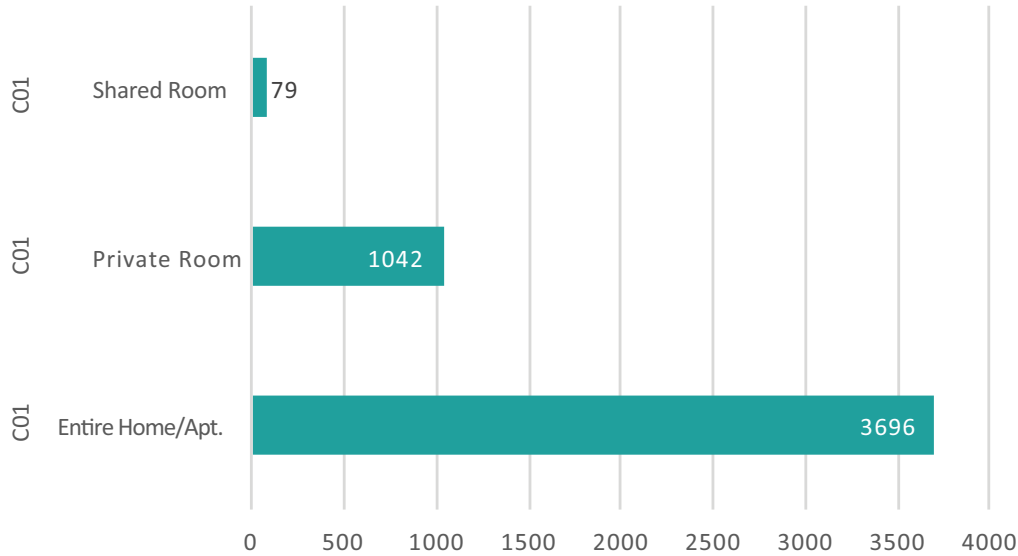


Figure 27: Airbnb Room Type Distribution in CO1. Source: Slee and Custom Tabulations

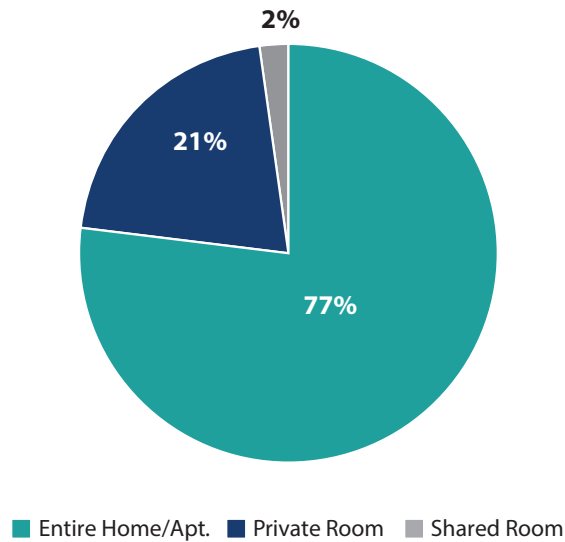


Figure 28: % Airbnb Room Type Distribution in CO1. Source: Slee and Custom Tabulations

Most concerning, however, is the impact that this growth of the short-term rental market in CO1 has on the availability and affordability of rental housing. Comparing the Toronto Real Estate Board’s (TREB) market report for the 3rd Quarter of 2016 to Airbnb listing data reveals several highly concerning trends. For instance, out of the 4,586 condominium and townhouse listings that TREB tracked in CO1, a total of 3,419 had been leased.<sup>38</sup> This left only 1,167 available units on the rental market for individuals and households seeking a permanent residence to live. At the same time, if you were a tourist, guest or visitor, you could choose from 3,696 entire home/apartment listings across

CO1 on Airbnb's online short-term rental platform, which suggests that it is three times easier to accommodate tourists than it is for Torontonians to find a place to live (Figure 29).

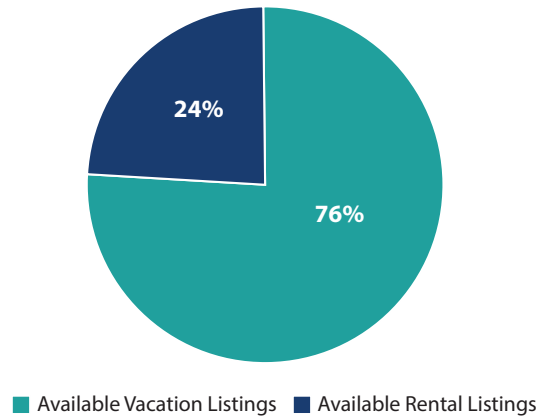


Figure 29: Homes available on Airbnb vs the LONG-TERM rental market in CO1.

Source: TREB (2016) and Custom Tabulations

This foray into Toronto's secondary housing market via comparison of available Airbnb listings and available housing stock confirms not only recent data published by the Canadian Centre for Policy Alternatives,<sup>39</sup> which indicated that Toronto's rental condo market may possibly supply a large share of Airbnb's vacation stock, but it is also congruent with trends in other major cities, where the most popular districts have become hot spots for vacation rentals at the expense of available housing stock.<sup>40</sup> It also suggests that organizations with an interest in transactions in the secondary housing market, be it Urbanation, the Toronto Real Estate Board or the Canadian Mortgage and Housing Company, should consider the proliferation of short-term rental listings and the way in which these may impact Toronto's housing market dynamics.

## Losing Homes to Airbnb

*"There's a lot more demand relative to supply [...] New listings are down relative to a year ago, a lot of buyers having fewer properties available for sale."*

— Robert Hogue, RBC senior economist<sup>41</sup>

Toronto cannot afford to lose any units to Airbnb that could be on the rental housing market.

The vacancy rate represents the percentage of rental homes available in a particular city, district or neighbourhood. Housing experts suggest that a 3% vacancy rate is the minimum threshold for a healthy market.<sup>42</sup> Toronto's private rental housing vacancy rates have been on a steady decline over the last decade, dropping down to a new record low of 1.3% (Figure 30).<sup>43</sup> This

means that there are only 13 vacancies for every 1,000 rental units listed on the market. It is likely that vacancy rates in the secondary rental market and in particularly popular neighbourhoods are even lower than the city-wide rate of 1.3%. Facing these conditions, Toronto cannot afford to lose any units that could be on the rental housing market to Airbnb or other short-term rental platforms which turn residential units into ghost hotels.



Figure 30: Toronto's Vacancy Rates (2004-2016). Source: Stats Can

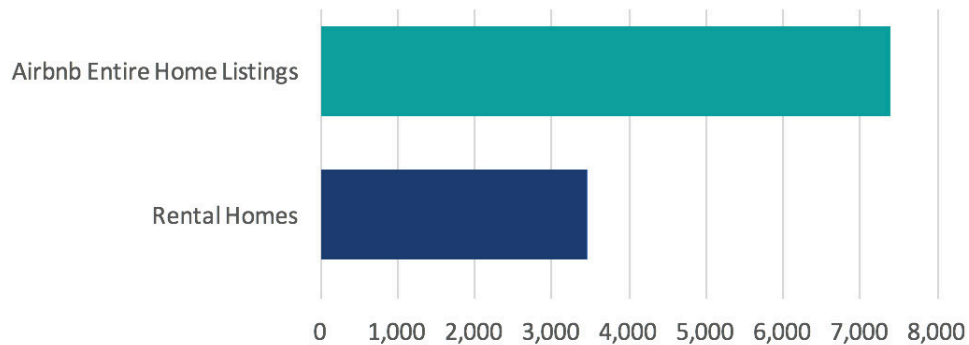
There has been considerable news reporting that suggests that this is exactly what is currently taking place in Toronto. There have been reports of landlords seemingly evicting tenants to turn their property into Airbnb suites,<sup>44</sup> reports of property entrepreneurs who turn low-income housing into tourist hostels,<sup>45</sup> stories about owners who buy up Victorian single family homes to turn these into party houses,<sup>46</sup> and short-term rental companies who manipulate condominium boards in order to turn residential condos into “ghost hotels.”<sup>47</sup> Our analysis in *Squeezed Out: Airbnb's commercialization of home-sharing in Toronto* suggests that these cases merely represent the tip of the iceberg of a market for short-term rentals that largely operates in a legal grey zone, where residential housing stock is appropriated for ghost hotels to accommodate the travelling public.

## Toronto's Housing Crisis

A recent Royal Bank of Canada (RBC) report found that housing costs have gone up in ways that put Toronto at the top of the list of the country's least affordable housing markets.<sup>48</sup> While the housing affordability crisis is now reaching middle and upper middle income homeowners, this crisis is nothing new to renters in Toronto. As the need for affordable rental housing in Toronto continues to grow, with over 82,000 households on the City's affordable housing waiting list,<sup>49</sup> no potential

home should be removed from Toronto's long-term rental housing market. In a city where 50% of its residents rent, available and affordable rental stock remains a top priority.

Toronto's housing stock comprises 267,060 rental units, at the current vacancy rate of 1.3%, this leaves a mere 3,471 units on the market for individuals and households to find a place to live.<sup>50</sup> Given the fact that half of Toronto's households are renters, and homeownership is growing increasingly out of reach for even above average income earners, the city faces a significant shortage of housing listed on the long-term rental market. Housing experts have long warned that vacancy rates below 3% create very unhealthy market conditions,<sup>51</sup> and Toronto is well on its way to becoming the most unaffordable place to live in Canada.



*Figure 31: Total Number of Rental Homes vs Total Number of Tourist Homes in Toronto (November 2016). Source: CMHC (2016) and Slee*

What housing experts could not foresee was the popularity of online short-term rental platforms like Airbnb, and the ferocity with which Airbnb and other such companies have changed the dynamics of Toronto's rental housing market. A closer look at the dramatic rise in short-term rental offerings across Toronto since 2013 makes one wonder where these thousands of units have come from, and whether this trend is not undermining Toronto's housing market. Take the latest Airbnb numbers, for instance, and compare these to the city's available rental stock. Just as CMHC reports that the city's vacancy rate has reached a record low and there are only 3,471 rental units on Toronto's market, Airbnb shows more than 12,000 short-term rental listings, with over 7,400 of them for entire homes/apartments (Figure 31). It is difficult to imagine that Airbnb and other such companies do not disrupt local rental housing markets, reduce the supply of rental units, and make it more difficult for renters of this city to find a decent place to live.

None of this would be a problem if Airbnb would do what it says it does, which is, to enable people to share their homes with guests, tourists and visitors. Entire homes/apartments, by definition, are not

and cannot be “shared” with guests. In addition, the fact that 16% of Toronto’s Airbnb hosts operate more than one entire home/apartment listing at any given time, is a clear indication that Airbnb is enabling individuals, holding companies and corporations to use the “home-sharing” platform to conduct commercial business. Offering such places to the travelling public is called hoteling and this practice should not be confused with the practice of home-sharing. If anything, these so-called multi-listing hosts supply tourists with accommodation that, for all intents and purposes, were zoned, planned and built for residential use. As it stands now, Airbnb supplies Toronto with about one-third of the city’s entire hotel lodging supply (Airbnb and hotel rooms) and caters the city to tourists, while it undermines both, the local rental market and the regulated accommodation industry.<sup>52</sup>

The ease with which Airbnb places residential homes on the short-term rental market for tourists contrasts sharply with the city’s attempt to address its housing affordability crisis. While the city struggles to meet its affordable housing targets of 1,000 new rental units a year (Figure 32),<sup>53</sup> Airbnb easily adds 2,500 entire home/apartment listings to its inventory year after year, making it easier for tourists to find lodging and more difficult for residents to find a place to live.

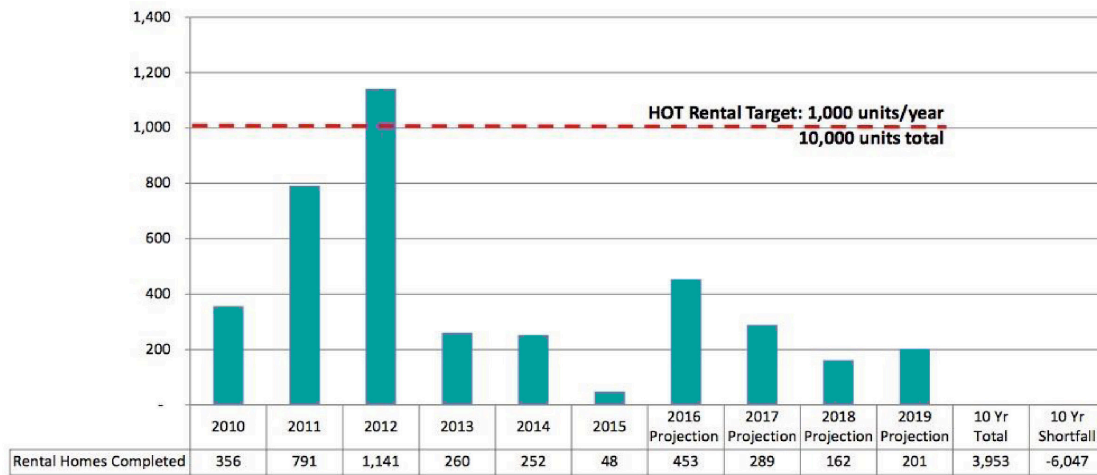


Figure 32: Affordable Housing Shortfall by 2019. Source: Gadon (2016)

Understanding the precise impact that Airbnb has on Toronto’s housing market presents a number of significant challenges, and this report is not intended to provide a definite answer. Rather, it is intended to open our eyes to the issues that have arisen and the best possible ways to address these in the future. This study presents general trends and makes conservative assumptions about the impact that Airbnb has on the city’s housing market. It also welcomes independent follow up research that explores Airbnb’s impact on Toronto’s housing market in more detail.

## Short-Term Rental Problems

### Affordable Rental Housing

Fairbnb.ca Coalition members tell us that finding affordable rental housing has become extremely difficult and that there are more Airbnb units available on the market than long-term rentals. This view was supported by a recent CCPA study<sup>54</sup> and our own analysis in this report, both of which highlight that this phenomenon is attributable to Toronto's central city condominium districts, the city's waterfront and Toronto's CO1 district. Airbnb reacted with their own report claiming that Airbnb's entire home/apartments listings represent "a tiny fraction of Toronto housing."<sup>55</sup> This report was misleading as Airbnb compared its entire home/apartment listings to Toronto's total rental housing stock. First, Airbnb should have been comparing its entire home/apartment listings with the available rental housing stock, not the city's total rental housing stock.<sup>56</sup> Second, the vast majority of Airbnb's revenue is concentrated in a handful of central city neighbourhoods, or in real estate terms, in CO1. Comparing available Airbnb listings to the city's rental housing stock across the entire city further waters down Airbnb's impact. While we would not go so far as to claim that Airbnb has created Toronto's affordable housing crisis, we agree with Zohra Jamasi and Trish Hennessy that there is no doubt that "[s]hort-term rentals offered through the [Airbnb] platform do not in any way help the problem of low vacancy rates for long-term renters seeking affordable housing in Toronto and elsewhere."<sup>57</sup>

### Gentrification

*"Without much notice my landlord gave me an eviction notice. Her message was that she wanted to take back the unit for her own personal use, which is perfectly understandable. Ironically and shockingly she sent me an email with her posting of my old apartment on Airbnb asking me if I would help her market it."*

—Lori Johnston, former Toronto tenant.<sup>58</sup>

The short-term rental market may promise higher returns to landlords.

Airbnb type rentals have been described as the new battleground of gentrification.<sup>59</sup> In fact, Airbnb has been recognized in academic literature as an emerging force that drives the process of displacement in cities around the world.<sup>60</sup> In Toronto, newspapers have reported about Airbnb hosts converting low-income housing into ghost hotels.<sup>61</sup> Working with housing advocates and legal clinics, the Fairbnb.ca Coalition has heard about landlords using "own use" arguments to evict tenants. In some cases, landlords are renovating their apartment buildings and putting former long-term rental units on the short-term rental market.<sup>62</sup> In others, former tenants are surprised to find

their former homes on Airbnb after they were evicted for personal use.<sup>63</sup> The rent differential that can be exploited by listing homes on Airbnb is a great incentive to landlords to switch from the long-term to the short-term market. A recent study suggests that it takes only about 7-14 days for Airbnb's entire home/apartment listings to generate as much rent as a traditional long-term monthly lease in Mississauga.<sup>64</sup> Within this context, long-term tenants become a barrier to landlords' intent on cashing in on the short-term rental market.

## Taxation

*"In New York City, Airbnb's largest market, a projected \$110 million in tax revenue will go uncollected in 2016 unless the legislation governing short-term rentals is changed."*

—allTheRooms Oct. 24, 2016.<sup>65</sup>

There are a great number of taxation concerns related to the burgeoning short-term rental market, involving corporate, income, value added as well as property taxes. How to tax short-term rental companies and their thousands of hosts should thus be of concern to all levels of government. Below, we will take a closer look at how Airbnb has dealt with paying its fair share thus far.

In the spring of 2016, Airbnb announced its collaboration with Ontario's Ministry of Finance,<sup>66</sup> a partnership that resulted in Airbnb sending notices to hosts during tax season to remind them to report their income.<sup>67</sup> While hosts should pay taxes on income generated, sending reminders to hosts is only a cheap first step. What Airbnb should really be doing is sharing crucial operating data (such as who hosts, where, how often etc.) with the appropriate levels of governments, so that taxation of Airbnb hosts can actually be implemented and enforced. As of 2017, this is not being done in any Canadian jurisdiction. There are precedents for this elsewhere, however. Data sharing between Airbnb and government regulators is instituted in New Orleans<sup>68</sup> and Santa Monica<sup>69</sup> and should be considered across all Canadian jurisdictions. As it stands now, Airbnb's collaboration with Ontario's Ministry of Finance remains more of a public relations stunt by the company to buy goodwill rather than a real investment into ensuring that everybody, including Airbnb itself, pays their fair share.

The real question we all should ask is how much tax does Airbnb remit in the countries in which it generates its revenue? The answer to that is "very little."

The real question we all should ask is how much tax does Airbnb remit in the countries in which it generates its revenue? The answer to that is "very little." So, while Airbnb may be happy to send out notices to hosts to remind them of paying their taxes, the company itself is structured to avoid remitting taxes as much as possible. It manages its finances via units in Ireland and tax havens like

Jersey in the Channel Islands, and because of this, only a fraction of the revenue generated by it will ever be taxed in Canada. A recent review of Airbnb's overseas regulatory filings illustrates that it has a much more extensive web of subsidiaries than publically acknowledged, more than 40 in total.<sup>70</sup> What this amounts to became clear when the \$30-billion behemoth paid as little as \$77,000 in corporate taxes to France in 2015, even though Paris being one of Airbnb's top global market places.<sup>71</sup>

When it comes to Toronto, the Fairbnb.ca Coalition has heard plenty concerns about fair taxation. As we have shown above, about 16% of Toronto's Airbnb hosts operate multiple listings, an indication that these are commercial businesses and not occasional hosts engaged in sharing their own home. In addition, these ghost hotel operators generate 52% of Airbnb's revenue, but do not pay commercial property taxes, do not charge HST nor do they remit corporate taxes.<sup>72</sup> A recent report investigating Airbnb's US business titled "440 Million Reasons to Tax Airbnb Vacation Rentals," found that the US is missing out on \$440-million in tax revenue a year.<sup>73</sup> Furthermore, because Airbnb doesn't share critical operating data with the jurisdictions they are operating in, regulators cannot know exactly how much tax revenue is lost. Ghost hotel operators, many of whom are in violation of existing condominium board rules, condominium declarations as well as Ontario's Residential Tenancy Act,<sup>74</sup> compete with law abiding low and mid-range hotels for visitors and tourists without paying their fair share of taxes.<sup>75</sup> A big reason as to why Airbnb can offer lower room prices, as the Financial Times reported, is because of the tax advantages it offers.<sup>76</sup> For these reasons, tax fairness is a huge concern to the regulated accommodation sector and hotel workers. It should, however, also be of concern to the public in general as ghost hotels remove traditional rental stock off Toronto's housing market in order to run untaxed commercial enterprises.

## Undermining Complete Communities

*"We basically have no neighbours anymore, the sense of community has dissolved. It leaves just these gaps, these dead zones. We have no idea who's next door from day-to-day."*

—Shaun Moore, Airbnb neighbour<sup>77</sup>

Residents associations highlight the negative impact Airbnb has on their sense of community. Ghost hotels are mostly booked on weekends and often sit empty. The transient nature of this use decreases the sense of community and reduces Jane Jacob's proverbial "eyes on the street." This problem persists on residential streets in low rise single family neighbourhoods,<sup>78</sup> as well as in residential condominium buildings.<sup>79</sup>



## Health and Safety

Millions of guests and hosts use Airbnb and other short-term rental platforms without incident, and health and safety risks related specifically to short-term rental use are relatively uncommon. However, there have been several incidents in Toronto over the course of just a few months where Airbnb's use has been tied to crime,<sup>80</sup> including shootings<sup>81</sup> and gang related kidnappings.<sup>82</sup> Newspaper articles have covered bait and switch schemes, where hosts have rented out their entire place to seemingly trustworthy guests, only to have their units turned into party houses that end in police investigations. Fairbnb.ca has also heard about drunken guests intimidating neighbours and condominium residents who no longer feel safe in their own neighbourhoods and buildings. It has also been suggested that the ease with which short-term rental units can be acquired in virtually any part of the city contributes to the mobility of crime and the use of Airbnb units as “burner homes.”<sup>83</sup>

Airbnb units used as “burner homes” for criminal activity

## Condominium Declarations

*“In a newer building, if the developer marketed the building to investors who wanted to use the units for short-term rentals, the declaration could include a provision stating that the corporation is not permitted to pass a rule restricting short-term rentals. In that case, the owners of 80 per cent of the units would need to approve a change to the declaration – a difficult threshold to reach.”*

—Tim Duggan, condo lawyer with Horlick Levitt Di Lella LLP.<sup>84</sup>

The Fairbnb.ca Coalition has heard from condominium owners and resident association members that condominium corporations have a very difficult time enforcing their own regulations.<sup>85</sup> Most importantly, if a developer decided to allow short-term rentals and has put appropriate language into a condominium corporation's declaration, it is extremely difficult to prohibit short-term rental use, as condominium board regulations must be consistent with the condominium corporation's declaration.

Corporation to the following effect:

*“I acknowledge and agree that I, the members of my household, and my guests from time to time, will, in using the unit rented by me and the common elements, comply with The Condominium Act 1998, S.O. 1998, as amended, as well as the declaration, by-laws and rules of the condominium corporation during the entire term of my tenancy, and will be subject to the same duties imposed by the above as if I were a unit owner, except for the payment of common expenses, unless otherwise provided by The Condominium Act 1998, S.O. 1998, as amended.”*

- d) In addition to the foregoing requirements, no owner, other than the Declarant, shall lease his or her
- e) The Declarant and each of the unit owners in this Condominium shall have the right to lease or rent their respective dwelling units from time to time, for any duration, on any number of occasions, and whether in a furnished or unfurnished state, without the consent of the Corporation or the board thereto, and without any restrictions or conditions being imposed with respect thereto, save and except for those set forth in the preceding subparagraphs 34 (a), (b), (c) and (d) hereof, as may be applicable.
- f) The Corporation shall not, either directly or indirectly, restrict, limit, or interfere with (nor place any conditions upon) the right of the Declarant or any unit owner(s) to lease or rent such owner's dwelling unit, either on a short term or long term lease/licence arrangement, and whether in a furnished or unfurnished state, and any by-law or rule hereafter passed or enacted which purports to do so shall be deemed and construed to be ultra vires and unenforceable.

Figure 33: Excerpt from the REVE Condominium Declaration, 560 Front St W. Source: Anonymous

Even a recent court decision,<sup>86</sup> that potentially empowers condominium boards to enforce their own rules, would not help in this situation and only empowers condominiums with declarations that entail language that prohibits short-term rental use. Over recent years, many condominium buildings constructed in Toronto tend to feature declarations that include language that specifically allows for short-term rental use.

It is our understanding that Tridel was one of the first developers in Toronto to include pro short-term rental language in its declarations, and many other developers have followed suit. It has been suggested that developers include pro short-term rental language in declarations in order to make large condos more marketable, including absentee landlords and investors.<sup>87</sup> Much of Toronto's residential intensification over recent years may effectively allow for short-term rentals, in which case the City has actually approved thousands of potential ghost hotels in close proximity to the city's major attractions.

## Consumer Protection


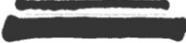
*“It’s going to drain the maintenance fees on these buildings and the public needs to understand that if the maintenance fees continue to go up, these buildings are going to go down in value, not up.”*

—Linda Pinizzotto, realtor and founder, CEO Condo Owners Association<sup>88</sup>


Many condominium buildings have become hot spots for Airbnb activity and ghost hotel use.

As reported by the Condo Owners Association, condominium owners are expressing concerns that their investments in condominium buildings are negatively impacted by Airbnb and other short-term rental platforms.<sup>89</sup> As we have shown, Toronto's Airbnb listings are heavily concentrated in exactly those city neighbourhoods that have undergone tremendous residential intensification over recent years, almost exclusively in the form of condominium structures. These condominium buildings provide a large supply of rental units to Airbnb hosts. In many of these buildings, condominium board rules and declarations prohibit short-term rentals of less than thirty consecutive calendar days. Despite these rules, many condominium buildings have become hot spots for Airbnb activity and ghost hotel use.<sup>90</sup> Condominium operating budgets of affected buildings cannot handle the spike in costs associated with the increase in wear and tear caused by transient rental activity.<sup>91</sup> In some cases, condominium insurance premiums are going up because of the increase in short-term rental use in affected buildings as Figure 34, provided to us by a concerned condominium owner illustrates. As condominium fees increase to keep up with short-term rental maintenance costs, property values decrease.<sup>92</sup> These buildings were not built for transient rental use,

but were intended as residential communities, and condominium owners are concerned about their investments.

September 29, 2016



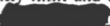
**Re: Suites used for Short Term Rentals (STR) (less than 30 nights)  
Increased insurance costs and charge backs to owners of STR units  
Reclassification of STR suites as commercial property**

Dear Owners,

Due to multiple claims last year and again this year, the Corporation expects a review of our insurance. Insurers may demand special coverage due to hotel-style rentals of less than 30 days and also may increase our premiums. Section 20 of the Declaration makes owners responsible to reimburse the Corporation for any increase in insurance premiums, and other related costs and expenses, due to the use of their units. **Consequently, please be advised that any resulting increase to the insurance premiums may be charged backs to owners of suites used for short term rentals (STRs).**

The amount charged per suite will reflect the number of suites used for short term rentals; should any of those owners sell in order to avoid potential liens, the remaining owners of units that are used for STRs may be required to cover the entire STR-related increase in the Corporation's insurance costs.

Owners are responsible for the actions of their tenants, including those who rent out the unit for short term stays. This applies even if the owner is unaware of the STRs. Should classification of STR units as commercial units help, the corporation will provide necessary information to MPAC (<https://www.mpac.ca/>).



Owners whose units are used for STRs may wish to investigate insurance specific to short term rentals and with a minimum \$10,000,000 liability limit and a maximum deductible of \$50,000; owners may choose a smaller deductible. The Corporation  must be a named insured. We do not know when a decision on insurance will be made nor the criteria to be used by the insurers. We do not know if owners whose units are used for STRs can obtain proper insurance – that is the responsibility of Owners to research.

In terms of next year's premiums, we do not know the impact of all STR Owners obtaining proper insurance (if that is even possible) nor of all STR activity immediately stopping; it is possible there is still a surcharge due to past STR activity and we may need to go a year or more before any surcharge is removed. If so, Owners whose suites were used this past year for STRs may face a charge back even if the STR activity stops now. We do not know how the insurers will deal with this.

We also wish to remind anyone undertaking short term rentals to ensure that their activity is compliant with income tax laws, including HST, the Ontario Fire Code and the applicable municipal by-laws.

Owners of suites used for short term rentals are advised to seek legal advice.

Sincerely,

  
President, 



  
Interim General Manager, 

Figure 34: STRs and Insurance Premiums of Condominiums. Source: Anonymous

## Hotel Industry Impact

The Fairbnb.ca Coalition has heard from hotel workers that they cannot find affordable housing anywhere close to where they work. At the same time, we hear that hotel workers are losing hours and pay. During the Pan Am Games in 2015, for instance, hotels were not at capacity, in part because of the rise of Airbnb. Hotels have to compete with Airbnb and other short-term rental companies that enable hosts to run unregulated ghost hotels in condominium buildings and residential neighbourhoods. Hotel workers, in other words, are affected twice, once in the housing market and once in the labour market. If the current number of redevelopment applications for central city hotels in Toronto are any indication, low and mid-range hotels suffer from the competition with the unregulated ghost hotel sector. Yet, while losing hotel stock is a problem for hotel workers, believing that short-term rental accommodations may become a substitute to such loss presents serious challenges to the city's ability to attract major tourist events.

## Impact on Tourism

Toronto's tourism industry is an important economic cluster for the City of Toronto. Between 2001 and 2011, the city's hospitality industry and tourism sector was one of the leading employment-generating clusters, producing more jobs than the IT sector.<sup>93</sup> This industry hinges on Toronto's ability to attract and host big events and conventions. The convention industry is tied to tourism in many important ways, often serving as the gateway for tourists to extend their vacation to visit attractions across the province. Already, Toronto is lagging behind other jurisdictions in attracting such large-scale events due to facility constraints.<sup>94</sup> Toronto's 12,000 plus Airbnb listings present a formidable challenge to the hotel industry in that it represents one-third of the city's entire lodging capacity (Airbnb plus hotels).<sup>95</sup> Toronto is currently undergoing many hotel conversions. If the city loses hotel rooms, Airbnb's fragmented offerings cannot be a substitute for the kind of hotel room capacity needed to host big events and large conventions. An unregulated short-term rental sector threatens not only the hotel industry, but also Toronto's ability to compete with other jurisdictions for large events.

## Voluntary Compliance Leads to Sub-Optimal Results

*"The new rule is no different than requiring car-rental companies to verify that customers have driver's licenses."*

— David Campos, Member of the San Francisco Board of Supervisors<sup>96</sup>

Airbnb is opposed to platform liability and accountability measures.<sup>97</sup> The Fairbnb.ca Coalition strongly suggests that platform accountability and liability represent two key aspects of *the* leading

best practices policy approaches developed to date. San Francisco, Santa Monica and Anaheim, for instance, have developed ordinances that force Airbnb to remove and refuse listings that violate city laws.<sup>98</sup> To us, this seems like a common-sense solution, one that is not only the most efficient, but also workable and achievable. It is not surprising that Airbnb has filed lawsuits against these municipalities,<sup>99</sup> perhaps hoping to prevent these examples from setting precedent for lawmakers elsewhere.

San Francisco, Santa Monica and Anaheim, for instance, have developed ordinances that force Airbnb to remove and refuse listings that violate city laws.

We know that Airbnb’s ideal scenario would be to “partner” with cities and to enter into “agreements” to produce voluntary and likely unenforceable regulations. This scenario would download the responsibility to conform to local rules and regulations to thousands of individual hosts and would present municipalities with an enforcement nightmare. Counting on such voluntary compliance is the least efficient, least productive and least workable approach any city should entertain. For reasons we outline below, this is not the way governments should proceed. It is for this reason that the Fairbnb.ca Coalition called Vancouver’s proposed regulation a great first step,<sup>100</sup> but warned that any future regulation must be tied to measures that hold short-term rental companies accountable and liable.<sup>101</sup>

San Francisco moved towards platform accountability and liability after an initial round of regulation based on voluntary compliance failed to deliver results. Between February 2015 and May 2016, hosts were required to obtain a municipal license if they wanted to rent out their primary residences to guests. Yet, during this 15-month period, only 15% (1,282 out of 7,046) hosts had complied with San Francisco’s ordinance (Figure 35),<sup>102</sup> while Airbnb listings continued to grow.<sup>103</sup>

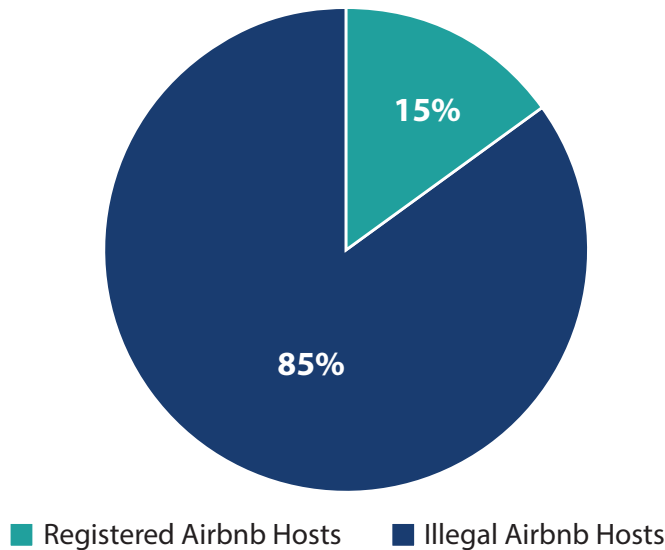


Figure 35: Rate of Compliance in San Francisco (May 2016). Source: Shaban (2016)

Closer to home, regulators in the Province of Quebec have had a similar experience with voluntary requirements. Quebec was one of the first jurisdictions in Canada to address the proliferation of illegal short-term rentals by introducing regulation in April 2016 (Figure 36). Part of the requirements for individuals to generate income from turning homes into short-term rentals was to obtain a permit number. By September 2016, only 5% (500 out of 10,000) hosts in Montreal had operated with a permit, while at the same time, Airbnb listings continued to increase across the province and the City of Montreal.<sup>104</sup>

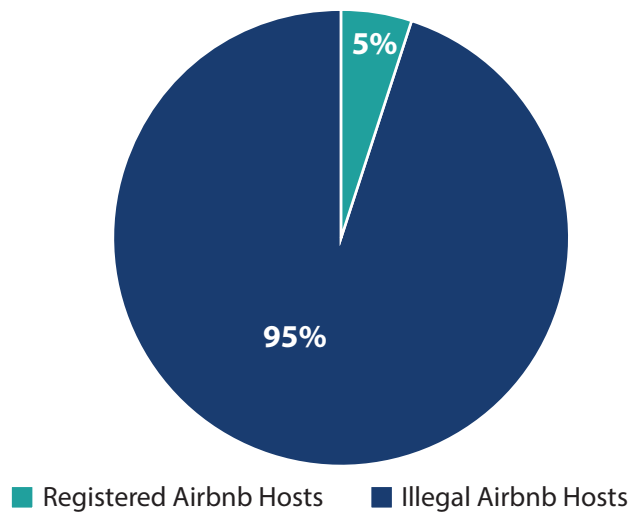


Figure 36: Rate of Compliance in Quebec (September 2016). Source: Marowits (2016)

The attempts to regulate Airbnb in both jurisdictions are based on voluntary compliance of tens of thousands of individual hosts. This clearly represents an enforcement nightmare for city governments and based on the initial data we have available, the rates of compliance are frighteningly low. Needless to say, Fairbnb.ca does not believe that online short-term rental platforms like Airbnb should not be held accountable and liable for the actions of their hosts. Our suggested regulation below would ensure that online short-term rental platforms are held accountable and liable and, if listings are found in violation of existing rules and regulations, would face significant fines.

## Short-term Rental Regulation in Santa Monica

*“We’ve come up with a strategy that we think will help us to address the issues more directly.”*

— Santa Monica’s Chief Administrative Officer for Planning and Community Development<sup>105</sup>

In May 2016, Santa Monica passed tough regulation to address the city’s rental housing crisis. Council supported an ordinance to ban anyone from renting out entire homes/apartments for less than thirty

consecutive calendar days and to only allow what comes closest to the practice of actual home-sharing, that is, the renting of private or shared rooms.<sup>106</sup> Hosts that want to generate extra income by doing so need to acquire a business license and pay a 14% hotel tax to the city. Most importantly, Santa Monica requires Airbnb and other short-term rental sites to share data about their hosts, to know who rents, where they rent and how much they charge.<sup>107</sup>

Santa Monica requires Airbnb and other short-term rental sites to share data about their hosts.

Almost immediately, Airbnb filed a law suit against Santa Monica. Airbnb alleges that Santa Monica's ordinance violates the 1st and 4th Amendments of the U.S. Constitution. Airbnb's law suit is an indication that Santa Monica's regulators have indeed developed a regulatory system that efficiently and directly deals with the proliferation of short-term rentals in its jurisdiction. More importantly, perhaps, Airbnb's reaction suggests that they are exhausting all means possible to prevent platform accountability measures from spreading to other jurisdictions.<sup>108</sup>

Santa Monica's ordinance ensures that short-term rental platforms like Airbnb are directly held accountable for enforcing the city's regulations. Rather than regulating individual hosts, Santa Monica puts the onus of enforcement on the actual platform. Online listings must display a municipal license number, and Airbnb and other such companies are required to share critical operating data for review with the City on a regular basis. If these rules are violated, online rental companies and hosts will face stiff fines.<sup>109</sup>

## Short-term Rental Regulation in San Francisco

*"We are closing a long-standing loophole by holding the hosting platforms accountable for the hundreds of units (rented by) unscrupulous individuals who have taken multiple units of affordable housing off the rental market"*

— Aaron Peskin, Member of the San Francisco Board of Supervisors<sup>110</sup>

In February 2015, San Francisco legalized short-term rental companies such as Airbnb, HomeAway, VRBO, FlipKey and others. In order to be legal, hosts have to obtain a business registration certificate and register with the San Francisco Treasurer and Tax Collector. They must ensure that they have proper liability insurance, pay the City's 14% 'transient occupancy tax' and inform their landlords, if they are renters. Importantly, to prevent landlords from evicting tenants to create ghost hotels, secondary homes and investment properties are excluded from the short-term rental market, and entire home listings must be tied to a host's primary residence and capped at 90 days per

Short-term rental websites may only post listings by hosts who have registered with the City or face up to \$1,000 in daily fines.

year.<sup>111</sup> After 15 months, the City's Board of Supervisors realized that even the most well thought out rules and regulations are ineffective if platform accountability and liability are not part and parcel of the policy response. Voluntary compliance had failed. On June 7, 2016 San Francisco's Board of Governors voted on an additional set of rules, in a 10-0 vote, that requires short-term rental websites to only post rental listings by hosts who have registered with the City or face up to \$1,000 in daily fines.<sup>112</sup>

The same day San Francisco's Board of Governors arrived at its unanimous decision to establish platform accountability and liability, Airbnb sued the City claiming it had violated the Communications Decency Act, a federal law that prohibits the government from holding websites accountable and liable for the content that is uploaded by their users.<sup>113</sup> On November 8, 2016, a federal judge rejected Airbnb's request to block San Francisco's ordinance. Judge James Donato rejected Airbnb's claim that the ordinance violates a federal law that protects internet companies from liability for content they post. Donato said that the San Francisco ordinance "does not regulate what can or cannot be said or posted in the listings. It creates no obligation on plaintiffs' part to monitor, edit, withdraw or block the content supplied by hosts."<sup>114</sup>

Not long after the federal judge rejected Airbnb's request to block San Francisco's ordinance, Airbnb agreed to co-operate with the city and help it enforce its rules. "In a dramatic about-face," as the San Francisco Chronicle called it, "Airbnb says it is ready to police its San Francisco hosts, taking actions it has long resisted as invasive, unrealistic or unwieldy."<sup>115</sup> The San Francisco case shows that Airbnb is clearly in the position to comply with municipalities' rules and regulations, but only after they have exhausted all legal means to oppose them.

## Short-term Rental Regulation in New York

*"The law signed today will provide vital protections for New York tenants and help prevent the continued proliferation of illegal, unregulated hotels, and we will defend it."*

— New York Attorney General Eric Schneiderman<sup>116</sup>

Permanent residents may rent out spare rooms, but are not permitted to advertise entire homes/apartments on short-term rental platforms like Airbnb.

The New York State Multiple Dwelling Law (MDL) prohibits rentals of the entire home/apartment nature for less than thirty consecutive calendar days within residential buildings with three or more units unless a permanent resident is present during the guests' stay.<sup>117</sup>

Following this logic, permanent residents could still engage in the practice of "home-sharing," by renting out spare rooms, but would not be allowed to advertise entire homes/apartments on short-term rental



platforms like Airbnb.<sup>118</sup> Yet, despite this law, a recent study found that more than 55% of New York City's listings allow for the booking of entire homes/apartments, essentially indicating that more than 28,000 listings are in violation of the MDL.<sup>119</sup> In order to move beyond obvious enforcement issues of the MDL, New York State Governor Andrew Cuomo passed a bill on October 21, 2016 that would prohibit online rental platforms like Airbnb from posting illegal listings,<sup>120</sup> a move that would allow the City to fine online short-term rental platforms like Airbnb.<sup>121</sup>

Immediately following the signing of Cuomo's bill into law, Airbnb sued the New York State Attorney General and New York City's Mayor arguing that the new law "is a content-based restriction on advertisements - in the form of rental listings - which are protected under the First Amendment." Airbnb also argued that, without due process, the law could potentially make the company liable for illegal listings, which Airbnb argued is a violation of a clause in the 14th Amendment.<sup>122</sup> In short, Airbnb argued that it cannot be legally held accountable for how hosts use its platform.

Following the decision of a Federal Judge to deny Airbnb's grounds to sue the City of San Francisco in November 2016, Airbnb decided to settle its case in New York under the condition that only the hosts of illegal listings will be held accountable.<sup>123</sup> While the New York Times called this "capitulation," a closer reading of this case illustrates that Airbnb dodged a significant bullet by avoiding being directly held liable and accountable.

## Short-term Rental Regulation in Chicago

*"The question will be whether the prohibited buildings list ultimately changes the paradigm."*

— Howard Dakoff, condo lawyer with Levenfeld Pearlstein<sup>124</sup>

On June 22, 2016, Chicago City Council adopted an ordinance to regulate short-term rental platforms like Airbnb in a 43-7 vote. The new ordinance requires individuals who wish to rent out their homes on online short-term rental platforms to register with the City, and proposes some data sharing, liability and accountability measures.<sup>125</sup> While some argue Chicago's regulations don't do enough to limit the number of commercial hosts,<sup>126</sup> and recent reports highlight that the ordinance has not stopped Airbnb's expansion in Chicago,<sup>127</sup> the city's ordinance includes measures of particular importance for the City of Toronto. To protect condominium and homeowners' associations, Chicago will maintain a list of buildings and units in which short-term rentals are prohibited altogether, will force Airbnb to remove illegal listings and share data with the city.<sup>128</sup>

To protect condo owners and homeowners' associations, Chicago will maintain a list of buildings and units in which short-term rentals are prohibited altogether.

While Chicago is also subject to lawsuits following its short-term rental ordinance, the City is not being sued directly by Airbnb, but by a group of homeowners and a non-profit organization called Keep Chicago Livable, both of which filed their suits in November 2016.<sup>129</sup> As a result, the city agreed to push back the implementation of the new ordinance to February 2017 and to remove some of the language that the plaintiffs took issue with.<sup>130</sup>

Over 900 residential buildings with 88,993 units have been placed on a list of properties that are off-limits to Airbnb.

The Chicago example illustrates, once more, that meaningful regulation is immediately opposed by Airbnb and their interests. More importantly, it provides some important policy solutions to a very Toronto problem: the proliferation of short-term rentals in Toronto's condominium communities. Chicago's ordinance significantly empowers condo corporations, who can list their building with the city in an effort to ban Airbnb and other short-term rental platforms altogether. As a result, by December 2016, over 900 residential buildings containing 88,993 dwelling units had been placed on a list of properties that are off-limits to short-term rental platforms like Airbnb.<sup>131</sup> Reducing the supply of potential homes that can be turned into ghost hotels in neighbourhoods popular with tourists could reduce Airbnb's competitive edge vis-a-vis hotels.

## Fairbnb.ca Model Legislation

In this section, we'll present what we consider model legislation. Given the number of problems that already exist as outlined above, and the meteoric rise of short-term rental listings on platforms like Airbnb over the course of the last three years, the City needs to implement a set of regulations that will place Toronto at the forefront of those jurisdictions that have developed enforceable, common sense regulation. For the purpose of this legislation, we define short-term rentals as the offer of a place of temporary residence, lodging or occupancy by way of a commercial arrangement for any period less than thirty (30) consecutive calendar days, throughout all or part of a calendar year.

We see our model legislation as an opportunity to help Airbnb to return to its home-sharing roots.

As we have seen, no single jurisdiction has been able to implement a perfect set of rules and regulations and the implementation process has gone through a number of iterations. The cases we cite are the ones we consider particularly important as they present attempts at regulation that are actually enforceable. Toronto should avoid any form of "partnership" with Airbnb and place its effort on what we have called platform accountability and liability measures.

Implementing even the most well thought out regulation, and leaving it up to thousands of individual hosts to comply, as we have seen, is not a workable option if achieving a high rate of compliance is

the goal. Toronto's rules have to be enforced in and through short-term rental platforms like Airbnb themselves. Towards this end, we will present model legislation that promises to get it right the first time around, without the trial and error phases we have seen in other cities.

We consider our model legislation to be pro-home sharing. It will effectively encourage the sharing of one's home mainly through private and shared rooms. We realize that many Airbnb hosts desire to sublet their entire homes and apartments when they are not present and we will address this desire in a fair and sensible way.

We see our model legislation as an opportunity to help Airbnb to return to its home-sharing roots by culling the small number of commercial hosts who control a disproportionate share of Airbnb's total listings and generate approximately 52% of its revenue. Overall, our objective is to return any entire home/apartment that could be on the long-term rental market to the long-term rental market. To achieve this goal, we are proposing the following permit system that will ensure that all short-term rentals are safe, conform to existing rules and regulations and generate revenue for the City.

Our objective is to place any home that could be on the long-term rental market back on the long-term rental market.

The City of Toronto should consider maintaining a list of condominium buildings that prohibit short-term rentals. Much like in Chicago,<sup>132</sup> this inventory of housing stock would automatically be placed off limits to Airbnb and any other short-term rental platforms. This would be the ideal scenario given Toronto's short-term rental concentration in its downtown condominium districts.

The City of Toronto should consider drafting a short-term rental specific zoning by-law. Such a by-law is a formidable tool to maintain the character and planned function of Toronto's residential neighbourhoods and condominium buildings. It should be designed to protect permanent residents from incompatible ghost hotel use and the nuisance associated with the short-term accommodation of the travelling public. There are fairly local examples to consider. The Town of Blue Mountain, for instance, passed Zoning By-Law No 2009-03, a by-law that defines short-term rental use, distinguishes it from residential uses as well as from other commercial or institutional uses, such as hotels, motels, bed and breakfast establishments and hospitals. Most importantly, legal challenges against this by-law were unsuccessful both at the Ontario Municipal Board (OMB Case No. PL080455; June 22, 2011 Decision/Order) and the Divisional Court (*Rosen v. Corporation of the Town of Blue Mountains*, 2012 ONSC 4215). Fairbnb.ca strongly recommends the use of short-term rental specific zoning by-laws in order to integrate this burgeoning use into Toronto's arsenal of planning tools.

Most importantly, the City of Toronto must consider implementing a short-term rental permit system that, at the bare minimum, includes the following host requirements to establish the eligibility of the host:

- One host = One listing;<sup>133</sup>
- Proof of the host's identity and municipal address;
- Proof of a current police background check;
- Proof that the property is the host's principal/primary residence;
- Proof that the listed space is in a habitable room in the principal/primary residence;
- Proof that the host has sufficient insurance coverage;
- Proof that that mortgage terms are not violated, if an owner;
- Proof that short-term rentals are permitted in the host's condominium declaration, if a condominium resident;
- Proof that the host's condominium board rules permit short-term rentals, if a condominium resident;
- Proof that the listing does not violate existing zoning by-laws, building codes, fire codes and health and safety standards;
- Submission of site and floor plans accurately depicting the size and location of the existing dwelling;
- Submission of the number and location of the designated off and on-street parking spaces and the number of vehicles allowed for overnight guests, if applicable;
- Submission of a list of responsible contact persons;
- Submission of a list of all online platforms used to advertise the listing.

Once these requirements are met, the registration fee is paid, and the City of Toronto has undertaken an on-site inspection of the property, the City may issue a permit, to be renewed on a yearly basis (much like a street parking permit). Note: no person may apply for, or register for, more than one home-sharing unit or guest room, or otherwise operate more than one home-sharing unit or guest room in Toronto.

No person may apply for, or register for, more than one home-sharing unit or guest room, or otherwise operate more than one home-sharing unit or guest room in Toronto.

To ensure that only hosts with valid permits are participating in Toronto's short-term rental market, and online short-term rental platforms comply, the City of Toronto should consider the following short-term rental platform requirements:

1. A host cannot register a unit with a short-term rental platform without providing a permit number;
2. Implementation of automated limits that deactivate entire home/apartment listings once a thirty (30) day cap is reached;<sup>134</sup>

3. Crucial data has to be shared with the City of Toronto on a monthly basis, including number of nights rented, the amount of revenue generated, at what municipal address, etc. This can be done by host permit number, that is, without breaching a host's privacy.

Should platforms be found in violation of the City's short-term rental regulations, and postings appear without a valid permit number, platforms and hosts should face steep and escalating fines. The revenue generated through such fines can be used by the City of Toronto towards maintaining its affordable housing stock. This model legislation would achieve the following:

- a. It will encourage home-sharing;
- b. It will discourage the further commercialization of home-sharing;
- c. It will remove multi-listing hosts from short-term rental platforms like Airbnb;
- d. It will put limits to the number of nights entire homes can be rented out on short-term rental platforms like Airbnb;
- e. It will discourage hosts from catering the city's scarce housing stock to the travelling public;
- f. It will put thousands of entire home/apartment listings back on Toronto's long-term rental market;
- g. It will place steep and escalating fines on short-term rental platforms and hosts if found violating the above conditions;
- h. It will generate revenue (both from taxing short-term rentals and generating permits), which could be used to fund affordable housing.

## Conclusion

Short-term rental activity is distorting Toronto's residential rental market. While more research on this subject is needed, *Squeezed Out: Airbnb's commercialization of home-sharing in Toronto* illustrates a number of trends and issues related to Airbnb's evolution from a home-sharing company to one that enables a ghost hotel sector, i.e. multi-listing hosts who operate a disproportionately large share of mostly entire home/apartment listings. What is most concerning is that this ghost hotel sector by now generates the majority (approximately 52%) of Airbnb's revenue in Toronto. In other words, it is in Airbnb's own material interest to see this sector flourish.

In addition, our analysis shows that Toronto's ghost hotel sector flourishes most rapidly in the city's downtown core. It proves Airbnb's claim that 73% of their Toronto guests stay in areas where "traditional hotel accommodations are simply not available" to be simply not true. Airbnb's guests, furthermore, are attracted by the cost differential between Airbnb's ghost hotel units and traditional hotels, one third of which is the result of regulatory and tax advantages.

While some may argue that Airbnb and similar platforms allow tourists of modest means to visit Toronto, *Squeezed Out: Airbnb's commercialization of home-sharing in Toronto* shows that Airbnb and others have made it a lot more difficult for Torontonians of modest means to find long-term rental housing. In Toronto's real estate CO1 district, for instance, 76% of the available rental listings during the 3<sup>rd</sup> Quarter of 2016 were for short-term Airbnb rental units, making it three times more likely for the travelling public to find a place to stay than for households to find a home to live.

Only Vancouver beats Toronto to the title of Canada's most unaffordable place to live. Short-term rental regulation in Toronto and elsewhere should ensure that any home that could be on the long-term rental market should be on the long-term rental market.

It is for this purpose that the Fairbnb.ca Coalition is proposing the regulatory regime above that includes a licensing system, platform accountability and liability as well as steep and escalating fines for platforms and hosts. Jurisdictions around the world have already demonstrated that our approach is indeed workable, achievable and feasible.

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