

PUBLIC COMMENT  
as of 8/12/19

**Kari Svanstrom**

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**From:** Jacob Rich <jerichsalud@gmail.com>  
**Sent:** Sunday, August 11, 2019 9:51 PM  
**To:** Michael Carnacchi; neysacouncil@gmail.com; sarahgurney.seb@gmail.com;  
una.glass.seb@sonic.net; Patrick Slayter; Mary Gourley; Kari Svanstrom  
**Subject:** Ban Non-Hosted Vacation Rentals

Dear City Council Members,

I urge you to please approve a permanent ban on non-hosted vacation rentals to protect the character of Sebastopol.

Growing up in Sebastopol, my memories of Sebastopol are mostly defined by friends, neighbors, and the families that made up the community of Sebastopol.

Unfortunately, because of an extreme shortage of housing, fewer and fewer families are able to afford to live there. Prohibiting non-hosted vacation rentals is a way to ensure there are more homes for local families and protect the character of Sebastopol.

Please put people over profit and approve this ban to help preserve housing for families in Sebastopol.

Thank you!

Jacob Rich

Now a nearby resident of West Santa Rosa with family members living in Sebastopol

## Kari Svanstrom

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**From:** Rick Luttmann <luttmann@sonoma.edu>  
**Sent:** Sunday, August 11, 2019 3:51 PM  
**To:** Michael Carnacchi; neysacouncil@gmail.com; Mary Gourley; Kari Svanstrom; sarahgurney.seb@gmail.com; ps.sebcc@gmail.com; unajmglass@gmail.com  
**Cc:** Mara Ventura; galbraithsunny@gmail.com  
**Subject:** Support the ban on short-term rentals

Dear Sebastopol City Council members:

I write as a long-time resident of Sonoma County who lived in Sebastopol for 11 years. Since about 2007 I have belong to the North Bay Jobs with Justice Coalition or its predecessor Living Wage Coalition. I have served this group as a member of the Executive Board and Treasurer. I support NBJ+J because it serves the needs of the poorest and least powerful members of our Sonoma County community.

No need to point out the obvious, that we have a serious problem here of housing affordability. Too many people cannot afford a place to live in Sonoma County under current market conditions. Therefore it is necessary for governments at all levels to take as many steps as they can to mitigate the housing shortage. This proposed ordinance does exactly that.

Of course the ordinance gores certain oxen, but I believe it is simply unethical, if not barbarous, to kowtow to people who simply want to get richer when doing so forces some of our fellow citizens to sleep under bridges.

-- Rick Luttmann

## Kari Svanstrom

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**From:** Kate Quinlan <k8quinlan@gmail.com>  
**Sent:** Sunday, August 11, 2019 9:53 AM  
**To:** Kari Svanstrom; Michael Carnacchi; Mary Gourley; neysacouncil@gmail.com; ps.sebcc@gmail.com; sarahgurney.seb@gmail.com; unajmglass@gmail.com  
**Subject:** Ordinance banning short-term rentals.

Dear Sebastopol City Council Members and Planning Director Svanstrom:

I support the formation of an ordinance banning short term, non-hosted vacation rentals over 30 days per year. Sebastopol needs rentals to stay available for residents.

I care about this issue because I believe that the people who work in Sebastopol — such as fire fighters, servers in restaurants, grocery store employees, and retail workers — should also be able to afford to live here. I think young families with school-age children should be able to afford to live here. Short-term, non-hosted vacation rentals contribute to the problem of limited housing and sky-rocketing rents.

Thank you for being forward-thinking and bold on this issue of protecting housing stock for residents and for working to protect and create affordable housing in Sonoma County.

Kate Quinlan  
7580 Meadowlark Drive  
Sebastopol

## Kari Svanstrom

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**From:** joanne.konezny@gmail.com  
**Sent:** Sunday, August 11, 2019 7:52 AM  
**To:** Michael Carnacchi; Neysa Hinton; Sarah Gurney; Slayter, Patrick; Una Glass; Mary Gourley; Kari Svanstrom  
**Subject:** Rental Property

Dear Sebastopol City Council Members and Planning Director Svanstrom:

I support the formation of an ordinance banning short term, non-hosted vacation rentals over 30 days per year. Sebastopol needs rentals to stay available for residents . I care about this issue because people who work here won't be able to live here. It affects the nature of our neighborhoods, hollowing them out. Thank you for being forward-thinking and bold on this issue of protecting housing stock for residents and working to protect and create affordable housing in Sonoma County.

Mark and Joanne Konezny  
Sebastopol residents

## Kari Svanstrom

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**From:** Roy Smith <emailsmith@gmail.com>  
**Sent:** Saturday, August 10, 2019 8:08 PM  
**To:** Michael Carnacchi; Neysa Hinton; Sarah Gurney; Slayter, Patrick; Una Glass; Mary Gourley; Kari Svanstrom  
**Subject:** Non-hosted vacation rental policy

Dear Sebastopol City Council Members and Planning Director Svanstrom:

I support the formation of an ordinance banning short term, non-hosted vacation rentals over 30 days per year. Thank you for grappling with this issue, as it is one that impacts communities throughout Sonoma County (and indeed the world). Given the high - and increasing - cost of housing in our area, a balance must be struck between property owners seeking to leverage their investment to create income, and the well-being of the larger community. I believe this can be accomplished through policy that encourages hosted vacation rentals, and discourages non-hosted rentals.

I suggest banning non-hosted rentals over 30 days per year for the following reasons: This rental arrangement results in...

- an inherent disconnect between the guest and the host community.
- a greater likelihood of disruptive behavior by guests.
- a greater incidence of conflict between neighbors and guests or vacation owners.
- an inherent disconnect between the rental owner and the behavior of renters.

On the other hand, I suggest supporting hosted rentals for the following reasons: Hosted rental arrangements offer...

- an innovative, entrepreneurial method for property owners to make a return on their property, thereby supporting local ownership by those who are willing to work for it, rather than by wealthy outsiders.
- cultural exchange between hosts and guests.
- considerate behavior between guests, hosts, and neighbors.
- an enriched housing environment, rather than the continued impoverishment of local residents and the widening economic divide we are witnessing.

In summary, please support hosted vacation rentals (as well as alternative rental housing), and please restrict non-hosted vacation rentals.

Thank you for your work,

Roy Smith  
9480 Willow Ave  
Cotati, CA 94931

## Kari Svanstrom

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**Subject:** FW: Public Comment on non-Hosted Airbnbs - Planning Commission 8/13/19

**From:** Miles Burgin <[burgin.miles@gmail.com](mailto:burgin.miles@gmail.com)>

**Sent:** Friday, August 09, 2019 4:19 PM

**To:** Mary Gourley <[mgourley@cityofsebastopol.org](mailto:mgourley@cityofsebastopol.org)>

**Subject:** Public Comment on non-Hosted Airbnbs - Planning Commission 8/13/19

Ms Gourley,

I would like to submit public comment on the non-hosted Airbnb discussion set to take place before the planning commission on August 13th, and was hoping you could forward the following comments to the commissioners cc'ing the city council. I looked to see if there was a single email address where the commissioners could be reached, but was unable to find one. I've also attached two studies that I'd like entered into the record for the conversation. Thanks in advance, and please let me know if you need anything else from me.

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Members of the Planning Commission,

I wanted to offer public comment on the issue of non-hosted short-term rentals in Sebastopol, but as I'm unable to attend in person I'm submitting my comments via email. First, I want to submit a study by the Economic Policy Institute on the economic effects of vacation rentals into the public record, and second I'd like to speak to my personal experience with them having grown up and currently working in Sonoma Valley.

I've attached the EPI study to this email so you can read it in full, but the highlights are as follows:

- "The economic costs Airbnb imposes likely outweigh the benefits"
- "Evidence suggests that the presence of Airbnb raises local housing costs"
  - "AirBnB introduction and expansion in New York City may have raised averaged rents by nearly \$400"
- "The potential benefit of increased tourism supporting city economies is much smaller than commonly advertised"
  - "Two surveys indicate that only 2 to 4 percent of those using Airbnb say they would not have taken the trip were Airbnb rentals unavailable"
- "The shift from traditional hotels to Airbnb lodging leads to less-reliable tax payments to cities"
- The existence of short-term rentals also has significant equity implications. While long term renters in Sonoma County are disproportionately people of color, and lower income, the report found that "the beneficiaries [of Airbnb's] are disproportionately white and high-wealth households".

In essence, the report finds that while there is undeniably some economic benefit to non-hosted vacation rentals in a community like Sebastopol, that benefit is shown to be outweighed by the economic impacts of decreased tax revenue through inconsistent TOT collection and higher rents for residents. When Sonoma County is in the midst of a crippling housing crisis it's important that we preserve the existing rental housing stock for residents instead of tourists.

I would also like to provide some personal experience I've had growing up and now working in the Sonoma Valley which has a significantly higher rate of short-term rentals than Sebastopol does. I grew up in Boyes Hot Springs in what was then a blue-collar, working-class neighborhood full of young families and first-time homeowners. Now the five parcels who share a fence line with my childhood home are all either full-time Airbnbs or second homes which are rented out on the short-term market for a majority of the year. Similarly working in the wine industry in Glen Ellen I've seen first-hand what an oversaturation of vacation rentals does to a community. Over the last decade of vacation rental growth, home prices in the valley have skyrocketed. Where middle income and working class families were once able to buy a home, gain economic stability, and build inter-generational wealth, we now see the market dominated by investors, speculators, and Bay Area elites gobbling up all of the housing. A personal friend of mine who owns four vacation rentals in Glen Ellen once remarked that her monthly revenue from short term rentals is between 150%-200% of what she'd be able to make leasing those same homes to permanent residents. The vacation rental income is, in fact, a driving factor of increased housing prices in Sonoma Valley. When Airbnb turns our housing stock into a lucrative investment opportunity it puts upward pressure on the real estate market and makes homeownership unattainable for so many of our residents.

Additionally, the existence of vacation rentals has serious implications to the local economy. I'm one of the co-founders of the Glen Ellen Small Business Association (now a part of the Glen Ellen Forum) and what we've seen is that while vacation rentals are a benefit for the tourism industry – and remember, according to the EPI report between 96% and 98% of trips would still happen if Airbnbs were unavailable – the displacement and decrease of full-time residents caused by vacation rentals can cripple other small, local businesses. How is someone supposed to open an auto shop, or be a family physician's practice, or a veterinary clinic, or any of the other numerous non-tourism facing businesses without full time residents. What my experience in Glen Ellen has shown me is that while wineries, restaurants, and bars stand to gain, this gain comes at the expense of business diversity, entrepreneurship, and economic mobility.

This shift in the types of viable businesses caused, in part, by vacation rentals have significant impact on the earning potential of our county's workers. North Bay Jobs with Justice's "State of Working Sonoma 2018" report (attached) shows that the majority of new jobs due to be created in the county over the next decades are expected to be in the service and retail sectors. These service and retail jobs are among the lowest paying jobs in our economy – the majority of which currently pay less than \$15/hour at a time when a family of four must have two full time earners making at least \$23/hour each in order to afford basic necessities without relying on government assistance. In short vacation rentals fuel the hollowing of the middle class and worsen income inequality through their impacts on traditional middle-class jobs in the county.

Another negative impact I've witnessed from vacation rentals is in education. Glen Ellen's high volume of part-time residences and vacation rentals has caused enrollment in the local to plummet to the point where Dunbar School is struggling to survive. Enrollment is a key factor in local education funding, and with increased housing prices – caused in part by vacation rentals – pushing families out of our community, our schools suffer as a result.

With all of that said, how do I think the Planning Commission should proceed? I would suggest the following:

1. Do not allow any new non-hosted vacation rentals within city limits.
2. Ensure hosted vacation rentals are defined in such a way that eliminates the potential of existing multifamily units being used for vacation rentals, by requiring the hosted requirement to apply to each individual unit within a multifamily development.
3. Set a strong cap on the number of days a non-hosted property can be rented per year. Exceptions for students on vacation, medical leave, teachers on sabbatical, etc. are fine, but please ensure that those exceptions are crafted in a way to disallow weekend homes from being used as Airbnbs while the owners are away.
4. Prioritize the use of ADUs for permanent residents.
5. Classify existing non-hosted vacation rentals as a legal non-conforming use with a defined sunset clause giving property owners the time they need to decide to either rent long-term or sell.
6. Include real enforcement into any ordinance including the ability to levy fines and revoke business licenses for properties found to be in violation.

Thank you for your consideration and please feel free to reach out to me if you have any questions. I'm happy to chat over the phone or in person.

Best Regards,

Miles Burgin

2525 Edgewater Dr, Santa Rosa

(707) 548-3306

[Burgin.Miles@gmail.com](mailto:Burgin.Miles@gmail.com)

Executive Board Member – Wine Country Young Democrats

Board of Directors Member – Sonoma County Conservation Action

Community Advisory Board Member – City of Santa Rosa

Alternate, 5<sup>th</sup> District – Sonoma County Democratic Party Central Committee

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 [economic impact of short term rentals.pdf](#)

 [State of Working Sonoma 2018\\_Final Report-2.pdf](#)

Cheers,

Miles Burgin

(707) 548-3306

# The economic costs and benefits of Airbnb

No reason for local policymakers to let Airbnb bypass tax or regulatory obligations

**Report** ✎ By **Josh Bivens** ✎ January 30, 2019

**Summary:** Analysis shows that the costs of Airbnb expansion to renters and local jurisdictions likely exceed the benefits to travelers and property owners. Thus there is no reason policymakers should reverse long-standing regulatory decisions simply to accommodate the rise of a single company.

Updated March 26, 2019

## Summary

“The sharing economy” refers to a constellation of (mostly) Silicon Valley–based companies that use the internet as their primary interface with consumers as they sell or rent services. Because this term is “vague and may be a marketing strategy” (AP 2019), we refer to these firms less poetically but more precisely as “internet-based service firms” (IBSFs).

Economic policy discussions about IBSFs have become quite heated and are too often engaged at high levels of abstraction. To their proponents, IBSFs are using technological advances to bring needed innovation to stagnant sectors of the economy, increasing the quality of goods and services, and providing typical American families with more options for earning income; these features are often cited as reasons why IBSFs should be excused from the rules and regulations applying to their more traditional competitors. To skeptics, IBSFs mostly represent attempts by rich capital owners and venture capitalists to profit by flouting regulations and disguising their actions as innovation.

The debates about whether and how to regulate IBSFs often involve theories about their economic costs and benefits. This report aims to inform the debate by testing those theories. Specifically, it assesses the potential economic costs and benefits of the expansion of one of the most well-known of the IBSFs: the rental business Airbnb.

Airbnb, founded in 2008, makes money by charging guests and hosts for short-term rental stays in private homes or apartments booked through the Airbnb website. It started in prototype in San Francisco and expanded rapidly, and is now operating in hundreds of cities around the world. Airbnb is frequently depicted as a boon for travelers looking for lower-cost or nontraditional accommodations, and for homeowners looking to expand their income stream. But in many local markets, the arrival and expansion of Airbnb is raising questions about its potential negative impacts on local housing costs, quality

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of life in residential neighborhoods, employment quality in the hospitality industry, and local governments' ability to enforce municipal codes and collect appropriate taxes.

In our cost-benefit analysis, we find:

- **The economic costs Airbnb imposes likely outweigh the benefits.** While the introduction and expansion of Airbnb into U.S. cities and cities around the world carries large potential economic benefits and costs, the costs to renters and local jurisdictions likely exceed the benefits to travelers and property owners.
- **Airbnb might, as claimed, suppress the growth of travel accommodation costs, but these costs are not a first-order problem for American families.** The largest and best-documented potential benefit of Airbnb expansion is the increased supply of travel accommodations, which could benefit travelers by making travel more affordable. There is evidence that Airbnb increases the supply of short-term travel accommodations and slightly lowers prices. But there is little evidence that the high price of travel accommodations is a pressing economic problem in the United States: The price of travel accommodations in the U.S. has not risen particularly fast in recent years, nor are travel costs a significant share of American family budgets.
- **Rising housing costs are a key problem for American families, and evidence suggests that the presence of Airbnb raises local housing costs.** The largest and best-documented potential cost of Airbnb expansion is the reduced supply of housing as properties shift from serving local residents to serving Airbnb travelers, which hurts local residents by raising housing costs. There is evidence this cost is real:
  - Because housing demand is relatively inelastic (people's demand for somewhere to live doesn't decline when prices increase), even small changes in housing supply (like those caused by converting long-term rental properties to Airbnb units) can cause significant price increases. High-quality studies indicate that Airbnb introduction and expansion in New York City, for example, may have raised average rents by nearly \$400 annually for city residents.
  - The rising cost of housing is a key problem for American families. Housing costs have risen significantly faster than overall prices (and the price of short-term travel accommodations) since 2000, and housing accounts for a significant share (more than 15 percent) of overall household consumption expenditures.
- **The potential benefit of increased tourism supporting city economies is much smaller than commonly advertised.** There is little evidence that cities with an increasing supply of short-term Airbnb rental accommodations are seeing a large increase in travelers. Instead, accommodations supplied via Airbnb seem to be a nearly pure substitution for other forms of accommodation. Two surveys indicate that only 2 to 4 percent of those using Airbnb say that they would not have taken the trip were Airbnb rentals unavailable.
  - Studies claiming that Airbnb is supporting a lot of economic activity often vastly overstate the effect because they fail to account for the fact that much of this spending would have been done anyway by travelers staying in hotels or other alternative accommodations absent the Airbnb option.

- **Property owners do benefit from Airbnb's capacity to lower the transaction costs of operating short-term rentals, but the beneficiaries are disproportionately white and high-wealth households.** Wealth from property ownership is skewed, with higher-wealth and white households holding a disproportionate share of housing wealth overall<sup>1</sup> and an even more disproportionate share of housing wealth from nonprimary residences because they are much more likely to own nonprimary residential property (such as multi-unit Airbnb rentals).
- **The shift from traditional hotels to Airbnb lodging leads to less-reliable tax payments to cities.** Several large American cities with a large Airbnb presence rely heavily on lodging taxes. Airbnb has largely blocked the ability of these cities to transparently collect lodging taxes on Airbnb rentals that are equivalent to lodging taxes on hotel rooms. One study found that the voluntary agreements Airbnb has struck with state and local governments "[undermine] tax fairness, transparency, and the rule of law."<sup>2</sup>
- **City residents likely suffer when Airbnb circumvents zoning laws that ban lodging businesses from residential neighborhoods.** The status quo of zoning regulations in cities reflects a broad presumption that short-term travelers likely impose greater externalities on long-term residents than do other long-term residents. Externalities are economic costs that are borne by people not directly engaged in a transaction. In the case of neighbors on a street with short-term renters, externalities include noise and stress on neighborhood infrastructure like trash pickup. These externalities are why hotels are clustered away from residential areas. Many Airbnb rental units are in violation of local zoning regulations, and there is the strong possibility that these units are indeed imposing large costs on neighbors.
- **Because Airbnb is clearly a business competing with hotel lodging, it should be subject to the same taxation regime as hotels.** In regard to zoning regulations, there is no empirical evidence that the net benefits of Airbnb introduction and expansion are so large that policymakers should reverse long-standing regulatory decisions simply to accommodate the rise of a single company.

## Overview of the economics of Airbnb

Airbnb runs an online marketplace for short-term lodging rentals. It largely does not own dwellings or real estate of its own; instead, it collects fees by acting as a broker between those with dwellings to rent and those looking to book lodging.

The perception that Airbnb tries to foster is that its "[hosts]" are relatively typical households looking to earn supplementary income by renting out rooms in their homes or by renting out their entire residence when they're away. Critics argue that Airbnb bookings have become increasingly concentrated among a relatively small number of "[hosts]" that are essentially miniature hotel companies.<sup>1</sup>

## Potential economic benefits

At a broad level, the potential economic benefits and costs of Airbnb are relatively straightforward.<sup>2</sup>

The key potential benefit is that property owners can **diversify the potential streams of revenue** they generate from owning homes. Say, for example, that before Airbnb arrived in a city, property owners setting up residential rental properties faced transaction costs so high that it only made economic sense to secure relatively long-term leases. These transaction costs incurred by property owners could include advertising for and screening of tenants and finding alternative accommodations for themselves if they were renting their own dwellings. But if the rise of internet-based service firms reduced these transaction costs and made short-term rentals logistically feasible and affordable for the first time, it could allow these property owners to diversify into short-term rentals as well as long-term rentals.

Another potential benefit is the **increased supply (and variety) of short-term rentals** available to travelers. This increased supply can restrain price growth for short-term rentals and make traveling more affordable.

Finally, one well-advertised potential benefit of Airbnb is the **extra economic activity that might result** if the rise of Airbnb spurs an increase in visitors to a city or town. Besides the income generated by Airbnb property owners, income might be generated by these visitors as they spend money at restaurants or in grocery stores or on other activities.

## Potential costs

The single biggest potential cost imposed by Airbnb comes in the form of **higher housing costs for city residents** if enough properties are converted from long-term housing to short-term accommodations. If property owners take dwellings that *were* available for long-term leases and convert them to short-term Airbnb listings, this increases the supply of short-term rentals (hence driving down their price) but decreases the supply of long-term housing, increasing housing costs for city residents. (We refer to all long-term costs of shelter as “housing,” including rentals and owners’ equivalent rental costs.)

Another large potential city-specific cost of Airbnb expansion is the **loss of tax revenue**. Many cities impose relatively steep taxes on short-term lodging, hoping to obtain revenue from out-of-town travelers to spend on local residents. The most common and straightforward of these revenue raisers is a tax on traditional hotel rooms. If Airbnb expansion comes at the expense of traditional hotels, and if the apparatus for collecting taxes from Airbnb or its hosts is less well-developed than the apparatus for collecting taxes from traditional hotels, this could harm city revenues.

A further potential cost is the **externalities that property rentals (of all kinds) impose** on neighbors, for example, noise and/or use of building facilities. Since hosts are often not on-site with their renters, they do not bear the costs of these externalities and hence may not factor them into rental decisions. Of course, one could argue that such externalities

are also incurred with long-term rentals not arranged through Airbnb. But if the expansion of Airbnb increases total short- and long-term rental activity, or if short-term rentals impose larger externalities than long-term rentals, then Airbnb expansion can increase these externalities.

Finally, if Airbnb expansion comes at the expense of traditional hotels, it could have a **negative impact on employment**. First, since some of the labor of maintaining Airbnb lodgings is performed by the property owners themselves, the shift to Airbnb from traditional hotels would actually reduce employment overall. Second, since the task of cleaning and maintaining rooms and even greeting Airbnb renters is often done by third-party management firms, the shift from the traditional hotel sector to Airbnb rentals could degrade job quality.

The rest of this report evaluates the potential scope of each of these benefits and costs, and ends with an overall assessment of the effect of Airbnb expansion.

# Potential benefits of Airbnb introduction and expansion in U.S. cities

This section elaborates on the potential benefits identified in the previous section. For each benefit, it assesses how likely the benefit is to emerge, provides empirical estimates of the magnitude of the benefit, and discusses the likely distribution of the benefit.

## Potential benefit one: Property owners can diversify into short-term rentals

The most obvious benefit stemming from the creation and expansion of Airbnb accrues to property owners who have units to rent. Owners of residential property have essentially three options for earning a return on the property: They can live in the residence and hence not have to pay rent elsewhere, they can rent it out to long-term residents, or they can rent it out to short-term visitors.

If the only barrier to renting out residential property to short-term visitors were the associated transaction costs, then in theory the creation and expansion of Airbnb could be reducing these transaction costs and making short-term rental options more viable. It does seem intuitive that transaction costs of screening and booking short-term renters would be higher over the course of a year than such costs for renting to long-term residents (or the costs of maintaining owner-occupied property). However, the potential benefits are only the *difference* between what the property owner earned before the introduction of Airbnb and what the property owners earned from short-term rentals booked through the Airbnb platform.

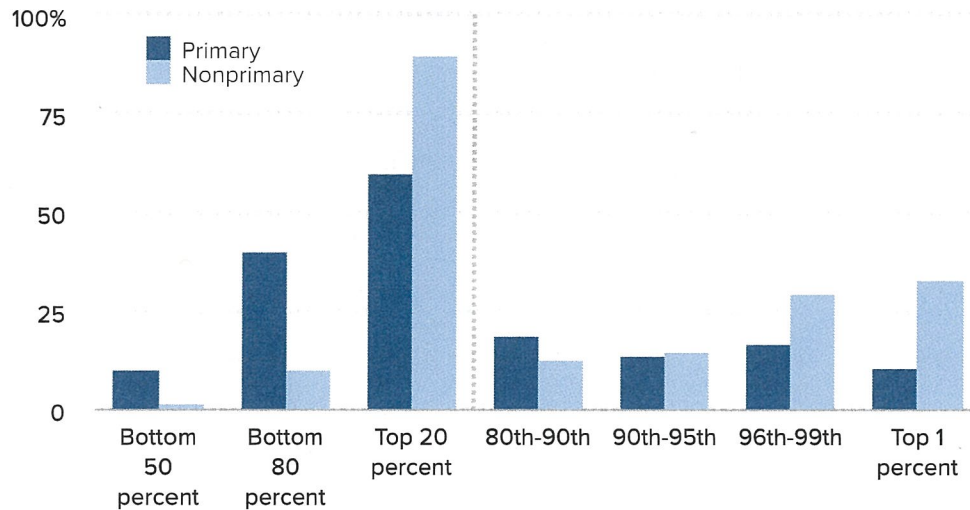
These potential benefits are likely quite skewed to those with more wealth. While housing is more widely held than most other assets, the total value of housing wealth is (like all wealth) quite concentrated among white and high-income households. Further, because of the myriad benefits of owning one's own residence, it is likely that much of the benefit of Airbnb's introduction and expansion accrues to those with more than one property (one for occupying and one or more for renting).<sup>3</sup> The distribution of property wealth generated by nonprimary residential real estate is even more concentrated than housing wealth overall. **Figure A** shows, by wealth class, the distribution of housing wealth overall and of housing wealth excluding owner-occupied housing.

This figure shows that the potential benefits of Airbnb introduction and expansion to property owners are highly concentrated. To put it simply, any economic occurrence that provides benefits proportional to owning property is one that will grant these benefits disproportionately to the wealthy. In 2016, for example, 60.0 percent of primary housing wealth (housing wealth in households' primary residences) was held by the top 20 percent

Figure A

## Housing wealth is particularly wealth from owning a nonprimary residence is skewed

Share of total primary and nonprimary household housing wealth in the U.S. economy held by each wealth class, 2016



**Note:** Primary housing wealth is wealth from owner-occupied housing. Nonprimary housing wealth is wealth from nonowner-occupied housing. The wealth classes depicted overlap, with the top 20 percent broken down into households falling within the 80th to 90th, 90th to 95th, and 96th to 99th percentiles.

**Source:** Author's analysis of microdata from the Federal Reserve Board Survey of Consumer Finances (2016)

Economic Policy Institute

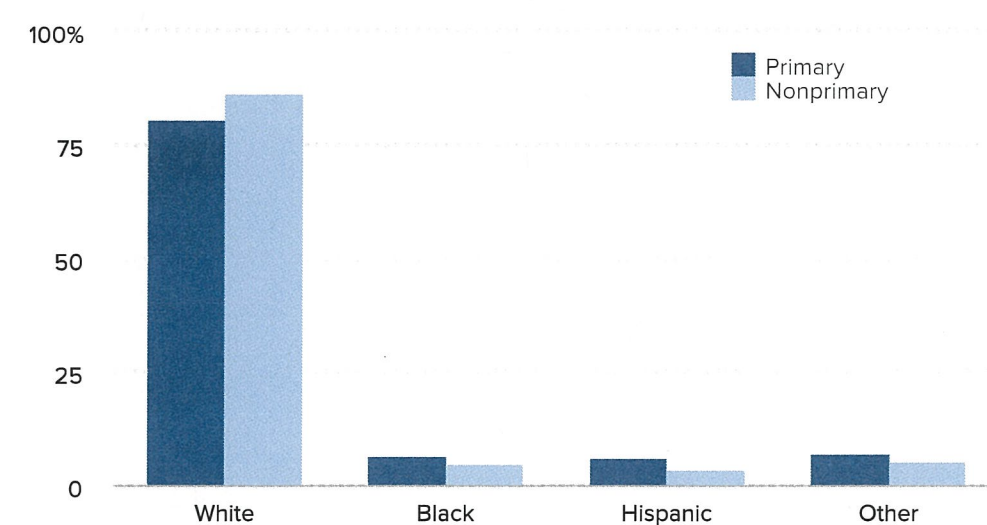
of households. (Not shown in the figure is that this share has increased by 5.4 percentage points since 1989.) As we noted earlier, however, many Airbnb listings are actually owned by households with multiple units to rent. Given this, Figure A also shows the share of housing wealth from nonprimary residences held by various groups. This nonprimary housing wealth is far more skewed. For example, the top 20 percent hold 90.1 percent of this type of wealth.

**Figure B** shows the distribution of housing wealth by race and ethnicity. Across racial groups, more than 80 percent of wealth in one's primary residence was held by white households. African American households held just 6.5 percent of wealth in primary residences, Hispanic households held 6.0 percent of this type of wealth, while households of other races and ethnicities held 6.9 percent. Not shown is the change in the share of wealth in primary residences held by racial and ethnic groups: Primary housing wealth held by nonwhite households has risen a bit (by roughly 6 percentage points) since 1989. As with the distribution by wealth class, the holdings of nonprimary housing wealth by race and ethnicity are again even more skewed, with white households holding more than 86 percent of this type of wealth. African American households hold just 5.0 percent of nonprimary housing wealth, Hispanic households hold 3.6 percent, and households of other races and ethnicities hold 5.2 percent.

Figure B

## White households disproportionately benefit from housing wealth

Share of total primary and nonprimary household housing wealth held, by race and ethnicity



**Note:** Primary housing wealth is wealth from owner-occupied housing. Nonprimary housing wealth is wealth from nonowner-occupied housing. Hispanic means “Hispanic any race” and the race/ethnicity categories are mutually exclusive.

**Source:** Author’s analysis of microdata from the Federal Reserve Board Survey of Consumer Finances (2016)

**Economic Policy Institute**

In short, what Figures A and B show is that because wealth from residential properties that can produce rental income is concentrated among the wealthy and white households, giving property owners the unfettered option to choose Airbnb over long-term rental uses of their property means conferring an enhanced option to predominantly wealthy and white owners of housing wealth. (**Appendix Table 1** provides the same analyses shown in Figures A and B for the years 1989, 1998, and 2007, and for the most recent data year, 2016, as well as the change from 1989 to 2016.)

Finally, while Airbnb might make short-term rentals feasible for property owners by reducing transaction costs through the technological efficiencies provided by Airbnb’s internet-based platform, the company might also just make short-term rentals feasible by creating a norm of ignoring regulations that bar short-term rentals. Short-term rentals are effectively banned in many residential neighborhoods in the cities where Airbnb operates, yet they have proliferated after the introduction of Airbnb.<sup>4</sup> The regulations barring or limiting short-term rentals were established to reduce the externalities associated with commercial operations of certain kinds— including hotel operations— in residential neighborhoods. Airbnb’s business model appears to depend significantly on skirting these regulations and dodging competition from traditional hotel owners who are prohibited from operating in these same neighborhoods. If the regulations banning short-term rentals are baseless and serve no useful purpose, then subverting them could be seen as a

benefit of Airbnb. But allowing large corporations such as Airbnb to simply ignore regulations—rather than trying to change them through democratic processes—is hardly the basis of sound public policy.

## Potential benefit two: Increased options and price competition for travelers—accommodations

Airbnb is essentially a positive supply shock to short-term accommodations. Like all positive supply shocks, it should be expected to lower prices. There is some accumulating evidence that Airbnb does exactly this. Zervas, Proserpio, and Byers (2017) examine the effect of Airbnb expansion across cities in Texas. They find that each 10 percent increase in the size of the Airbnb market results in a 0.4 percent decrease in hotel room revenue. They find that most of this revenue decline is driven by price declines. Evidence of the positive supply shock is particularly evident in the 10 American cities where Airbnb’s presence is largest. Dogru, Mody, and Suess (2019) find a negative correlation between Airbnb expansion and hotels’ average daily rates in the 10 U.S. cities with the largest Airbnb presence.

Besides cost, the introduction and expansion of Airbnb could improve the perceived quality of accommodations available. There is some limited evidence that this is the case: a survey by doctoral candidate Daniel Adams Guttentag (2016) finds that “convenient location” is one of the top reasons given by Airbnb guests when asked why they chose the service. But the Guttentag 2016 survey also identifies “low cost” as the *single most-identified* reason people give when asked why they chose Airbnb.

However, it should be stressed that this potential benefit of Airbnb introduction and expansion is overwhelmingly a *redistribution* of welfare, not an *increase* in economywide welfare. Very few people have claimed that Airbnb’s spread within a given city has led developers to build *more accommodations* in the city overall. Instead, owners or third parties have often turned long-term rental units into short-term lodging via Airbnb.

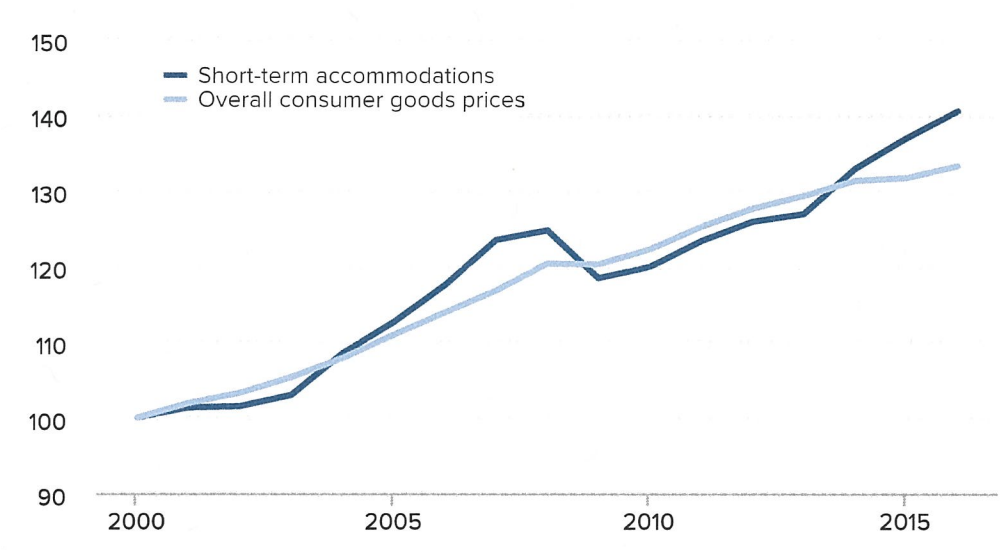
The question then becomes, “Has this redistribution of potential accommodations from the long-term to the short-term market increased economic welfare overall?” One way that Airbnb could be increasing economic welfare overall is if it were helping travelers deal with rising travel accommodation costs.

By looking at trends in prices and spending in the short-term lodging sector, we can get a commonsense check on whether high prices for short-term travel accommodations are a pressing economic problem for ordinary American households. If the price of short-term travel accommodations were rising rapidly, then presumably an increase in supply that restrained price increases would be valuable (or at least more valuable than if these prices were not showing any particularly trend). The two lines in **Figure C** show changes in the consumer price index for travel accommodations compared with changes in the overall price index for personal consumption expenditures (PCE). According to Figure C, in the 2010s, the price of short-term travel accommodations has grown faster than prices overall only since 2014—this is the same year that ushered in the large-scale expansion of Airbnb.

Figure C

## The price of short-term travel accommodations has increased slightly faster than prices overall, but only in recent years

Price indices for short-term travel accommodations and overall personal consumption expenditures (PCE), 2000–2016



Source: Author's analysis of Bureau of Economic Analysis National Income and Product Accounts (NIPA) Table 2.4.4.

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So it certainly seems that the launch and growth of Airbnb was not solving any preexisting price pressure because it was operating and expanding well before recent years' price growth. (Further, it is possible that by substituting more strongly for a less-expensive slice of the traditional hotel market—leisure travel as opposed to business travel, for example—that Airbnb introduction might actually be associated with raising measured short-term travel accommodation prices, through a composition effect.)

## Potential benefit three: Travelers' spending boosts the economic prospects of cities

The lower prices and greater range of options made available by the introduction and expansion of Airbnb could, in theory, induce a large increase in travel and spark economic growth in destination cities. This is precisely the claim made in a report by NERA Economic Consulting (NERA 2017), which says that Airbnb "supported" 730,000 jobs and \$61 billion in output globally, with roughly a quarter of this economic gain occurring in the United States.

To be blunt about these claims, they are flatly implausible. They rest on the assumption that all money spent by those renting Airbnb units is money that would not have been spent in some alternative accommodations had Airbnb not existed.

Say, for example, that guests at Airbnb properties spent \$10 million in New York City in 2016, including the money spent at restaurants and theaters and other attractions while visiting the city. The rental payment these guests make is included in the NERA numbers, but is expressed as extra income for Airbnb hosts. NERA then takes this entire \$10 million in spending (both nonaccommodation spending by visitors and the extra income going to Airbnb hosts) and runs it through input–output models to generate multiplier effects that yield their final numbers for output and employment supported in each city.

There are a number of problems with the NERA study. First, it is surprisingly opaque. It does not provide overall global and U.S. spending numbers or break these numbers into their components: nonaccommodation spending by Airbnb guests and income generated for Airbnb hosts. It also does not report the assumed size of the multiplier. Rather, it provides final numbers for global and U.S. output and employment that are functions of primary spending flows multiplied by the effects of their input–output model. The study states that it uses the well-known IMPLAN model, but IMPLAN can generate multipliers of varying size: It would be valuable to know just how large NERA is assuming the multiplier effects of this Airbnb-related spending is, just as a plausibility check.

Second, the study seems clearly written to maximize the perceived support Airbnb might provide local economies—both now and into the future. For example, toward the end of the report NERA provides several tables showing projected support for output and employment for years after the study (from 2017 to 2025). These projected *future* contributions to output and employment dwarf the contribution that is apparent in the actual data analyzed by NERA. But these projections rely on overoptimistic assumptions about Airbnb’s future growth. For example, NERA forecasts growth of 75 percent for Airbnb arrivals in 2017,<sup>5</sup> but another study (Molla 2017) suggests that these arrivals in fact grew by closer to 25–50 percent, with growth rates particularly slowing in the U.S. and the European Union.<sup>6</sup>

What is by far the most important weakness of the NERA analysis is its reliance on the assumption that *all* spending done by travelers staying at Airbnb properties is spending that would not have been done had Airbnb not existed. The possibility that Airbnb visitors would still have visited a city even if Airbnb units were unavailable—by securing alternative accommodations—is completely ruled out by the NERA analysis. This is obviously an incorrect assumption. For example, it assumes that Airbnb and traditional hotels are not seen as potential substitutes for each other in the minds of travelers. But research has shown that they *are* quite close substitutes. Zervas, Proserpio, and Byers (2017) empirically assess the effect of Airbnb’s expansion on the hotel industry in the state of Texas. In their introduction, they write, “Our hypothesis is that some stays with Airbnb serve as a substitute for certain hotel stays, thereby impacting hotel revenue.” In their discussions and conclusions section, they summarize what their empirical investigation has found: “Focusing on the case of Airbnb, a pioneer in shared accommodations, we estimate that its entry into the Texas market has had a quantifiable negative impact on local hotel room revenue.” Put simply, this result is completely inconsistent with the assumption that Airbnb has no potential substitutes for those using its services. This in turn means that at least some of the economic activity “supported” in local economies by spending done by Airbnb guests is activity that would have been supported absent Airbnb, likely by these

same guests staying in traditional hotels or other accommodations.

As discussed in a previous section, Guttentag (2016) reports the findings of a survey of Airbnb users. Among other questions, the survey explicitly asks how substitutable travelers find Airbnb lodgings. The precise question is, "Thinking about your most recent Airbnb stay— If Airbnb and other similar person-to-person paid accommodations services (e.g., VRBO) did not exist, what type of accommodation would you have most likely used?" Only 2 percent of Airbnb users responded to this question with the assertion that they would not have taken the trip. The remaining 98 percent identified other lodging possibilities that they would have used. In a similar survey that included some business travelers, Morgan Stanley Research 2017 reports near-identical findings, with between 2 and 4 percent of respondents saying that they would not have undertaken a trip but for the presence of Airbnb.<sup>7</sup> In both the Morgan Stanley Research survey and the Guttentag survey, roughly three-fourths of the respondents indicated that Airbnb was substituting for a traditional hotel.

If the Guttentag 2016 and Morgan Stanley Research 2017 findings are correct, this implies that NERA overstates the support Airbnb provides to local economies by somewhere between 96 and 98 percent. It is possible that some flows of spending might support more local spending when associated with Airbnb instead of traditional hotels— for example, one could argue that income accruing to Airbnb hosts is more likely to be spent locally than money paid to large hotel chains. However, the reverse is also true— for example, Airbnb rentals are far more likely to come equipped with a kitchen, and so Airbnb lodgers might be more likely to eat in rather than patronize restaurants.

Additionally, the local spillover spending associated with Airbnb expansion might not be uniform across neighborhoods. Alyakoob and Rahman (2018) document a modest increase in local restaurant spending associated with expanding Airbnb presence. Essentially, restaurants located away from central hotel cores in cities are unlikely to attract many out-of-town tourists. But if Airbnb penetration in outlying neighborhoods increases, restaurants there might now be able to tap some of this tourist market. Alyakoob and Rahman find that every 2 percent rise in Airbnb activity in a given neighborhood increases restaurant employment in that neighborhood by 3 percent. Crucially, Alyakoob and Rahman make no such calculation for potential employment-depressing effects of restaurants closer to traditional hotels. Further, they find that the boost to restaurant employment given by greater Airbnb activity does not occur in areas with a relatively high share of African American residents.

Finally, given that the overwhelming share of jobs [supported] by Airbnb are jobs that would have been supported by guests in some alternative accommodation, it seems likely that even if there is a slight increase in *spending* associated with a slight (about 2 percent) increase in visitors to a city due to Airbnb, there may well be a decline in *jobs*. We have noted previously that it is quite possible that traditional hotels are a more labor-intensive source of accommodation than are Airbnb listings. If, for example, Airbnb operators employ fewer people to provide cleaning and concierge and security services, then each dollar spent on Airbnb accommodations is likely to support less employment than each dollar spent on traditional hotel accommodations.

We can gauge the employment effect with a hypothetical scenario that assumes that the Guttentag 2016 and Morgan Stanley Research 2017 analyses are correct and that only 2 to 4 percent of the spending supported by Airbnb represents net new spending to a locality. In this case, if even half of the overall spending [supported] by Airbnb is a pure expenditure shift away from traditional hotels, and if traditional hotels are even 5 to 10 percent more labor-intensive than Airbnb units, then introducing Airbnb would actually have a *negative* effect on employment.<sup>8</sup>

Even if one grants that 2 to 4 percent of the output supported by Airbnb in host cities is net new spending, this spending is just a redistribution away from other, presumably less-Airbnb-intensive, localities. Given that Airbnb has tended to grow in already rich and desirable cities, it is unclear why inducing the transfer of even more economic activity away from other cities toward thriving cities would ever be viewed as a positive policy outcome.

In short, the results of the NERA study should be ignored by policymakers seeking an accurate sense of the scale of Airbnb expansion costs and benefits.<sup>9</sup>

## Potential costs of Airbnb introduction and expansion

This section elaborates on the potential costs highlighted in the overview section. It assesses the likely outcome of these costs, estimates their empirical heft, and assesses the likely distribution of these costs.

### Potential cost one: Long-term renters face rising housing costs

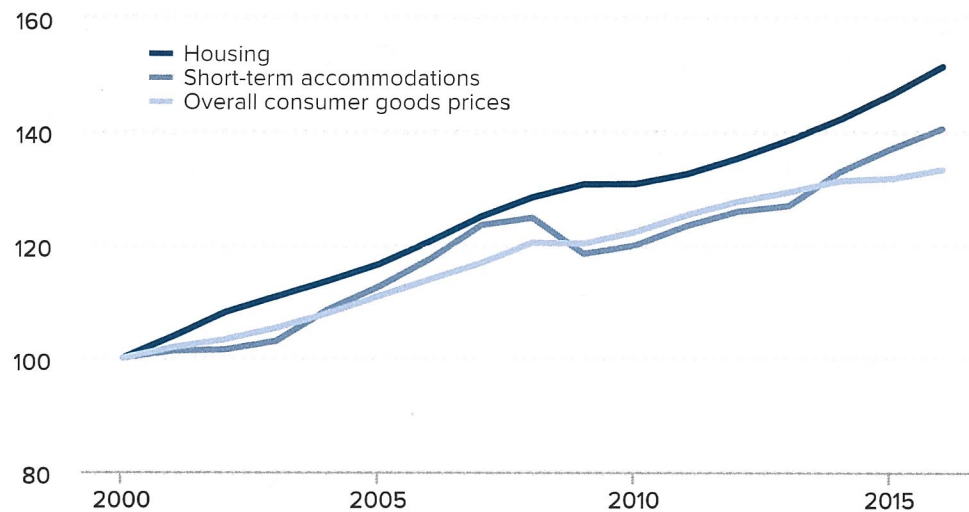
The mirror image of Airbnb's positive supply shock to short-term travel accommodations is its negative supply shock to long-term housing options. Again, none of the literature reviewed in this paper suggests that the introduction and expansion of Airbnb has spurred more residential construction overall, so as more units become available to Airbnb customers, this means that fewer potential housing units are available to long-term renters or owner-occupiers in a city.

Earlier, we saw that price increases in short-term travel accommodations have been in line with overall consumer price increases in recent years, suggesting that there is no obvious shortage in short-term accommodations. (It is important to note that the tracking of short-term travel accommodation prices and overall prices was tight well before Airbnb was exerting any serious effect one way or the other on prices.) However, national prices of long-term housing are rising faster than overall prices, suggesting a shortage of long-term housing. Because of this above-inflation growth in long-term housing costs, any trend that exacerbates this increase is more damaging than if these prices had been relatively flat in recent years. **Figure D** shows inflation in the price indices for housing (long-term rentals as

Figure D

## Housing costs are rising faster than costs of short-term accommodations or overall consumer goods

Price indices for housing, short-term travel accommodations, and overall personal consumption expenditures (PCE), 2000–2016



**Note:** The housing price index includes both long-term rentals as well as imputed rents for owner-occupied housing.

**Source:** Author's analysis of Bureau of Economic Analysis National Income and Product Accounts (NIPA) Table 2.4.4

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well as imputed rents for owner-occupied housing) and for short-term travel accommodations, and in the overall personal consumption expenditures index. In recent years, long-term housing price growth has clearly outpaced both overall price growth and increases in the price of short-term travel accommodations. This recent rise in the inflation rate of long-term housing, in fact, has become a much-discussed policy challenge that has spurred much commentary and analysis over the past decade.

The fact that the cost of long-term housing has become a prime source of economic stress for typical Americans should be considered when weighing the costs and benefits of Airbnb's introduction and expansion. Crucially, demand for housing is quite inelastic, meaning that households have little ability to forgo housing when it becomes more expensive. When demand is inelastic, even relatively small changes in housing supply can cause significant changes in the cost of housing.<sup>10</sup> This intuition is clearly validated in a number of careful empirical studies looking precisely at the effect of Airbnb introduction and expansion on housing costs.

According to these studies, Airbnb—though relatively new—is already having a measurable effect on long-term housing supply and prices in some of the major cities where it operates. For example, Merante and Horn (2016) examine the impact of Airbnb on rental prices in Boston. The authors construct a rich data set by combining data on weekly

rental listings from online sources and data from Airbnb listings scraped from web pages. They find that each 12 Airbnb listings per census tract leads to an increase in asking rents of 0.4 percent. It is important to note that this is a finding of causation, not just correlation. They put this finding in perspective as follows:

If Airbnb's growth rate in 2015, 24%, continues for the next three years, assuming constant mean rents and total number of housing units, Boston's mean asking rents in January 2019 would be as much as \$178 per month higher than in the absence of Airbnb activity. We further find evidence that Airbnb is increasing asking rents through its suppression of the supply of rental units offered for rent. Specifically, a one standard deviation increase in Airbnb listings [an average of 12 units per census tract] relative to total housing units is correlated with a 5.9% decrease in the number of rental units offered for rent. (Merante and Horn 2016)

Barron, Kung, and Proserpio (2018) undertake a similar exercise with different data. They create a data set that combines Airbnb listings, home prices and rents from the online real estate firm Zillow, and time-varying ZIP code characteristics (like median household income and population) from the American Community Survey (ACS). To account for the fact that rents and Airbnb listings might move together even if there is no causal relationship (for example, if both are driven by the rising popularity of a given city), they construct an instrumental variable to identify the causal effect of rising Airbnb listings on rents. Using this instrument, they find that a 10 percent increase in Airbnb listings in a ZIP code leads to a 0.42 percent increase in ZIP code rental prices and a 0.76 percent increase in house prices. They also find that the increase in rents is larger in ZIP codes with a larger share of nonowner-occupied housing. Finally, like Merante and Horn, they find evidence that Airbnb listings are correlated with a rise in landlords shifting away from long-term and toward short-term rental operations.

Sheppard and Udell (2018) also undertake a similar exercise, looking within neighborhoods of New York City. Their key finding is that a doubling of Airbnb activity within a tight geographic zone surrounding a home sale is associated with a 6 to 11 percent increase in sales prices. Their coefficient values are quite close to those from Barron, Kung, and Proserpio (2018).<sup>11</sup>

Wachsmuth et al. (2018) apply the regression results identified by Barron, Kung, and Proserpio (2018) to the large increase in Airbnb rentals in New York City. They find a 1.4 percent increase in NYC rents from 2015 to 2017 due to Airbnb's expansion in that city. For the median NYC renter, this implies a \$384 annual increase in rent from 2015 to 2017 due to Airbnb's expansion over that time.

## **Potential cost two: Local government tax collections fall**

For the localities making policy decisions regarding the expansion of Airbnb, perhaps the single biggest consideration is fiscal. Across the United States, total lodging taxes are significant: For the 150 largest cities, the all-in lodging tax rate (including state, county, and

city taxes) averaged more than 13 percent (Hazinski, Davis, and Kremer 2018). The temptation for any given locality to set relatively high lodging tax rates (particularly when compared with overall sales tax rates) seems clear—city residents pay little of the lodging tax but still enjoy the benefits funded by the tax. For a number of cities, the total revenue collected is substantial. In 2016, for example, New York City and Las Vegas each collected well over \$500 million in lodging taxes, and San Francisco collected just under \$400 million.

It seems odd to exclude Airbnb stays from the lodging tax, yet the tax treatment of Airbnb rentals is inconsistent and incomplete. The company has entered into a number of tax agreements with state and local governments and is clearly trying to build the impression that it wants to help these governments collect taxes. Yet a number of tax experts argue that Airbnb's efforts to collect and remit lodging taxes (as well as other taxes) have been wholly insufficient.

A description in Schiller and Davis 2017 of the state of Airbnb's tax agreements as of early 2017 highlights the patchy, voluntary nature of the tax regime that Airbnb faces:

Airbnb, whose operations in some instances may violate traditional local zoning and rental ordinances, has sought to legitimize its business by negotiating agreements with cities under which it will collect local sales and lodging taxes. [Working together, platforms like Airbnb can help governments collect millions of dollars in hotel and tourist tax revenue at little cost to them.] the company stated in a [policy tool chest] it offered in late 2016.

Overall, by Airbnb's count, the company is collecting sales, hotel, or other taxes in 26 states and the District of Columbia (DC) as of March 1, 2017. State-level taxes are collected in 18 of those states. Among this group, some or all local-level taxes are also being collected in every state except Connecticut, which lacks local lodging taxes. In the remaining eight states, Airbnb collects a patchwork of local taxes but no state taxes. In three states—Alaska, Maryland, and New Jersey—Airbnb's tax collection is limited to a single locality (Anchorage, Montgomery County, and Jersey City, respectively). The company has dramatically expanded its tax collection practices in recent years and appears poised to continue its expansion in the months and years ahead. Airbnb recently announced that it will soon begin collecting state lodging taxes in Maine, for instance.

Dan Bucks, a former director of the Montana Department of Revenue and former executive director of the Multistate Tax Commission, wrote a report assessing the tax agreements that Airbnb has struck with state and local governments in different parts of the country. His central finding is that these agreements "[undermine] tax fairness, transparency, and the rule of law" (Bucks 2017).

Bucks examines 12 of the Airbnb tax agreements from across the country that had been made public by mid-2017. He describes them as follows:

Airbnb devises and presents to tax agencies what are typically ten to twelve-page documents covering back-tax forgiveness, prospective payments, information

access and multiple other terms that produce, as this report documents, serious negative consequences for society. Airbnb labels these documents as “voluntary collection agreements,” which they most assuredly are not. These Airbnb-drafted documents do not guarantee the proper collection of taxes due. They block tax agencies from verifying the accuracy of Airbnb payments. Airbnb may be seeking to superficially to liken these documents to the high quality “voluntary disclosure agreements” that states use to bring non-compliant taxpayers into full conformity with the law. However, these documents profoundly undermine sound tax administration and the rule of law. For these and other reasons detailed below, we will not use Airbnb’s misleading label for these documents but will refer to them objectively as “Airbnb agreements.” (Bucks 2017)

The most specific criticism Bucks makes is that these agreements have largely been kept secret from the public, in clear contrast to other “voluntary disclosure agreements.” This secrecy, combined with agreements to “cede substantial control of the payment and audit processes to Airbnb,” make it impossible for tax authorities to ensure proper payment of lodging taxes. Bucks also argues that these agreements between Airbnb and state and local governments provide large benefits to third parties (Airbnb hosts) who are not signatories and are not obligated to provide anything in exchange for these benefits.

In 2016, an analysis from AlltheRooms.com forecast that Airbnb’s failure to ensure the full payment of lodging taxes was on track to cost subnational governments a combined \$440 million in revenue unless policymakers moved to guarantee proper payment. Of the total, \$110 million in lost revenue was for New York City alone. In October 2016, shortly after the AlltheRooms.com analysis was released, New York City passed restrictions on Airbnb advertisements for rentals of less than 30 days when an owner is not present. While these restrictions may have stemmed the loss of revenue relative to the AlltheRooms.com projection, the analysis that predated the restrictions highlight how the unregulated expansion of Airbnb, and its cannibalization of traditional hotel business market share, could still have large fiscal implications for New York and other cities.

Finally, even if Airbnb were to fully comply with the local jurisdiction’s tax system on lodgings and pay the same tax rate per dollar earned as traditional hotels, there likely would still be some small fiscal losses stemming from Airbnb’s expansion. The primary appeal of Airbnb to most travelers is lower-price accommodations, so even if the same tax rate were paid on Airbnb rentals as is paid on hotel rooms, the lower Airbnb prices would lead to less tax revenue accruing to local governments.

## **Potential cost three: Externalities inflicted on neighbors**

When owners do not reside in their residential property, this can lead to externalities imposed on the property’s neighbors. If absentee owners, for example, do not face the cost of noise or stress on the neighborhood’s infrastructure (capacity for garbage pickup, for example), then they will have less incentive to make sure that their renters are respectful of neighbors or to prevent an excessive number of people from occupying their

property.

These externalities could be worse when the renters in question are short term. Long-term renters really do have some incentive to care about the neighborhood's long-run comity and infrastructure, whereas short-term renters may have little to no such incentive. Further, some Airbnb hosts are renters themselves who are subletting a long-term rental property to short-term travelers, which may further shield the ultimate property owners from bearing the costs faced by immediate neighbors. In cities where the spread of Airbnb has become a political issue, hundreds (if not thousands) of complaints have been made in this regard.<sup>12</sup>

The potential for such externalities has been broadly recognized for a long time and was a consideration leading to the prevalence of zoning laws that ban short-term travel accommodations in residential neighborhoods. There is a reason, for example, why Times Square in New York City is a cluster of hotels while the Upper East Side is largely a less noisy cluster of residential dwellings. There is of course no reason why such past zoning decisions need to be completely sacrosanct and never changed, but these decisions were made for a reason, and changes to them should be subject to democratic debate.

While researchers have often noted the possibility that Airbnb may impose externalities on the communities surrounding Airbnb units, we know of no empirical estimates of these externalities. If these externalities were powerful enough in degrading the desirability of neighborhoods, they could in theory lead to reduced rents and home prices. From the evidence of the previous section, we know that Airbnb adoption in neighborhoods has actually boosted rental and home prices. But this price boost doesn't mean these externalities don't exist—it simply means that price-depressing externalities are offset by the supply effect of moving properties out of the long-term rental market.

Miller (2016) makes an interesting (if likely too abstract) policy proposal for dealing with the externalities associated with home rental via Airbnb. He proposes creating a market in "transferable sharing rights," in which, for example, each resident of a neighborhood would be given the right to rent out one housing unit for one night. Most residents in a neighborhood won't want to rent out their home. But those who do want to rent out units using Airbnb would want far more than the right to rent out these properties for just one night. To obtain the right to rent out their properties for more nights, they would need to purchase permits from their neighbors. The price it takes to obtain these permits would provide a good indicator of the true costs of the externalities imposed by Airbnb. A city that experimented with these tradeable sharing rights could provide very useful information.

## Potential cost four: Job quantity and quality could suffer

We have noted already that when Airbnb enters and expands in a city, it shifts traveler business from hotels to Airbnb, leading to downward price pressure for hotels. This shift from traditional hotels to Airbnb properties also implies either a shift in jobs or a reduction

in jobs. As an example, take hotel cleaning workers. As more visitors to a city pick Airbnb units over traditional hotel accommodations, the need for cleaning doesn't go away. Instead, it is either foisted on Airbnb proprietors, done by third-party cleaning services, or left unmet and thus implicitly imposing costs on both travelers and the surrounding neighborhood (think of improperly disposed-of trash).

Given that much of the growth of Airbnb in recent years has been driven by hosts with multiple properties (which, when in a single location, are in effect mini hotels), it is not surprising to see an emergence of cleaning services specifically serving Airbnb hosts.<sup>13</sup> These new cleaning services may be less likely to offer decent wages relative to traditional travel lodging; it may also be more difficult for workers to unionize in this context. For example, in the 10 U.S. cities with a particularly large Airbnb presence (including New York City, Los Angeles, and Chicago), combined unionization rates for maids and cleaners in the hotel industry are nearly double the unionization rates of maids and cleaners in other industries in the economy.<sup>14</sup>

In some sense, the shift in cleaning jobs from traditional hotels to cleaning services for Airbnb hosts is likely analogous in its economic effects to what happens when traditional hotels outsource their own cleaning staffs. Dube and Kaplan (2010) demonstrate large negative wage effects stemming from this type of domestic outsourcing for janitors and security guards. Their findings are reinforced by recent analysis of the German labor market by Goldschmidt and Schmieder (2017), who find similar large negative effects of domestic outsourcing on a range of occupations, including cleaners. While these studies do not directly examine the effect of substituting in-house hotel cleaning jobs for Airbnb cleaning jobs, they both track the effect of "fissuring" between the entity that uses and pays for the service and the entity that manages the service providers. This fissuring has been a key and troubling feature of the American labor market in recent decades, and it is hard to see how the substitution of Airbnb for traditional hotels does not potentially constitute another layer of this fissuring.<sup>15</sup>

This potential for Airbnb to degrade the quality of cleaning jobs is recognized even by the company itself: Airbnb offers hosts the opportunity to advertise that they have taken the "living wage pledge" by committing to pay a living wage to the cleaners and servicers of their properties. It is not clear how commitment to this pledge is (or can be) enforced, however.

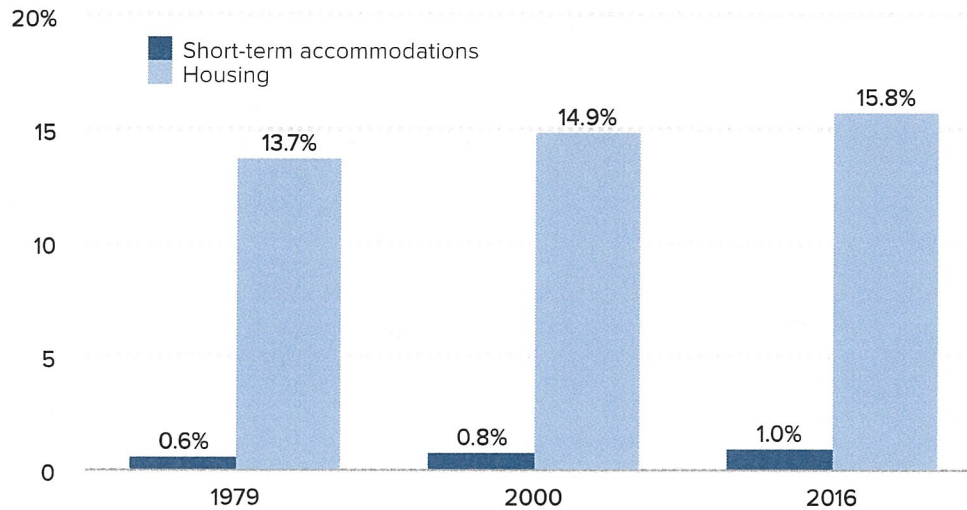
## **Conclusion: Airbnb should have to play by the same rules as other lodging providers**

The current policy debates sparked by the rise of Airbnb have largely concerned tax collections and the emergence of "mini hotels" in residential neighborhoods. At its inception, Airbnb advertised itself as a way for homeowners (or long-term renters) to rent out a room in their primary residence, or as a way for people to rent out their dwellings for

Figure E

## Housing costs matter much more to household budgets than short-term lodging costs

Shares of average household personal consumption expenditures devoted to housing vs. short-term travel accommodations, 1979, 2000, and 2016



**Note:** The housing price index includes both long-term rentals as well as imputed rents for owner-occupied housing.

**Source:** Author's analysis of Bureau of Economic Analysis National Income and Product Accounts (NIPA) Table 2.5.5

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short periods while they themselves are traveling. However, in recent years Airbnb listings and revenues have become dominated by “multi-unit” renters—absentee property owners with multiple dwellings who are essentially running small-scale lodging companies on an ongoing basis.

This evolution of Airbnb into a parallel hotel industry raises questions about the preferential treatment afforded to this rental company. These questions include, “Why isn’t Airbnb required to ensure that lodging taxes are collected, as traditional hotels are?” And, “Why is Airbnb allowed to offer short-term rentals in residential neighborhoods that are not zoned for these uses, while traditional hotels are not allowed in these same neighborhoods?”

While there are plenty of other considerations, the spread of Airbnb seems at its core to be a shift of potential housing supply from the long-term residential housing market to the market for short-term accommodations. This shift of supply can lower prices for travelers but raise housing prices for long-term residents. This seems like a bad trade-off, simply based on the share of long-term housing expenses versus short-term travel expenses in average family budgets. **Figure E** presents the share of total personal consumption expenditures accounted for by housing and by short-term travel accommodations. As the figure shows, housing costs eat up far more of the average household’s budget, and rising housing prices mean that long-term housing has grown more as a share of family budgets

than short-term travel accommodations.

This rising cost of housing has become a major economic stress for many American households. Anything that threatens to exacerbate this stress should face close scrutiny. A reasonable reading of the available evidence suggests that the costs imposed on renters' budgets by Airbnb expansion substantially exceed the benefits to travelers. It is far from clear that any other benefits stemming from the expansion of Airbnb could swamp the costs it imposes on renters' budgets.

There may be plenty wrong with the status quo in cities' zoning decisions. But the proper way to improve local zoning laws is not to simply let well-funded corporations ignore the status quo and do what they want. As this report shows, there is little evidence that the net benefit of accelerated Airbnb expansion is large enough to justify overturning previous considerations that led to the regulatory status quo—in fact, the costs of further Airbnb expansion seem likely to be at least as large, if not larger, than the benefits.

## About the author

**Josh Bivens** joined the Economic Policy Institute in 2002 and is currently EPI's director of research. His primary areas of research include macroeconomics, social insurance, and globalization. He has authored or co-authored three books (including *The State of Working America, 12th Edition*) while working at EPI, has edited another, and has written numerous research papers, including for academic journals. He appears often in media outlets to offer economic commentary and has testified several times before the U.S. Congress. He earned his Ph.D. from The New School for Social Research.

Appendix  
Table 1

## Distribution of housing wealth (primary and nonprimary), by household characteristics

	1989	1998	2007	2016	1989–2016 change
<i>Primary residence</i>					
<i>Bottom 50 percent</i>	9.8%	14.3%	12.7%	10.4%	0.7%
<i>Bottom 80 percent</i>	45.4%	47.5%	44.0%	40.0%	-5.4%
<i>Top 20 percent</i>	54.6%	52.5%	56.0%	60.0%	5.4%
<i>80th–90th percentile</i>	19.9%	17.9%	17.5%	18.6%	-1.3%
<i>90th–95th percentile</i>	12.6%	11.6%	11.0%	13.9%	1.3%
<i>96th–99th percentile</i>	15.6%	15.0%	18.2%	16.8%	1.2%
<i>Top 1 percent</i>	6.5%	8.0%	9.3%	10.7%	4.3%
<i>Nonprimary residential property</i>					
<i>Bottom 50 percent</i>	2.6%	4.3%	2.2%	1.6%	-1.0%
<i>Bottom 80 percent</i>	16.8%	18.1%	13.9%	9.9%	-6.9%
<i>Top 20 percent</i>	83.2%	81.9%	86.1%	90.1%	6.9%
<i>80th–90th percentile</i>	15.2%	16.8%	10.7%	12.6%	-2.7%
<i>90th–95th percentile</i>	20.6%	15.5%	13.9%	14.9%	-5.7%
<i>96th–99th percentile</i>	28.7%	28.7%	34.0%	29.6%	0.9%
<i>Top 1 percent</i>	18.6%	21.0%	27.5%	32.9%	14.3%
<i>Primary residence</i>					
<i>White, non-Hispanic</i>	86.4%	87.5%	82.6%	80.6%	-5.9%
<i>Black, non-Hispanic</i>	4.9%	5.0%	6.2%	6.5%	1.6%
<i>Hispanic, any race</i>	4.1%	3.7%	6.1%	6.0%	2.0%
<i>Other</i>	4.6%	3.7%	5.1%	6.9%	2.3%
<i>Nonprimary residential property</i>					
<i>White, non-Hispanic</i>	87.3%	89.5%	84.2%	86.2%	-1.1%
<i>Black, non-Hispanic</i>	4.3%	4.1%	4.1%	5.0%	0.7%
<i>Hispanic, any race</i>	3.1%	3.4%	6.7%	3.6%	0.5%
<i>Other</i>	5.3%	3.0%	5.0%	5.2%	-0.1%

**Note:** Per the Survey of Consumer Finances definitions, primary housing wealth is the total value of the primary residence of a household. Nonprimary housing wealth includes the value of all of other residential real estate owned by the household, including one-to-four family structures, timeshares, and vacation homes.

**Source:** Author's analysis of microdata from the Federal Reserve Board Survey of Consumer Finances (2016)

Economic Policy Institute

# Endnotes

1. According to a recent report, “[a significant] and rapidly growing” portion of Airbnb’s revenue in major U.S. cities is driven by commercial operators who rent out more than one residential property to short-term visitors” (CBRE 2017).
2. Horton and Zeckhauser (2016) provide a deep dive into the economics of internet-based service firms. Slee (2017) provides an excellent popularization of some of the economic issues surrounding IBSFs from a deeply critical perspective.
3. The most obvious benefit to living in housing that one owns is the tax treatment of mortgage interest payments on owner-occupied property, which can be deducted from federal taxes. Another benefit is that the implicit rental income earned by owner-occupiers is not taxed (the money that owner-occupiers are saving by not having to pay rent elsewhere could be viewed as implicit rental income).
4. Wachsmuth et al. (2018), for example, find that just under half of Airbnb listings in New York City had likely taken illegal reservations.
5. “[Arrivals] is a term referring to each stay in a unit, regardless of length of stay.
6. For example, Molla (2017) highlights more recent forecasts for 2017 indicating a large slowdown in U.S. Airbnb expansion.
7. The range of 2 to 4 percent represents the range of findings across 2015, 2016, and 2017. The value was 4 percent in 2015, 2 percent in 2016, and 3 percent in 2017.
8. The arithmetic on this is relatively straightforward. The NERA 2017 study asserts that Airbnb supports \$14 billion in spending and 130,000 jobs in the United States. This implies each \$107,690 supports a job. Say that half of this spending is the direct cost of accommodations and that it represents a pure expenditure shift away from traditional hotels. Assume further that traditional hotels are 5 percent more labor-intensive” so each traditional hotel job is supported by \$102,300 in spending (5 percent less than the ratio identified by Airbnb). This shift from traditional hotels to Airbnb hence reduces employment by 3,400 jobs for each \$7 billion in spending. Even if overall spending were to rise by 2 percent due to Airbnb’s expansion, this would increase employment by only roughly 2,600 jobs. The key insight here is that once one allows Airbnb to substitute for other forms of accommodation, the link between output and employment might change significantly.
9. Airbnb itself has commissioned and reported on a number of studies claiming that the share of guests who would not have taken the trip absent Airbnb is as high as 30 percent. Even this number is far larger than the independent assessments of Guttentag (2016) and Morgan Stanley Research (2017), but it does highlight just how outlandish the NERA assumption on this is.
10. In a review of housing markets, Albouy, Ehrlich, and Liu (2016) note that “[Housing demand is income and price inelastic.]
11. The geographic unit implicitly being examined by Sheppard and Udell (2018) is not intuitive. Their observation is an individual home sale. They then track Airbnb listings within five different radii of the sale: 150, 300, 500, 1,000, and 2,000 meters. They interact the number of Airbnb listings with categorical variables for each of the five “[buffer zones] defined by the radii and use this as an explanatory variable predicting sales prices.

12. See Office of New York State Attorney General 2014.
13. Lawler (2014) notes that Airbnb was testing out dedicated cleaning services for its hosts as early as 2014.
14. Unionization rates derive from the author's analysis of data pooled from 2008–2017 from the Outgoing Rotation Groups (ORG) of the Current Population Survey (CPS). Code and results are available upon request. The 10 cities are Boston, Chicago, Los Angeles, Las Vegas, Miami, New York City, San Diego, San Francisco, Seattle, and Washington, D.C. In these 10 cities, the unionization rate for maids and cleaners was 23.2 percent in the traveler accommodation industry, but 12.1 percent in all other industries.
15. See Weil 2017 for an overview of labor market fissuring.

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## Errata

This report was updated March 26, 2019, to correct errors in the "Bottom 50 percent" rows in Appendix Table 1. These rows had incorrectly shown the numbers for the top 50 percent instead of for the bottom 50 percent.

# The State of Working Sonoma

Fall 2018

A Profile of Income & Racial Inequality, Poverty, and Low-Wage Employment



Report prepared by Jesús Guzmán, MPP

## Acknowledgements

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# Introduction

## Overview

North Bay Jobs with Justice has commissioned this report. Our organization is a community-labor coalition comprised of 20 unions and community-based organizations affiliated with national Jobs with Justice that includes more than 40 chapters in 23 states. Currently, North Bay Jobs with Justice is engaged in numerous campaigns that address structural inequality and working poverty such as: a \$15 an hour citywide minimum wage (by 2020) for numerous cities in the North Bay; support for low-wage workers seeking to form a union in the hospitality, waste management, and food processing industries; opposition to low-wage big box employers such as Wal-Mart; and support for municipal rent control and just cause eviction protections for tenants. Lifting up workers and families that have been left behind in poverty and whose wages are often not enough to pay basic needs should be at the forefront of creating prosperity for all residents of Sonoma County.

# Executive Summary

## Two Sonoma Counties

Sonoma County's growing, diverse population is a major economic asset that will position the county to compete in the global economy. According to several metrics, Sonoma County is performing well and relatively better than the rest of the state in areas such as unemployment and poverty. However, our county faces significant challenges in the form of racial and economic inequities that, if addressed, could improve economic security for all residents. For example, unemployment levels are currently low, yet the majority of workers' wages, once adjusted for inflation, have either dropped or stagnated over the last four decades, indicating that although people are working they're earning less over time. Furthermore, poverty rates are lower in Sonoma County than in California as a whole, but about one in five residents live in poverty despite living in working families. The median household income, once adjusted for inflation, is actually lower in 2016 than in 2005, which means the median Sonoma County household has yet to fully recover from the Great Recession.

Economic and racial disparities have remained persistent. For example, we estimate that women of color in Sonoma County earn a lower median hourly wage at every educational attainment level than their white counterparts. If all Sonoma County residents are to succeed, women of color should be a priority for improving

economic outcomes. Furthermore, today's low-wage sector disproportionately employs more workers of color, workers with at least some college education, and workers ages 30 and older -- not the teenage workers commonly assumed to be employed in low-wage jobs. Working families, many of whom are headed by women of color, have been stuck in a labor market with limited opportunities to earn a living wage and lift themselves out of poverty. The future of work paints a grim picture for Sonoma County through 2024 not because there won't be jobs, but because those jobs will be woefully inadequate for workers to provide for their families. In other words, job growth is expected to continue reproducing a labor market with a missing middle and fewer and fewer rungs on the ladder for true upward mobility and opportunities for prosperity.

The challenges described in this report are ones already being addressed by community leaders in the public, private, and social sectors with the goal of creating a more equitable and inclusive Sonoma County. Lifting up workers and families that have been left behind in poverty and whose wages are often not enough to cover basic needs should be at the forefront of creating prosperity for all who live here.

# Key Findings

## Work & Poverty

- The Great Recession's effects on Sonoma County have lingered well through 2014 at a macro-level after having been declared over in 2010, showing that the recovery has yet to arrive for many who have been left behind as high poverty and low wages persist.
- **More than one in four residents live below 200 percent of poverty; many remain unable to afford basic life needs and are vulnerable to sliding into deeper poverty.**
- Almost one in five residents live in poverty despite living in a family with at least one working member. Forty percent of Latinos belong to a family that works and lives in poverty – the highest working poverty rate in Sonoma County.
- **Women of color earn lower median hourly wages at every educational level as compared to their white counterparts.**

## Low-Wage Work

- With 33 being the median age of a low-wage worker in 2016 and **three out five low-wage workers being 30 years or older, the average low-wage worker is not a teenager but increasingly older.**
- In 2016, workers of color in Sonoma County accounted for about a third of all workers, yet workers of color constituted a majority of low-wage workers. In particular, **one in three low-wage workers are men of color**, the highest rate of any one group.

- One of two low-wage workers have at least some college education, and more than **one in seven have a bachelor's or advanced degree.**

## Future of Work

- The future of work is expected to be dominated by the service-sector with a high share of low-wage jobs and fewer opportunities for upward mobility into middle and higher-paying jobs.
- Analyzing the top ten occupations with the most job openings in Sonoma County from 2014 to 2024, we estimate that about 83 percent of these openings will pay less than \$15 an hour. The median wage is expected to be about \$13.09 an hour.
- **Roughly three-quarters of job growth between 2014 to 2024 is expected to include jobs with median hourly wages below \$20 an hour.**

## Income Inequality

- Once adjusted for inflation, the bottom **20 percent have seen their wages drop by double digits** in the last four decades.
- In the middle range of distribution, workers between the 30th and 60th percentile have seen their wages stagnate during that time meaning that wages in 2016 have about the same purchasing power as wages in the late 1970s.

- Wage growth has been concentrated in the upper 30th percentile. In particular, the **top 10 percent of wage-earners in Sonoma County have seen a 26 percent increase in real wages since the late 1970s, once adjusted for inflation.**

### Housing Affordability

- About 47 percent of renter-occupied households were rent-burdened and a quarter of renter-occupied households were severely rent-burdened in 2016.
- The incidence of rent-burden was not isolated to lower income-households alone, **as one in three households earning approximately the median household income in 2016 were cost-burdened**, indicating that middle-income households are also feeling the pinch from the housing market.
- **The rent-to-income gap has widened as renter household incomes have increased by 9 percent while rents have increased by 24 percent from 2000 to 2016.**

### Commuting to Work

- We estimate an hourly wage premium of about \$4.67 for the average out-commuter as compared to local workers. For the average full-time worker employed at least 35 hours a week commuting out of the county, that **commuter-wage premium translates into an additional \$164 dollars a week, or about \$654 extra a month.**

# Background

## Geography and Demographics

This report is a profile of the demographic, economic, and educational conditions in the County of Sonoma, as represented on the map below. We begin by situating Sonoma County within its larger regional context. Unless otherwise noted, all data pertain to Sonoma County.

The North Bay is a region located in the northern part of the greater nine-county San Francisco Bay Area and is comprised of four counties: Sonoma, Napa, Marin, and Solano county. At over 1 million acres, Sonoma is the largest county in the Bay Area, with two coasts, the Pacific Ocean and the San Pablo Bay. According to the U.S. Census Bureau, the combined population of the North Bay was 1,327,553 in 2016 with Sonoma County having the largest population in the region with 497,776.



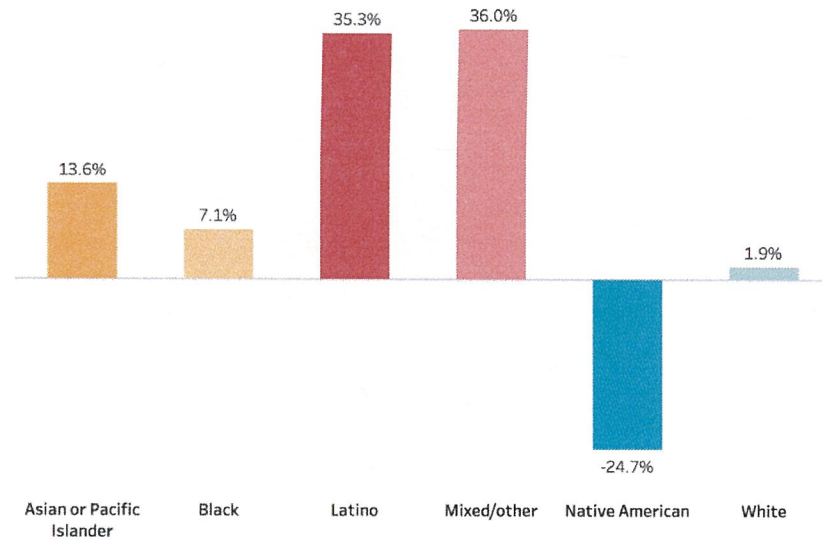
In 2016, white residents comprised almost two-thirds of the population. Since 2005, the white population has seen a slight increase of almost 2 percent. Latinos are the second largest ethnic group in the county at 26 percent of the population. Since 2005, the Latino population has grown by about 35 percent – the second fastest growing group in the county. Though a relatively smaller portion of the overall population, Mixed/other has been the fastest growing group in Sonoma County<sup>1</sup> - a group that has grown at a rate of about 33 percent since 2005. In 2016, Asian/Pacific Islander and Black residents constituted about 4 percent and 1.4 percent of the population respectively with positive growth rates of almost 14 percent and 7 percent since 2005. The number of Native American residents dropped by almost 25 percent since 2005 -- a dramatic and sudden drop in population -- especially since Native Americans constituted less than 1 percent of the population in 2016.

Sonoma County’s industrial diversity has proven to be a strength in today’s global economy. The local economy’s top two industry clusters are health care and social assistance, the largest sector employing almost 32,000 individuals in 2017, followed by manufacturing, retail trade, accommodation and food services, and educational services.<sup>2</sup> Though agriculture is not amongst the top employing industries, agriculture, in particular viticulture, is one of the signature industries in Sonoma County. Its gross regional

<sup>1</sup> See Data & Methods section for further definitions

<sup>2</sup> Source: U.S. Census Bureau, Center for Economic Studies, LEHD

Latino & Mixed/other residents have grown the most since 2005  
Growth Rates of Major Racial/Ethnic Groups, 2005 to 2016



Source: Integrated Public Use Microdata Series.

product was estimated to be roughly \$27.3 billion in 2016. Since the Great Recession (herein referred to as “the Recession”) in which the local economy contracted in 2008-2009, Sonoma County has rebounded, posting percentage growth rates year-to-year of 6.8 percent (2012-13), 6.5 percent (2013-14), 8.2 percent (2014-15), and 3.5 percent (2015-16).<sup>3</sup>

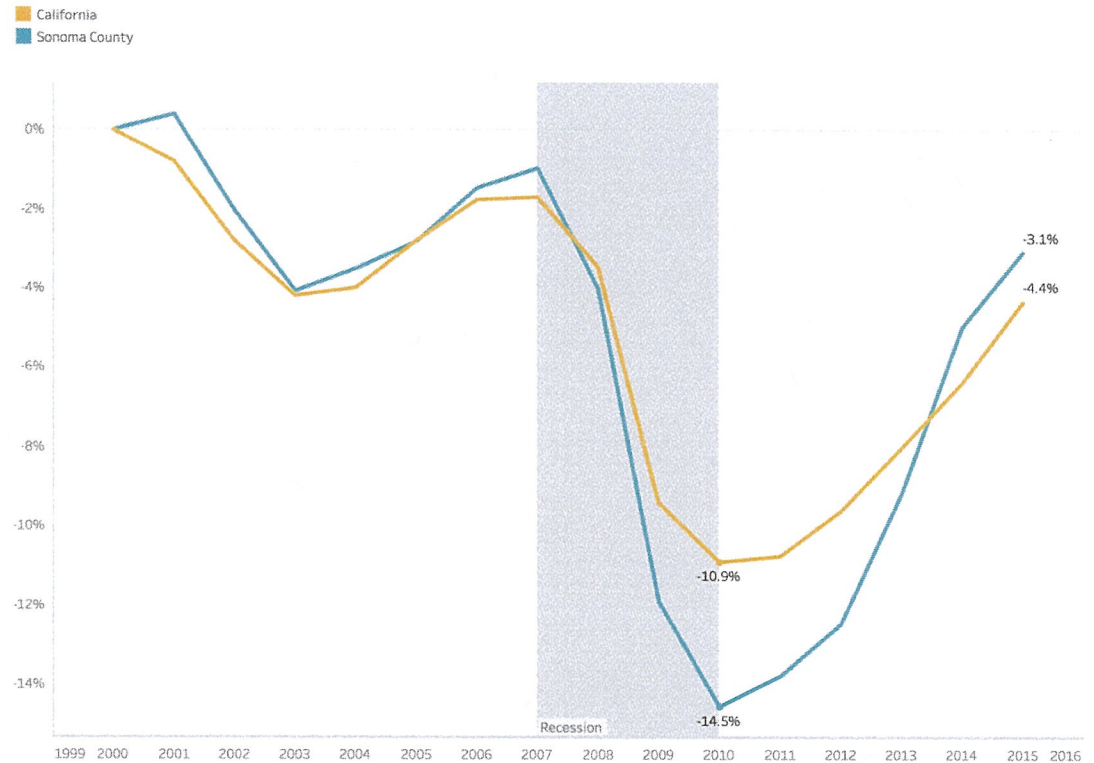
<sup>3</sup> Source: U.S. Bureau of Economic Analysis

# Work and Poverty

## Jobs-to-Population Ratio

Absolute job growth is an important statistic but may be an incomplete one. To further understand job growth, we consider whether jobs have kept pace with population growth in Sonoma County from 2005 to 2016. We provide a look at the State of California for further comparison. The graph below examines the percent change in the job-to-population ratio using 2000 as a benchmark. The results suggest that both Sonoma County and California were severely hit during the Recession as the job-to-population ratio dipped into double-digit figures. Since the Recession, Sonoma County has recovered on pace with the rest of the state. Despite the strong recovery, Sonoma County's current cumulative growth is -3.1%, which remains below the 2005 jobs-to-population ratio.

Job growth relative to population growth has seen strong recovery since Recession  
Cumulative Growth in Jobs-to-Population Ratio, 2000 through 2015



Source: California Department of Finance, California Economic Development Department, Labor Market Information

## Unemployment Rate

Unemployment has steadily decreased in Sonoma County since the end of the Great Recession in 2010 returning to pre-recession levels. Since 2005, Sonoma County has trended fairly parallel unemployment rates to California all the while experiencing relatively lower unemployment rates during that time period. Sonoma County has seen a strong recovery since 2010 with unemployment at 4 percent in 2016 -- a rate similar to 2005.

Unemployment in Sonoma County has returned to pre-Great Recession levels  
Unemployment, 2005 to 2016



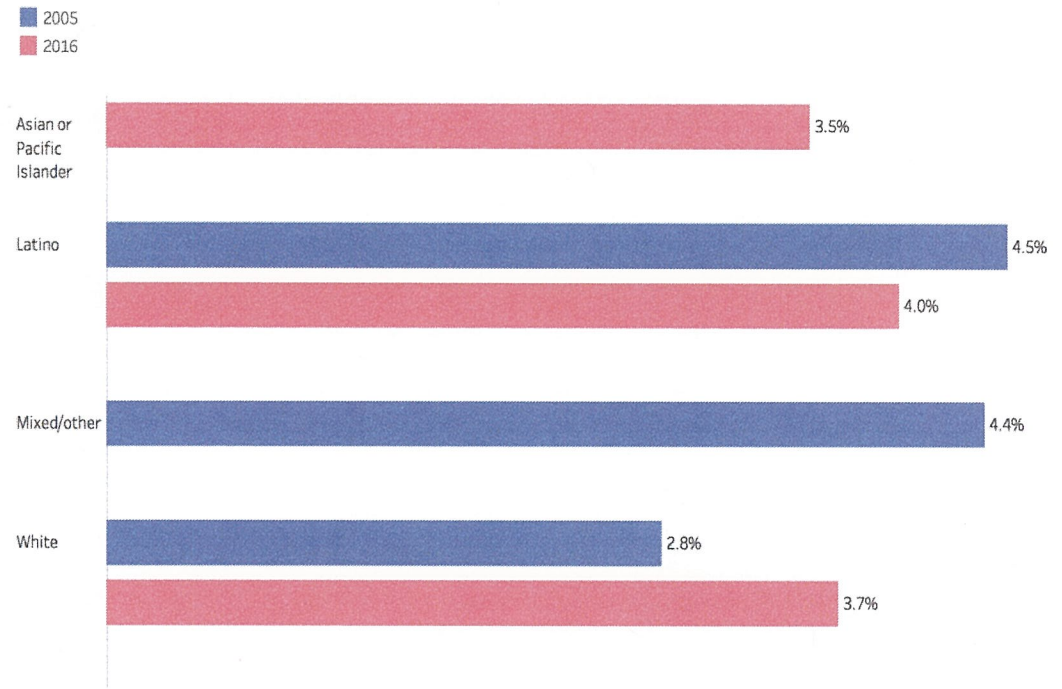
Source: California Economic Development Department, Labor Market Information Division

## Unemployment Rate by Race/Ethnicity

Despite some progress, Mixed and other persons post highest unemployment rate while Whites have seen an increase in unemployment since 2005. Mixed/other, the fastest growing demographic group, have a higher unemployment rate relative to other groups in 2016. The unemployment rate, however, has increased for Whites in Sonoma County since 2005. Unemployment rates have decreased for Latinos, the second largest demographic group in Sonoma County, from 4.5 percent in 2005 to 4 percent in 2016.

Unemployment rates relative similar across racial & ethnic groups

Unemployment Rate by Race/Ethnicity, 2005 to 2016

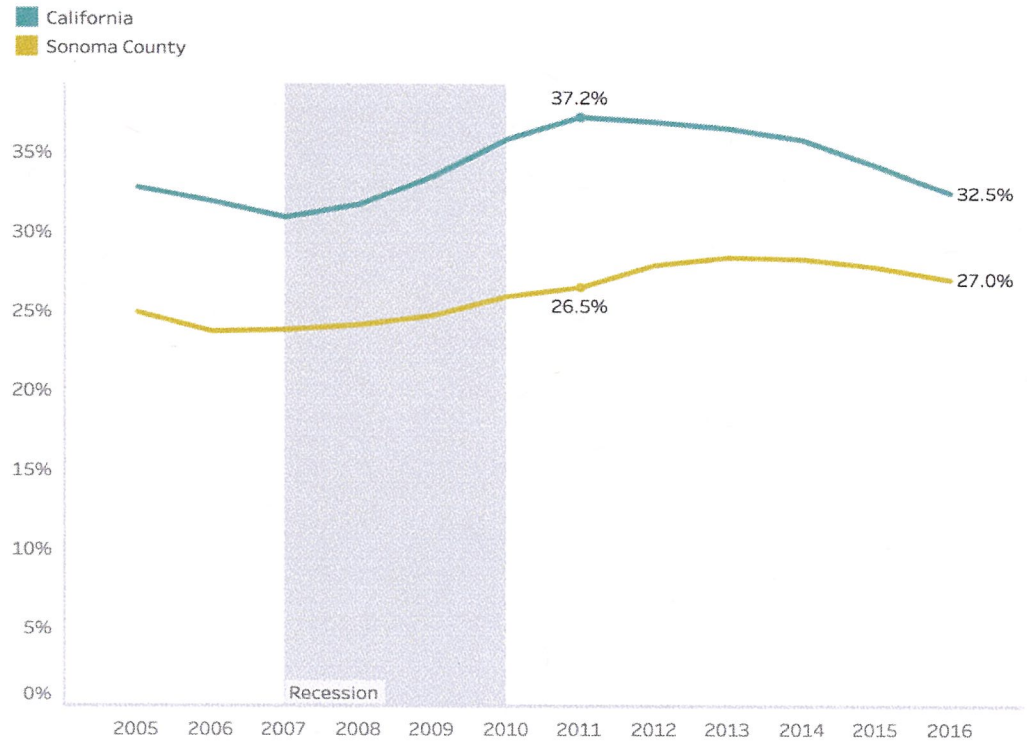


Source: Integrated Public Use Microdata Series. Universe includes the civilian non-institutional population age 25 through 64. Certain groups and years excluded due to small size.

## Below 200 Percent of Poverty

We consider the federal poverty threshold to have certain shortcomings as a single metric given that it does not account for geographic variation such as cost of living. As the report notes later on with respect to Sonoma County housing costs, we use the 200 percent poverty threshold to examine the economic insecurity of Sonoma County residents. The 200 percent poverty line is especially useful given that most public assistance programs use this threshold to determine program eligibility. In 2016, the percentage of people living below 200 percent of poverty and therefore economically insecure in Sonoma County was 27 percent. Since 2005, fewer people find themselves below 200 percent of poverty compared to other areas in California.

Recession effects felt years after with recovery seen only recently  
Percentage of People Below 200 Percent of Poverty, 2005 through 2016

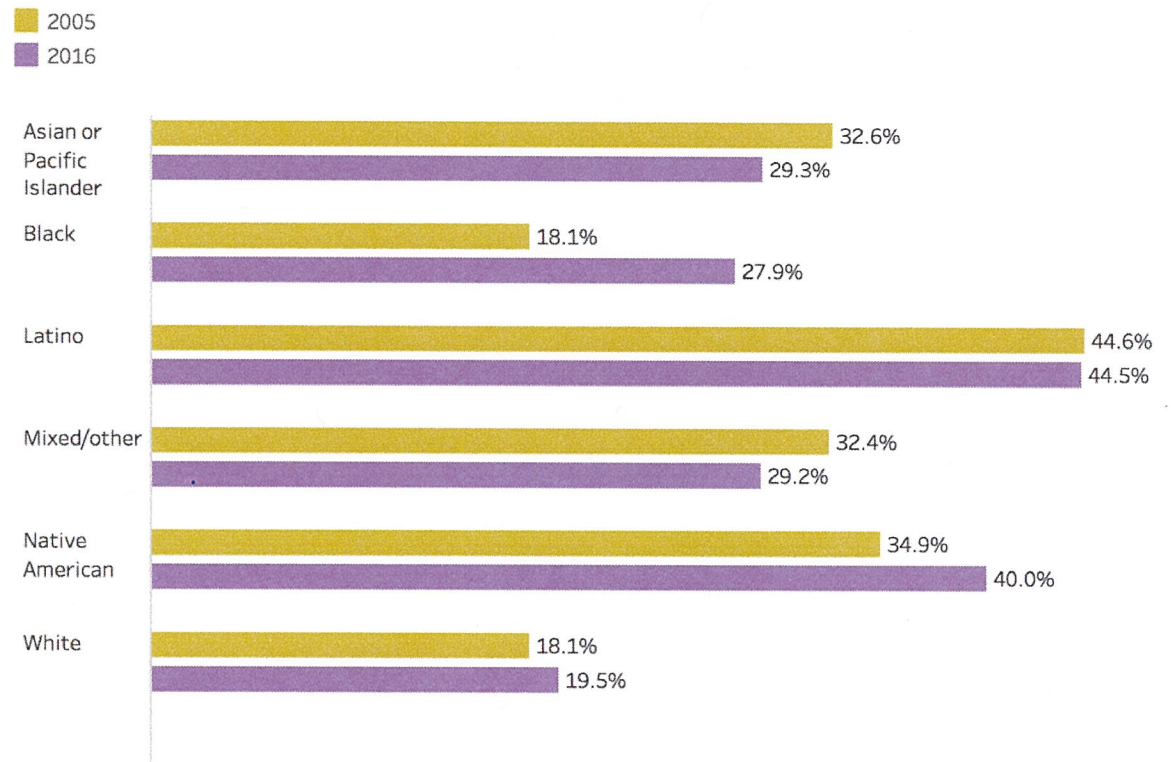


Source: Integrated Public Use Microdata Series. Universe includes all persons not in group quarters.

## Below 200 Percent of Poverty Race/Ethnicity

Despite gains for some, Latinos remain the most economically insecure since 2005. In Sonoma County almost half currently live below 200 percent of poverty -- as was the case in 2005 meaning little has improved for Latinos since then to feel more economically secure. Blacks saw the largest increase with an almost 9 percentage point increase since 2005 and a current rate of almost 28 percent living below 200 percent of poverty. Mixed/other and Asian or Pacific Islanders were the only ones to experience a decrease. Whites experienced the lowest rates of people living at or near poverty with about one in five.

Despite gains for some, Latinos remain the most economically insecure since 2005  
Percent of People Below 200 Percent of Poverty, 2005 & 2016

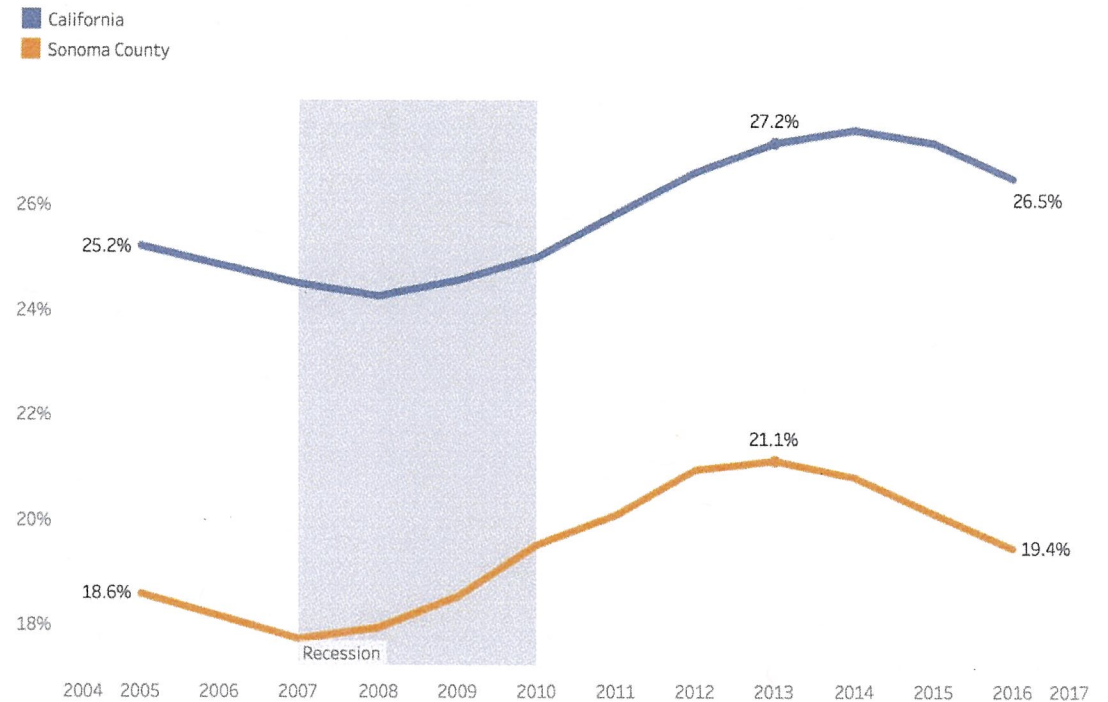


Source: Integrated Public Use Microdata Series. Universe includes all persons not in group quarters.

## Working Poor

The common American view of poverty, best represented by the welfare reforms of the 1990s, claims that poverty is most effectively improved through work. Therefore, the measurement of the working poor, defined as people living in families whose income is below 200 percent of the federal poverty threshold<sup>4</sup> and in which at least one family member aged 18 to 64<sup>5</sup> was employed, can shed light on whether the labor market provides enough income for families to be lifted out of poverty<sup>6</sup>. Our estimates suggest that almost a fifth of Sonoma County residents in working families live at or near poverty. We find that the share of the working poor increased considerably during the Great Recession and into 2013 in Sonoma County, well after the official end of the Recession. The rate dropped to 19 percent in 2016 from a high of 21 percent in 2014. However, the current rate remains above pre-Recession levels.<sup>7</sup> Since 2005, the share of Sonoma County's working poor has trended lower than the rest of California. Nonetheless, with about one in five people at or near poverty despite living in working families reveals the extent to which the labor market has failed to lift people out of poverty.

## About a fifth of people live in poverty and in families who work Working Poverty Rate, 2005 through 2016



Source: Integrated Public Use Microdata Series. Universe includes all civilian non-institutional persons excluding group quarters with at least one family member ages 18 - 64 who works part-time or part-year.

<sup>4</sup> The 200 FPL threshold is used to measure poverty in Sonoma County where cost of living and wages are typically higher than other places.

<sup>5</sup> Work is defined as at least part-time (17 hours a week) or part-year (27 weeks a year).

<sup>6</sup> Thiede, B.C.; Lichter, D.T.; & Sanders, S.R. (2015). *America's Working Poor: Conceptualization, Measurement, and New Estimates*. Work and Occupations.

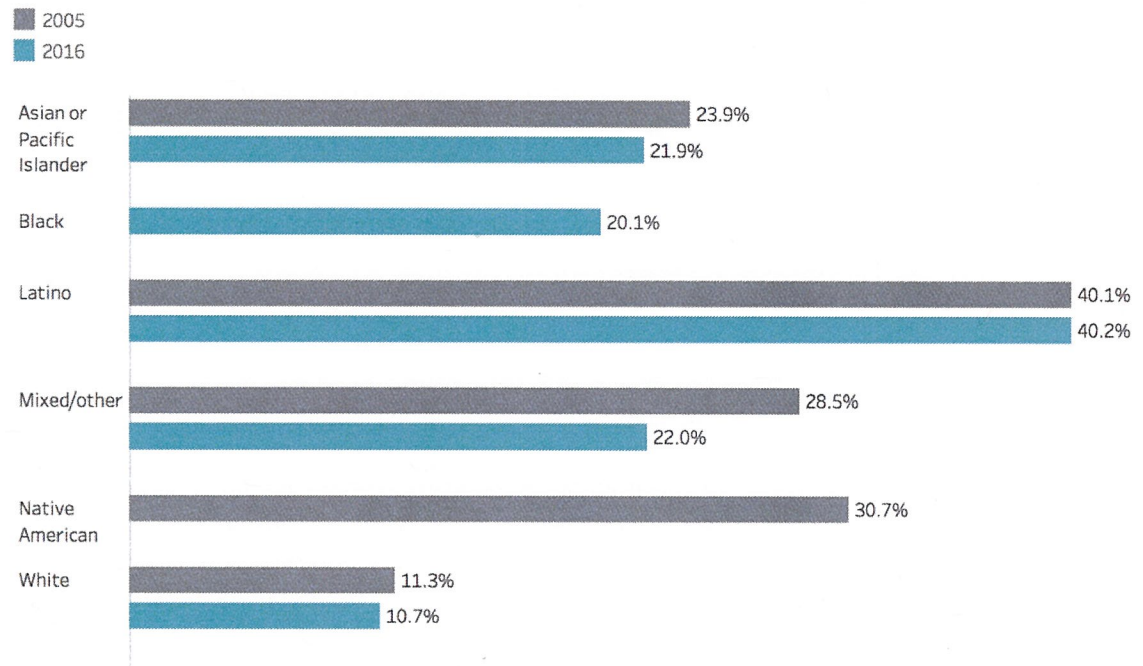
<sup>7</sup> FPL guidelines: Family of four at 200 percent of poverty would earn below \$50,200 annually

## Working Poor by Race/Ethnicity

The data suggest that the share of people living at or near poverty and who belong to a working family is highest among Latinos. In 2016, Latinos had the highest working poor rate in Sonoma County at roughly 40 percent of Latinos belonging to a family that works and lives in poverty. Paired with the prior 200 FPL figure, we estimate that the overwhelming share of Latinos at or near poverty also work yet employment alone appears not be sufficient in lifting Latinos out of poverty. Conversely, Whites had the lowest working poor rate in 2005 and in 2016. We estimate that Whites in 2016 had a working poor rate of 10.7 percent. On the whole, people of color had higher rates of working poor than did Whites.

## Working poverty highest among Latinos in 2016 and unchanged since 2005

### Working Poverty Rate by Race/Ethnicity, 2005 & 2016

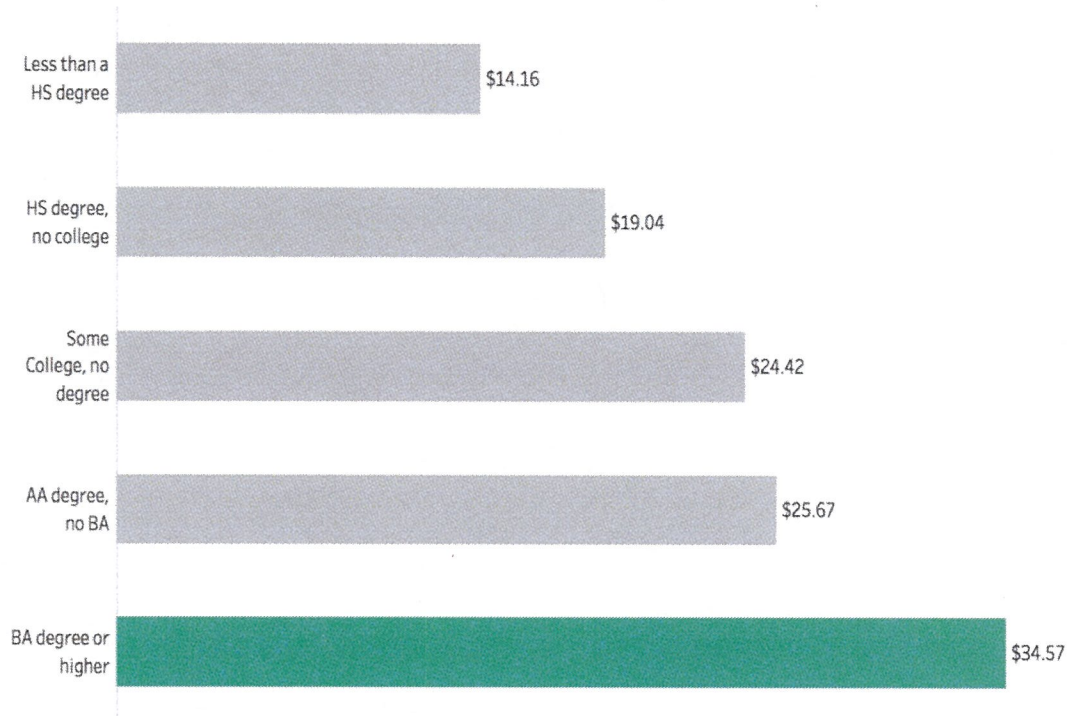


Source: Integrated Public Use Microdata Series. Universe includes all civilian non-institutional persons excluding group quarters with at least one family member ages 18 - 64 who works part-time or part-year. Some groups were excluded due to small sample size.

## Median Hourly Wage by Education

The median hourly wage in Sonoma County rises appreciably with each additional level of education attained. The median hourly wage for a worker with no higher than high school is a third that of a worker with a bachelor's degree and above. Workers with at least a bachelor's degree earned the highest wage rate in Sonoma County at about \$35 an hour. A labor market trend since the 1970s, the wage premium for college graduates relative to high school graduates has increased from 30 to 55 percent since that time period.<sup>8</sup>

Returns on education prove to be strong as wages rise at each level of education  
Median hourly wages by educational attainment , 2016



Source: Integrated Public Use Microdata Series. Universe includes civilian non-institutional full-time wage and salary workers ages 25 through 64.

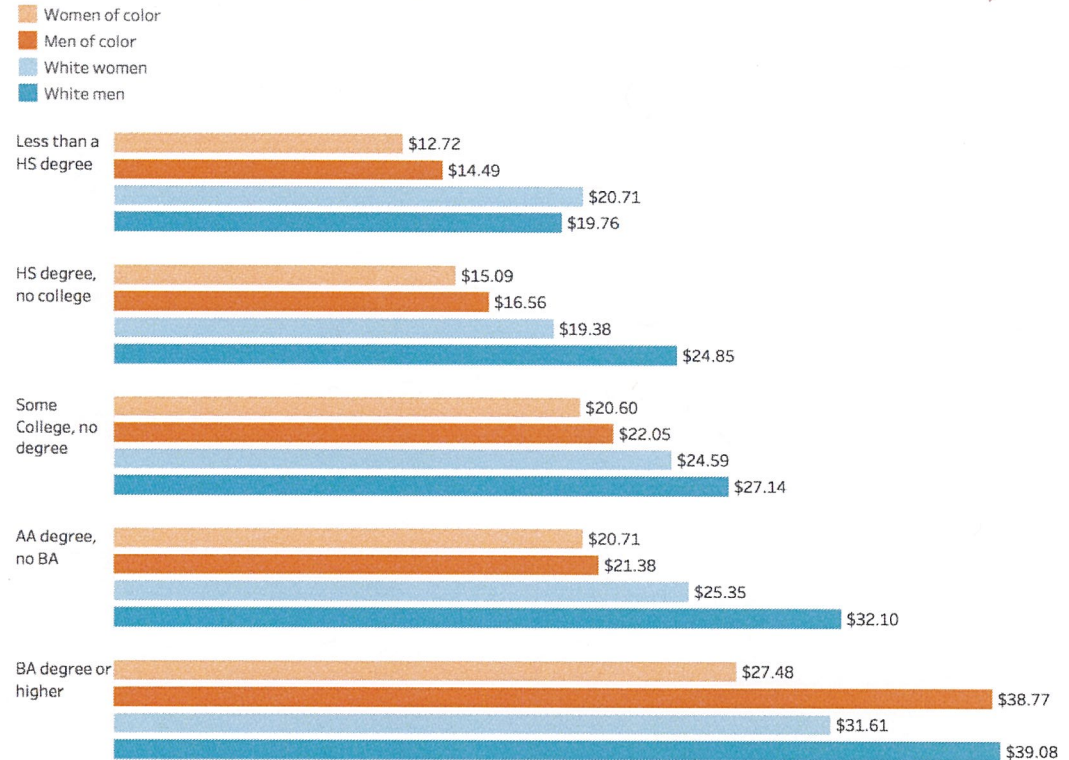
<sup>8</sup> Valletta, Robert G. 2016. "Recent Flattening in the Higher Education Wage Premium: Polarization, Skill Downgrading, or Both?," Federal Reserve Bank of San Francisco Working Paper 2016-17. Available at <https://doi.org/10.24148/wp2016-17>

## Median Hourly Wage by Education, Race/Ethnicity, and Gender

In general, wages rise as educational attainment increases. However, important wage gaps can occur between racial and ethnic groups with similar levels of education. We find that women of color earn lower wages at every educational level than everyone else. Even at the lowest level of education -- lacking a high-school diploma -- women of color earn almost 40 percent less than white women, the highest earners within that educational block. People of color, men and women, earn lower wages than white workers with similar levels of education, except for men of color with a bachelor's degree or more.

### Women of color earn lower wages at every educational level

Median hourly wages by race/ethnicity, gender, and education, 2016

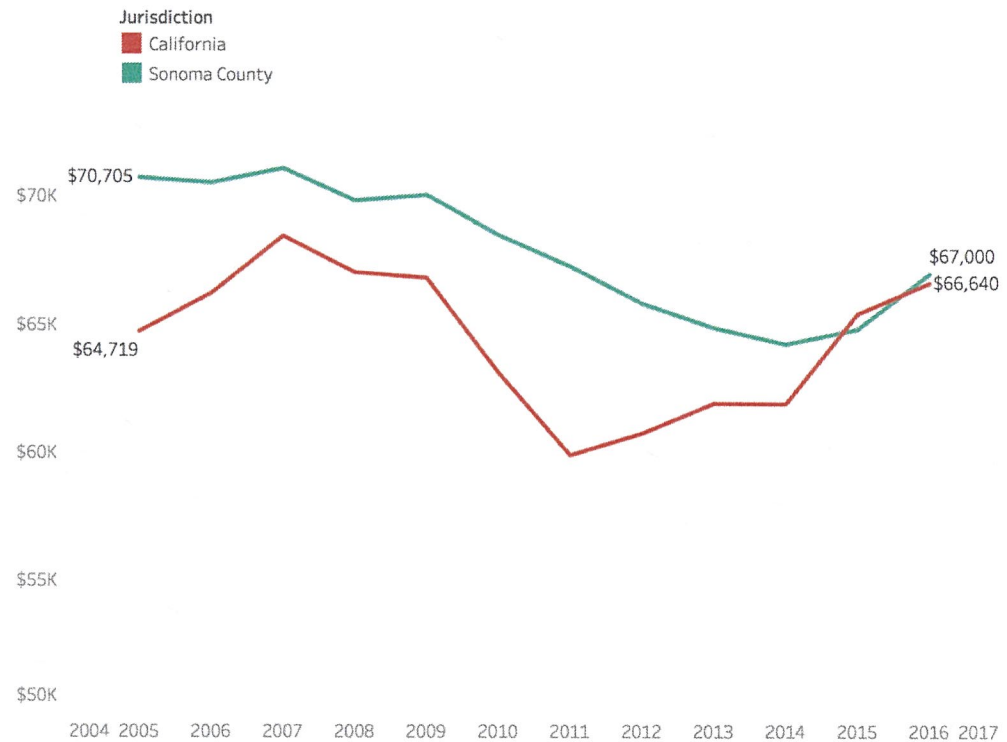


Source: Integrated Public Use Microdata Series. Universe includes civilian non-institutional full-time wage and salary workers ages 25 through 64.

## Real Median Household Income

Household incomes took a significant hit during the Great Recession as the local economy shed jobs and wages stagnated. From 2005 through 2016, Sonoma County households saw their incomes drop during the Recession and not start to increase until recently. Household incomes appeared to rebound post-Recession a bit more slowly than the rest of the state and have yet to return to 2005 levels.<sup>9</sup> “The California Budget & Policy Project estimates that in 2017 two working parents employed full-time must each earn \$23 an hour or an annual income of \$81,353 to support a household with two children and cover all basic expenses without relying on public assistance; the 2016 median household income falls significantly below that amount.<sup>10</sup>

Real Household Income Is Increasing But Has Not Returned to Pre-Recession Levels in Sonoma County  
Real Median Household Income, 2005 to 2016



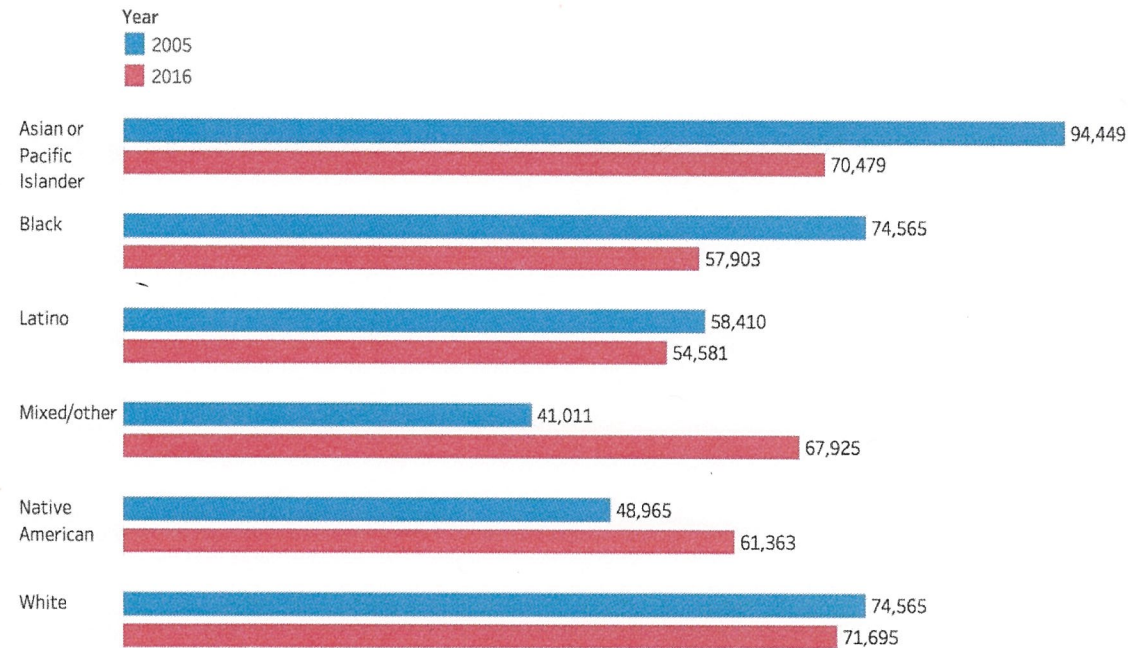
<sup>9</sup> Household incomes are adjusted for inflation to 2016 dollars.

<sup>10</sup> California Budget & Policy Project (2017). *Making Ends Meet*. [http://www.calbudgetcenter.org/wp-content/uploads/Fact-Sheet\\_Making-Ends-Meet-2017\\_SonomaCty.pdf](http://www.calbudgetcenter.org/wp-content/uploads/Fact-Sheet_Making-Ends-Meet-2017_SonomaCty.pdf)

## Real Median Household Income by Race/Ethnicity

The real median household income has declined for all racial and ethnic groups except for mixed or other households and Native American households who saw appreciable increases in household incomes from 2005 to 2016. Once adjusted for inflation, incomes dropped for most groups with some of the largest drops experienced by Asian/Pacific Islander and Black households. Latino household income dropped from 2005 to 2016, though by a relatively slimmer margin, leaving Latino households in 2016 with the lowest median household income of any group at roughly \$54,600 annually.

Real household income has declined for all except mixed/other and Native American households  
Real Median Household Income, 2005 & 2016

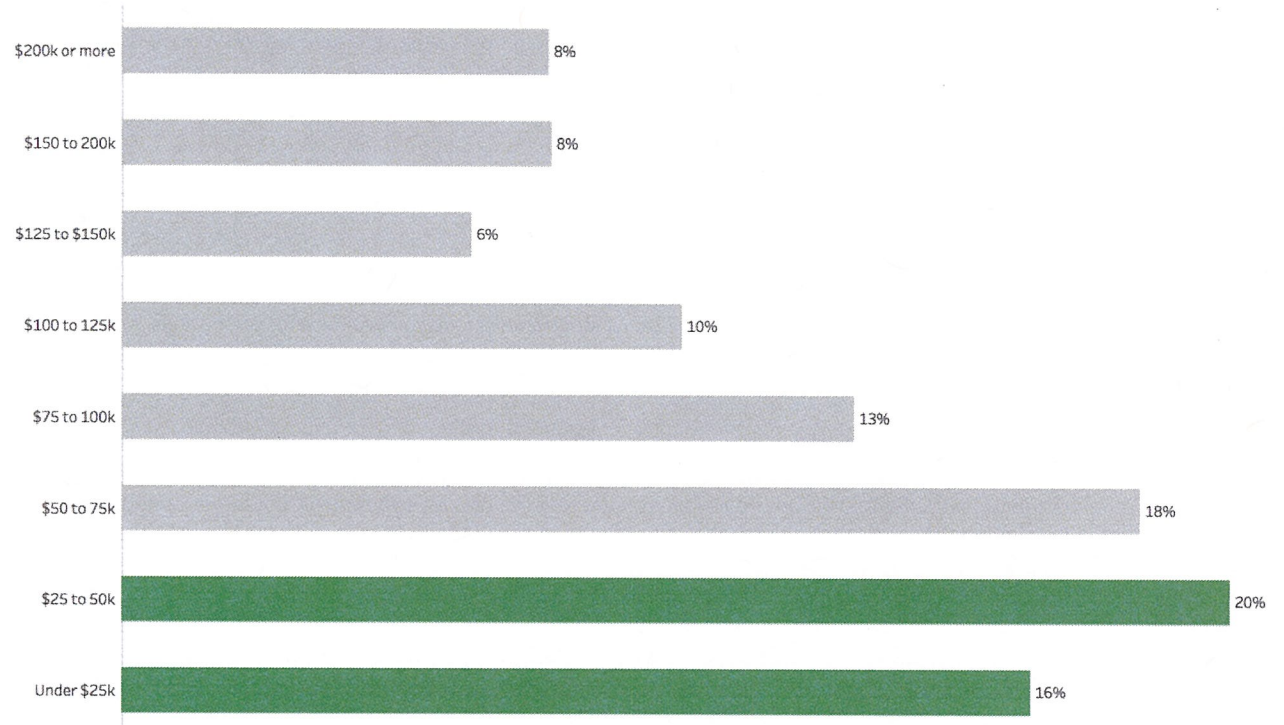


Source: Intergrated Public Use Microdata Series. Universe includes all households and persons not in group quarters.

## Household Income Distribution

One in three Sonoma County households earn less than \$50,000 annually. Households earning between \$25,000 to \$50,000 a year proved to have the largest single share at 20 percent of all households earning that amount. More than one in five Sonoma County households earn almost twice the median household income.

One in three households earn less than \$50,000 annually in Sonoma County  
Household Income Distribution, 2016



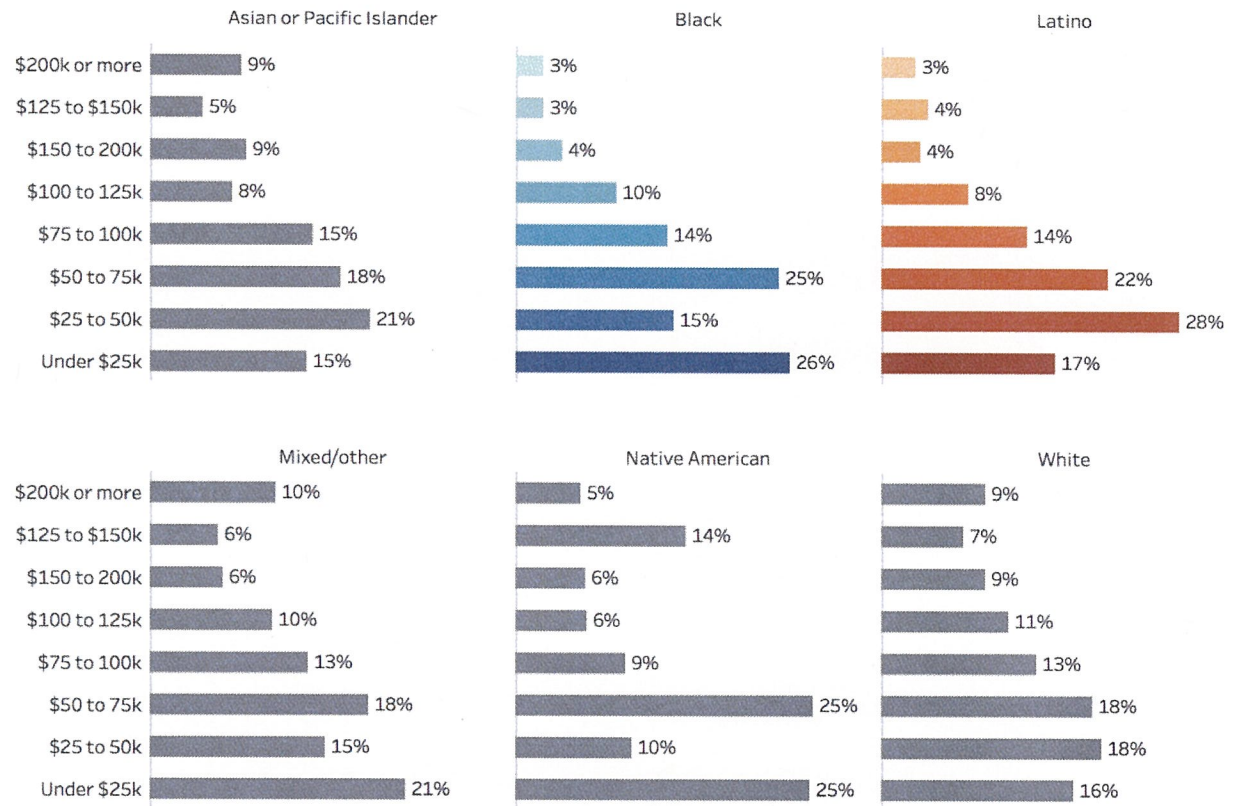
Source: Integrated Public Use Microdata Series. Universe includes all households (excludes group quarters).

## Household Income Distribution by Race/Ethnicity

Black and Latino households are estimated to have the greatest share in the bottom half of income distribution. In our analysis, 80 percent or more of Black and Latino households earn less than \$100,000 annually - more than any other racial or ethnic group. The data suggest a strong lower-income skew in the distribution of Black and Latino households. Conversely, White households had the greatest level of parity across the distribution with the narrowest range relative to other groups. Raj Chetty's research with the Equality of Opportunity Project forces us to reckon with the finding that upward mobility is highly racialized.<sup>11</sup> Strikingly, White children born into the bottom fifth are more likely to reach the top fifth than Latino or Black children. The racial implications of inequality have long lasting impacts on future generations.

## Black and Latino households have the largest concentration of lower-income households

### Household Income Distribution by Race/Ethnicity, 2016



Source: Integrated Public Use Microdata Series. Universe includes all households (excludes group quarters).

<sup>11</sup> Raj Chetty, Nathaniel Hendren, Patrick Kline, Emmanuel Saez, and Nicholas Turner, "Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility," *American Economic Review*, 2014.

## Low-Wage Work

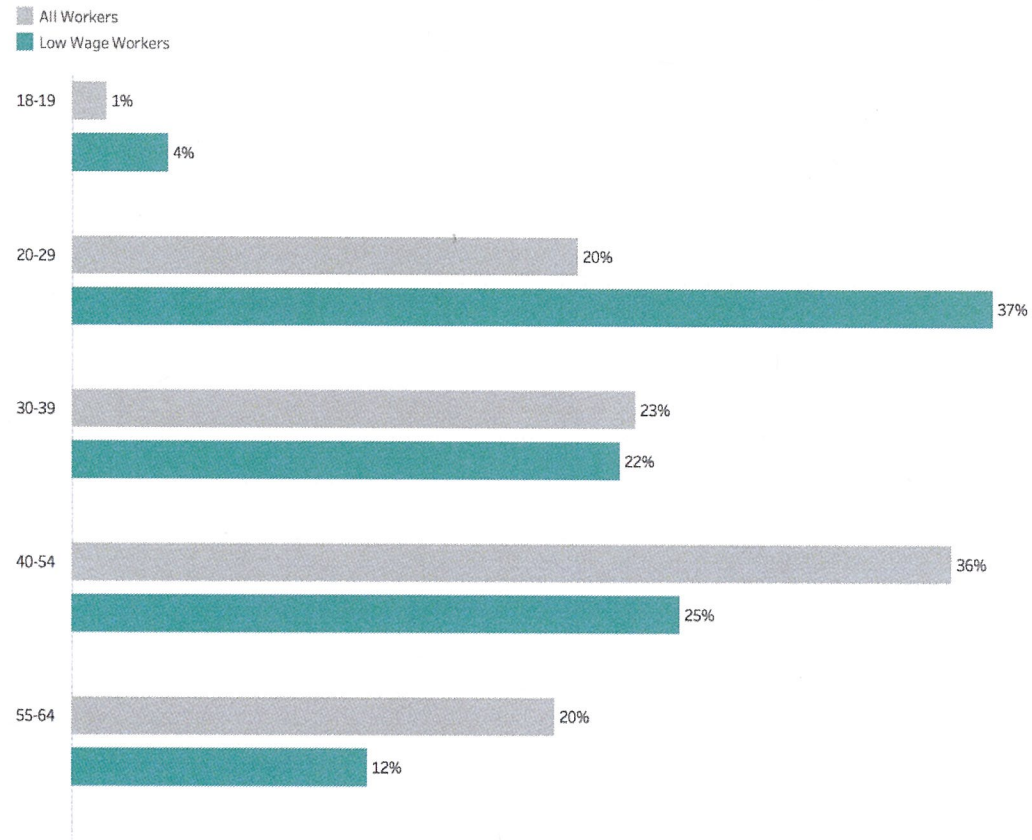
We define low-wage work as earning less than two-thirds of the median hourly wage for a given jurisdiction. In this case, low-wage workers in Sonoma County earn less than \$16.10 an hour, two-thirds of the median hourly wage of \$24.15. We estimate that the percentage of low-wage workers has increased by almost five-percentage points from 28 to 33 percent between 2005 and 2016 - meaning that one in three Sonoma County workers are employed in the low-wage sector.

## Age Distribution of Low-Wage Work

A common perception about low-wage work is the image of a teenager flipping burgers after school or on the weekends. In 2016, teenagers accounted for only 4 percent of all low-wage workers in Sonoma County, which is a decrease since the late 1970s when teenagers accounted for almost 10 percent of the low-wage sector. We estimate that in 2016 the majority of low-wage workers -- almost three in five -- were ages 30 and older. In 1979, the median age of a low-wage worker in Sonoma County was 28. In 2016, the median wage of a low-wage worker was 33. A significant share of the increase since the late 1970s can be seen in the rise of low-wage workers ages 40 to 64.

This age distribution also has implications for working families. We estimate that about 23 percent of heads of households, including spouses, are low-wage workers. Despite the perception that low-wage work employs primarily teenagers, the face of low-wage work is an increasingly older one.

Low-wage work is not teenage work. More than three in five low-wage workers are ages 30 and older  
Age Distribution of Sonoma County Workers, 2016

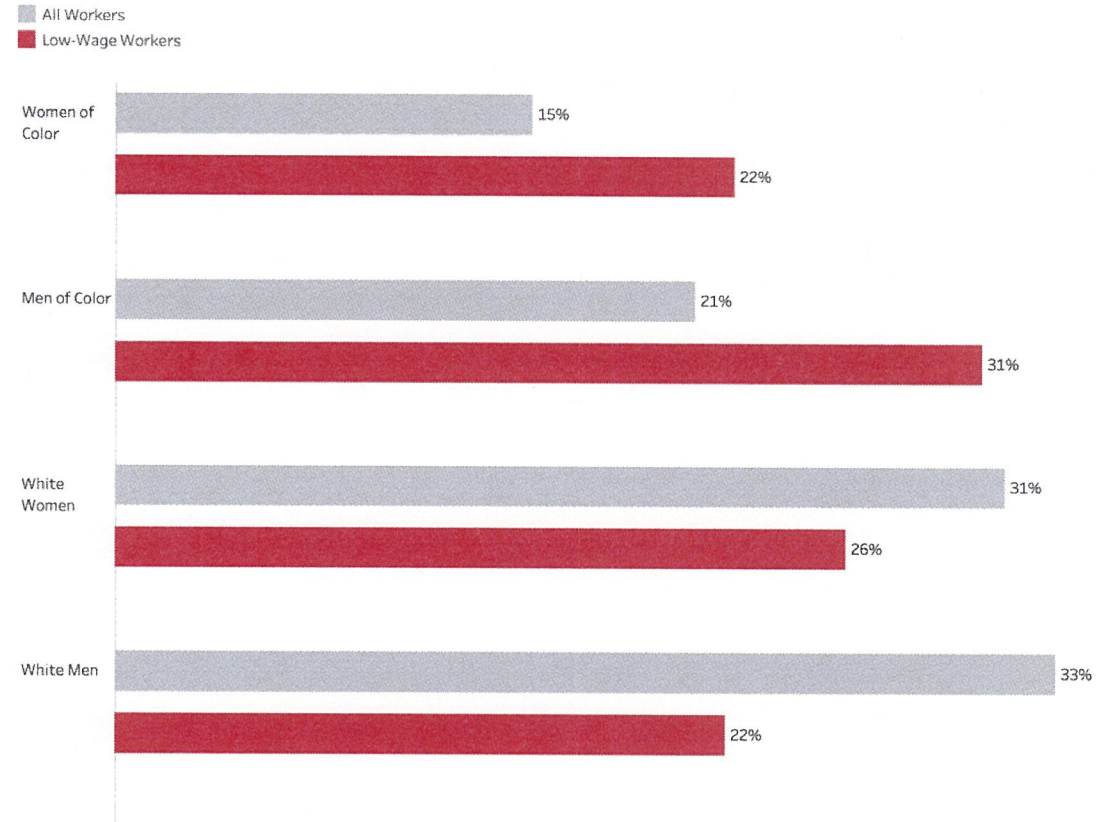


Source: Integrated Public Use Microdata Series. Universe includes all wage and salary workers ages 18 - 64 (excludes group quarters).

## Racial/Ethnic & Gender Distribution of Low-Wage Workers

In 2016, workers of color in Sonoma County accounted for about a third of all workers. Yet, workers of color constituted a majority of low-wage workers. In particular, one in three low-wage workers are men of color, the highest rate of any one group. By contrast, white men composed a third of all workers yet were only a quarter of all low-wage workers.

People of color constitute a disproportionately larger share of low-wage workers  
Race/Ethnicity & Gender Distribution of Sonoma County Workers, 2016

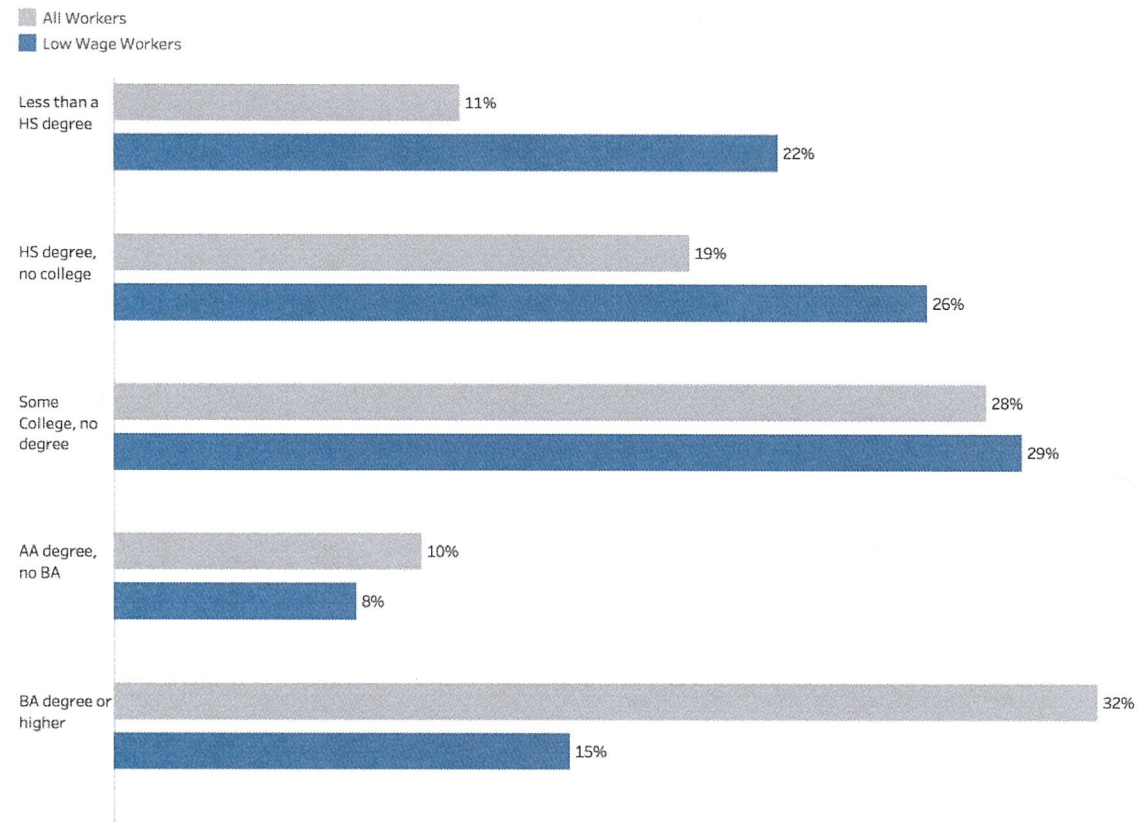


Source: Integrated Public Use Microdata Series. Universe includes all wage and salary workers ages 18 - 64 (excludes group quarters).

## Low-Wage Work by Education

Sonoma County's low-wage workers are less educated than the general workforce. However, we estimate that one of every two low-wage workers have at least some college education. Even more distressing, more than one in seven low-wage workers have a bachelor's or advanced degree. Research from economist Lawrence Mishel finds that low-wage workers today are far more educated than they were in 1968.<sup>12</sup> Mishel points to the decrease of the minimum wage since 1968, adjusted for inflation, as one of the primary reasons for the increase in college-educated low-wage workers.

Majority of low-wage workers have at least some college education  
Educational Distribution of Sonoma County Workers, 2016



Source: Integrated Public Use Microdata Series. Universe includes all wage and salary workers ages 18 - 64 (excludes group quarters).

<sup>12</sup> Mishel, L. (2014). Low-Wage Workers Have Far More Education Than They Did in 1968, Yet They Make Far Less. Economic Policy Institute.

# Income Inequality

## Real Wage Growth for Full-Time Workers

The national discussion of income inequality has shed light on the precipitous drop in income for the bottom 50 percent while incomes for the top 1 percent have skyrocketed.<sup>13</sup> Sonoma County, like the rest of the nation, has seen a widening schism between low and high-wage workers, particularly since the late 1970s. Once adjusted for inflation, the bottom 20 percent have seen their wages drop by double digits in real terms in the last four decades. For the middle of the distribution, workers between the 30th and 60th percentile have seen their wages stagnate during that time, which means that workers' wages in 2016 had about the same purchasing as they did in the late 1970s. In Sonoma County, growth in real wages has been concentrated for those in the upper 30th percentile. In particular, the top 10 percent of wage-earners in Sonoma County have seen a 26 percent increase in wages since the late 1970s.

The transition from manufacturing to high-tech (i.e. innovation) -- with the Bay Area serving as a hub for the tech sector

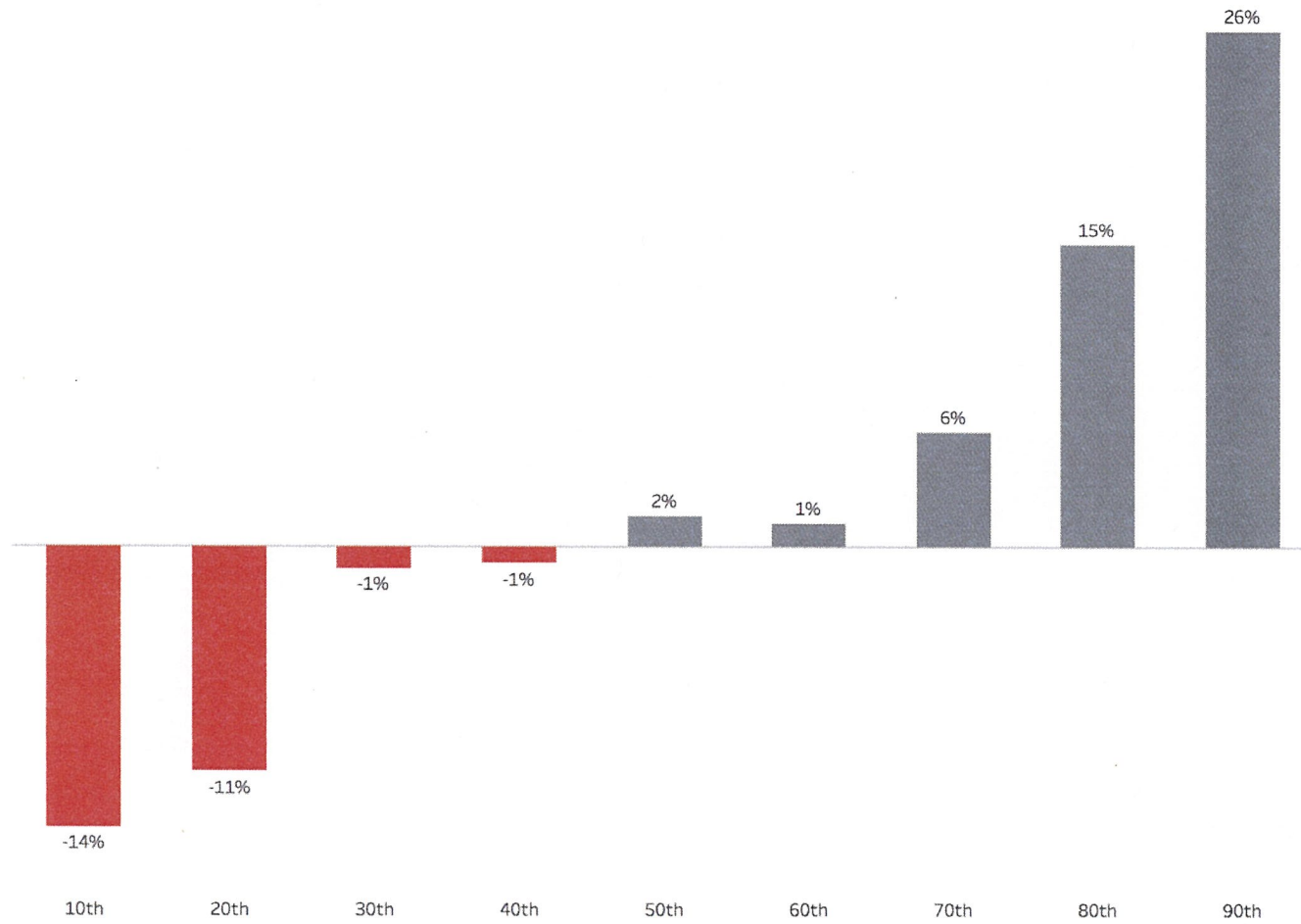
-- has meant a radical and structural shift in the American economy. The rise of the high-tech sector in the wake of the decline of manufacturing as the primary economic driver has exacerbated income inequality. Manufacturing as a sector directly and indirectly produced a significant share of middle-class jobs. Conversely, the high-tech sector directly produces a large number of high-wage jobs while indirectly creating a mix of high and low-wage jobs. Economist Enrico Moretti's research suggests that for every high-tech sector job created, five new jobs are produced with two of those jobs high-wage, such as that of lawyers or doctors, while the remaining three are low-wage jobs such as retail sales representatives and restaurant servers.<sup>14</sup> In other words, America's primary driver of economic growth produces bifurcated job growth between high and low-wage jobs with few middle-wage jobs. The result is a ladder with rungs pulled farther apart making upward mobility much more difficult for Sonoma County workers.

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<sup>13</sup> Stewart, E. (2018). One chart that shows how much worse income inequality is in America than Europe. Vox. <https://www.vox.com/2018/7/29/17627134/income-inequality-chart>

<sup>14</sup> Moretti, E. (2012). *The New Geography of Jobs*. Houghton Mifflin Harcourt Publishing Company.

Wages have declined or stagnated for the bottom 60 percent of workers in Sonoma County  
Change in Real Wages in Sonoma County, 1979 to 2016

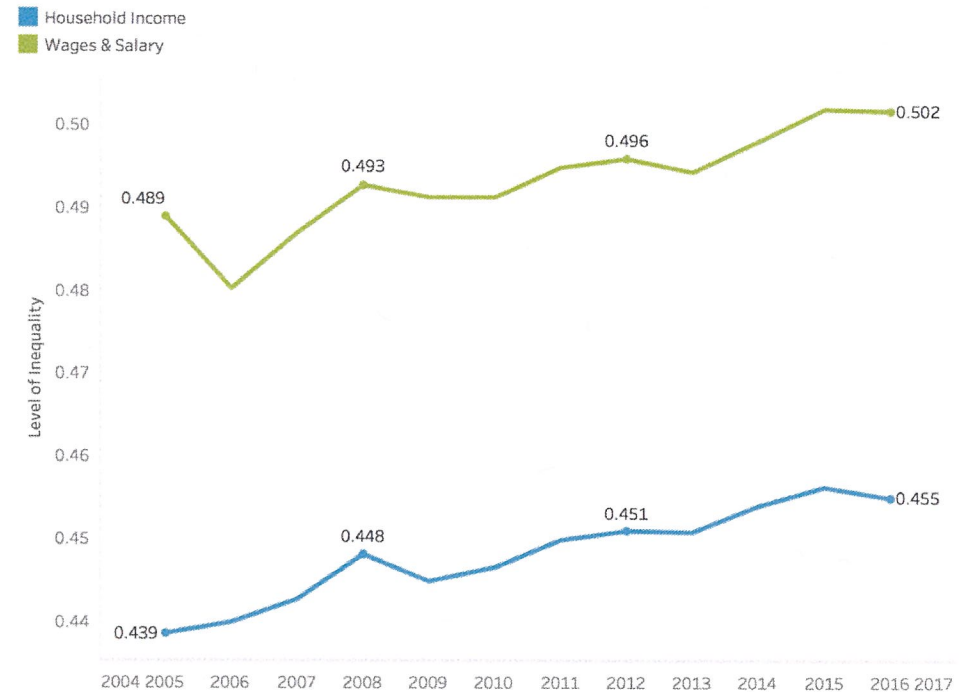


Source: Integrated Public Use Microdata Series. Universe includes all full-time wage and salary workers ages 18 to 64.

## Gini Coefficient, 2005 to 2016

We measure income inequality using the conventional statistic known as the Gini coefficient. The Gini coefficient provides a useful one-value statistic that captures the concentration of income, or conversely, the deviation from perfect equality. The statistic ranges from 0 to 1 with 0 being perfect equality and 1 being perfect inequality. The Gini coefficients below provide a glimpse of income inequality by examining both household income and wage/salary inequality for Sonoma County. The results suggest that household income inequality is greater than wage/salary inequality and that household income inequality has been increasing since 2006. During that same ten year period, wage and salary inequality has also increased.

Household and wage/salary income inequality has been increasing since at least 2005  
Gini Coefficient, 2005 through 2016

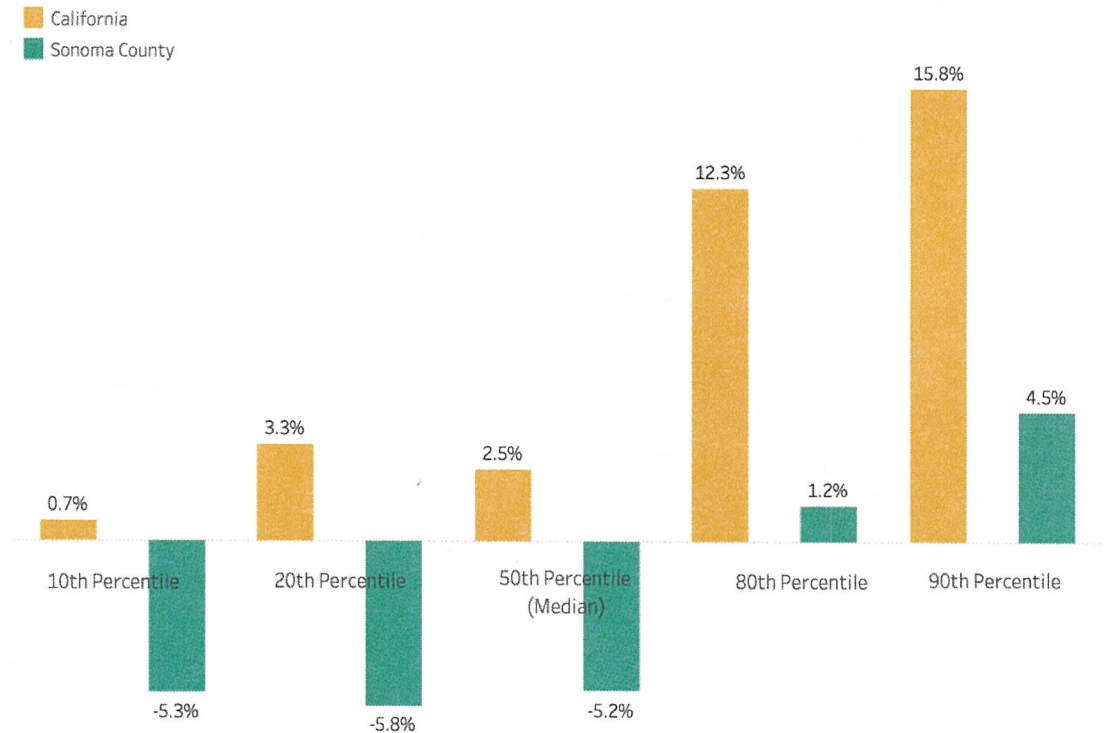


Source: Integrated Public Use Microdata Series. Universe includes all households (no group quarters).

## Real Household Income Growth by Percentiles

From 2005 to 2016, household incomes have decreased for the bottom half of households. The recession affected households across income brackets and the data suggest that recovery has been largely unequal as those in the bottom half have struggled to return to pre-recession levels. Higher-income households, on the other hand, appear to have recovered from the recession having made gains in real income of 1.2 percent and 4.5 percent for the top 80th and 90th percentiles of households, respectively. Compared to the rest of the state, households in the bottom half of the income distribution for Sonoma County appear to be behind in real terms. The top 80th and 90th percentile of California households saw their real incomes grow by double digits -- significantly higher than the bottom half -- suggesting that recovery from the recession has been largely unequal across the state and in Sonoma County.

Incomes have declined for the bottom half of households unlike California  
Real Household Income Growth, 2005 to 2016



Source: Integrated Public Use Microdata Series. Universe includes all households (not group quarters).

# Future of Work

## Ten Lowest Paying Occupations, 2017

The ten-lowest paying occupations all have a median wage below \$12 an hour. Fast food workers compose more than a third of the lowest-paying occupations. Cashiers, an occupation that has become increasingly automated, appears to be in relatively strong demand yet remains amongst the lowest-paid. In general, the service-sector plays a large part in paying the lowest wages to workers.

## Fast food a dominant player in lowest-paying jobs Ten Lowest Paying Occupations, 2017

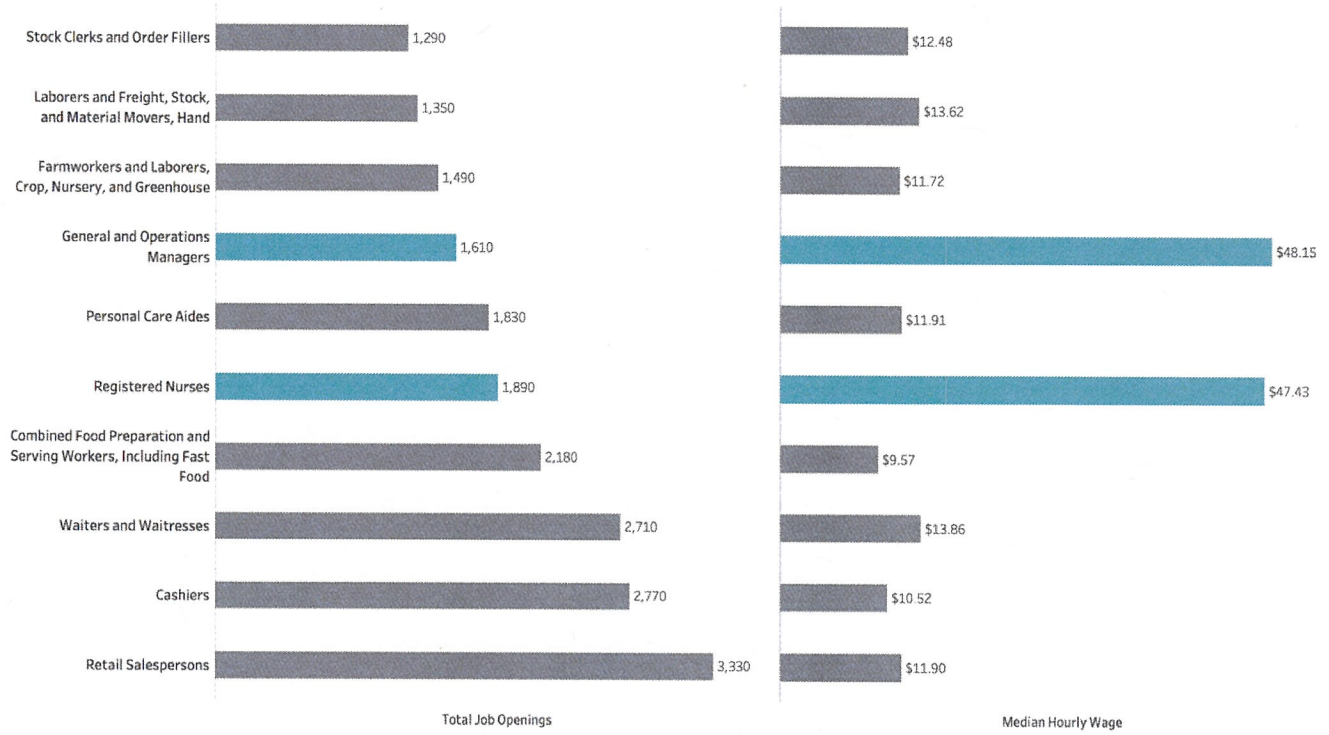
Occupation	Number Employed	Median Wage
Ushers, Lobby Attendants, and Ticket Takers	80	\$10.28
Combined Food Preparation and Serving Workers, Including Fast Food	4,200	\$10.34
Hosts, Restaurant, Lounge, & Coffee Shop	530	\$10.50
Cooks, Fast Food	1,180	\$10.52
Gaming Dealers	460	\$11.03
Dining Room & Cafeteria Attendants & Bartender Helpers	1,110	\$11.11
Cashiers	5,840	\$11.12
Telemarketers	80	\$11.26
Parking Lot Attendants	110	\$11.31
Amusement and Recreation Attendants	670	\$11.43

Source: California Economic Development Department, Occupational Employment Statistics

## Top Ten Occupations with Most Job Openings by Hourly Wage

Based on the State of California’s projections for occupations with the most job openings, both new and replacement, we find that about 83 percent of the top ten occupations with the most job openings in Sonoma County pay less than \$15 an hour. We estimate that the median wage for the top ten occupations with the most jobs openings was \$13.09.<sup>15</sup> The graph highlights the two occupations with high wages -- general and operations managers and registered nurses -- both of whom would earn close to \$50 an hour. These two occupations supply the remaining 17 percent of job openings. Individuals entering the labor market in Sonoma County can expect a deluge of low-wage occupations awaiting them.

Stark inequality in projected job openings with no middle-wage jobs in Top 10 Occupations with the Most Job Openings by Hourly Wage, 2014 - 2024



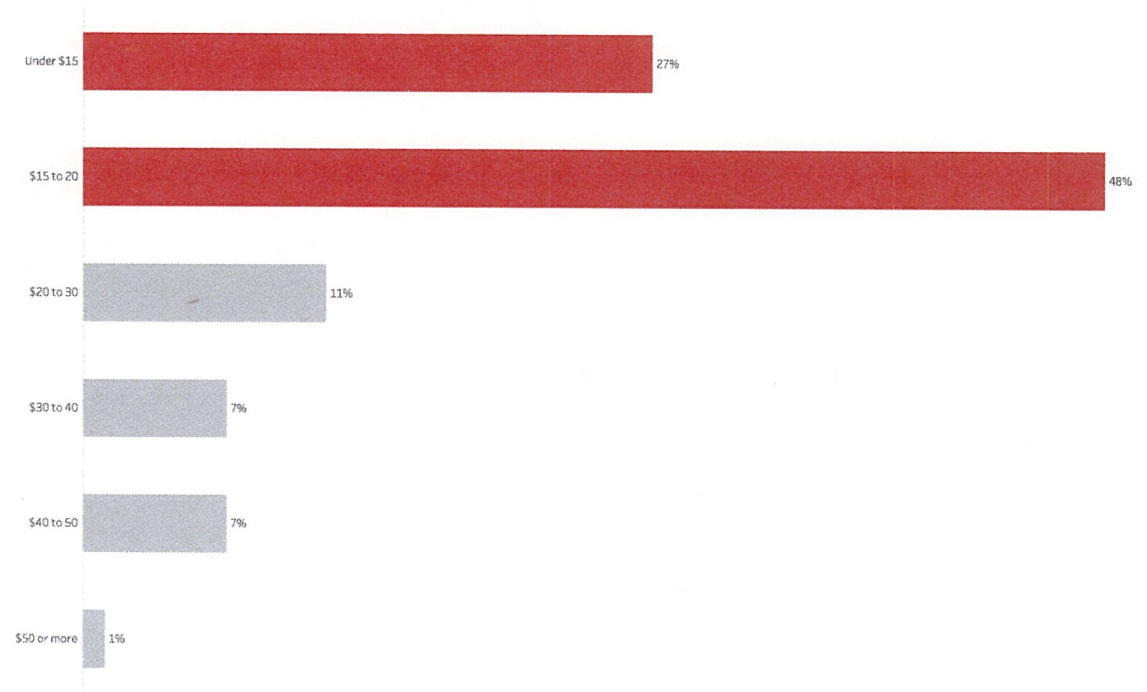
Source: U.S. Bureau of Labor Statistics, California Economic Development Department

<sup>15</sup> Adjusted for inflation to 2018 dollars.

## Projected Job Growth by Wage Level, 2014 to 2024

According to the California Economic Development Department, about three-quarters of job growth between 2014 to 2024 is expected to produce jobs -- both new and replacements -- with median hourly wages below \$20 an hour. More than one in four are expected to pay less than \$15 an hour. Given the severe concentration of lower-paying jobs, workers face a labor market with relatively fewer opportunities to secure a middle or higher paying job.

Three out of four jobs will pay less than \$20 an hour  
Projected Job Growth by Wage Level, 2014 to 2024



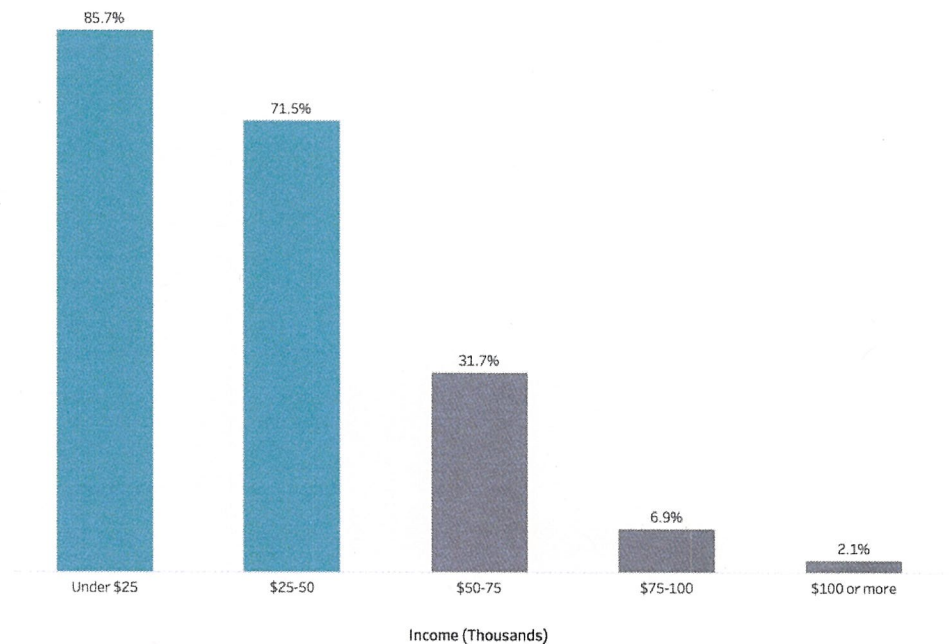
Source: California Economic Development Department, Labor Market Information Division. Values represent total jobs by median hourly wage.

# Housing Costs & Affordability

## Median Monthly Housing Burden for Renters

We classify a household “burdened” if housing consumes 30 percent or more of income and “severely burdened” if housing costs 50 percent of income. The data suggest that 47 percent of renter-occupied households were rent-burdened and a quarter were severely rent-burdened in 2016. Real median monthly rent burden for renter-occupied households increased by 5.7 percent from 2005 to 2016. In 2005, the median renter-occupied household paid about \$1,166 a month, once adjusted for inflation, and has since increased to an estimated \$1,254 in 2016. We estimate that renter-occupied households earning less than \$50,000 a year are overwhelmingly faced with high housing costs. Up to this point, rent-burden was most acutely experienced by households earning less than \$25,000 a year. However, the incidence of burden was not limited to lower income households alone, as one in three households earning approximately the median household income in 2016 were also burdened with high costs - indicating that a large share of middle income households were also struggling to pay the rent.

Vast majority of rent-burden concentrated in households earning less than \$50,000 a year  
Rent Burden by Household Income Level, 2016

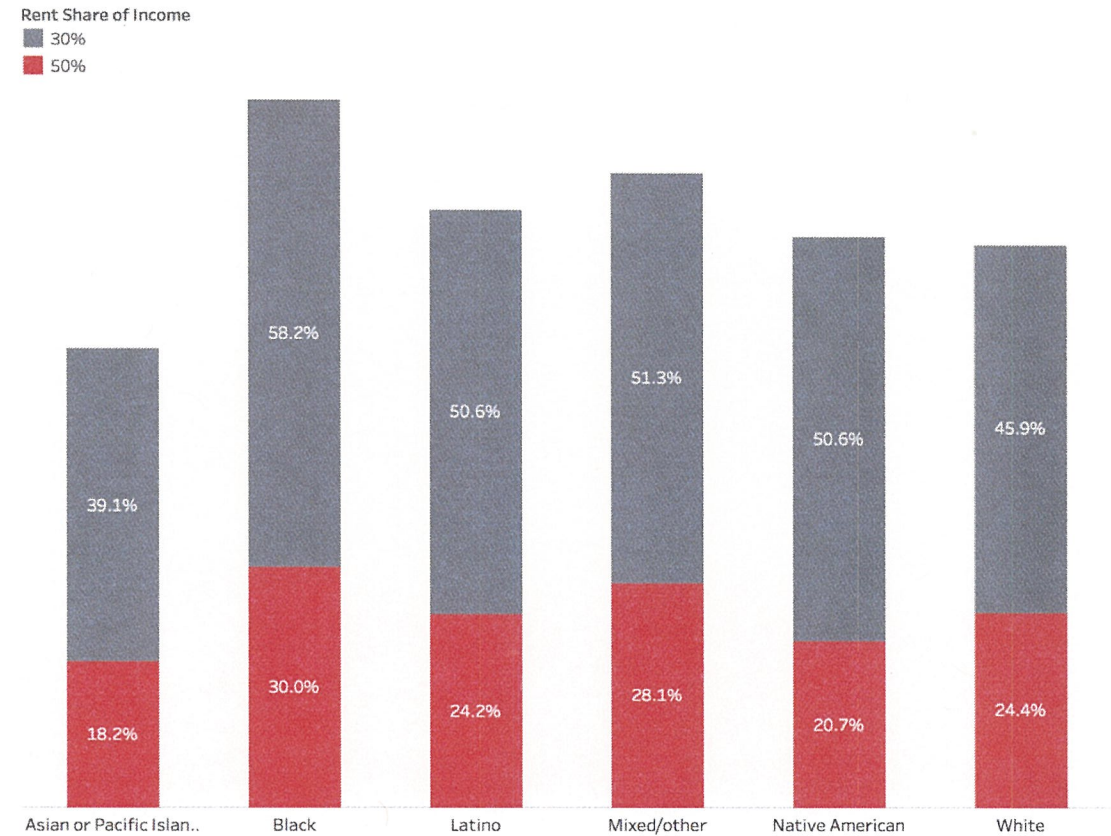


Source: Integrated Public Use Microdata Series. Universe includes renter-occupied households with non-zero monthly contract rents (excludes group quarters).

## Renter Housing Burden by Race/Ethnicity

Black households had the largest proportion - almost three in five - who spent more than 30 percent of income on rent. Furthermore, Black households had the largest number experiencing severe cost-burden, with one in three households spending over half of their income on rent. A majority of all racial and ethnic groups, except Asian/Pacific Islander households, could not afford rent. The data indicate that Asian/Pacific Islander households have the smallest share of housing-cost burden at both 30 and 50 percent income levels.

Black households have the highest rates of rent-burden  
Rent Burden by Race/Ethnicity, 2016

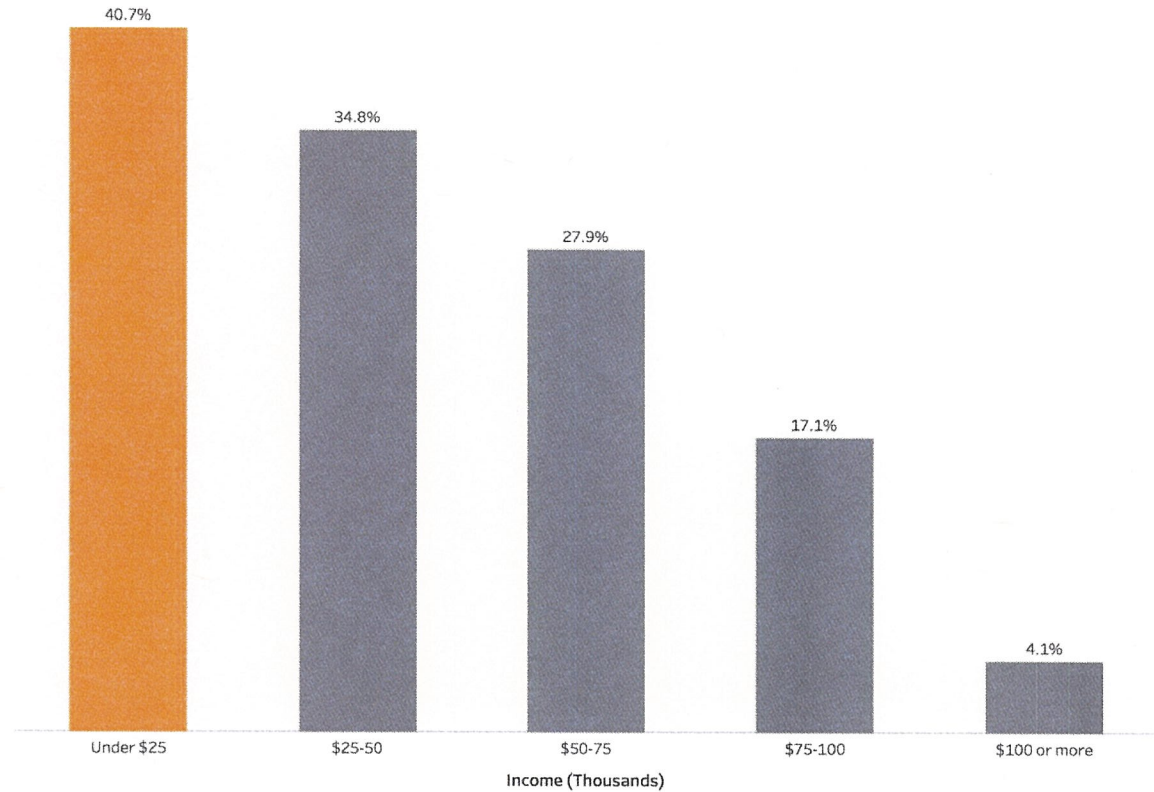


Source: Integrated Public Use Microdata Series. Universe includes renter-occupied households with non-zero monthly contract rents (excludes group quarters).

## Median Monthly Housing Burden for Homeowners

In Sonoma County, about 18 percent of owner-occupied households were cost-burdened in 2016. Since 2005, Sonoma County has seen a roughly 6 percent drop in the number of cost-burdened owner-occupied households. The drop coincides with an estimated 20 percent increase in households that own their home free and clear. That rise can be partially explained by an almost 11 percent increase since heads of households aged 65 or older, which in turn contributes to a higher rate of mortgage clearance and consequent drop in cost-burden.

Housing burden is highest among owner-occupied households earning under \$25,000 a year  
Homeowner housing burden by income level, 2016

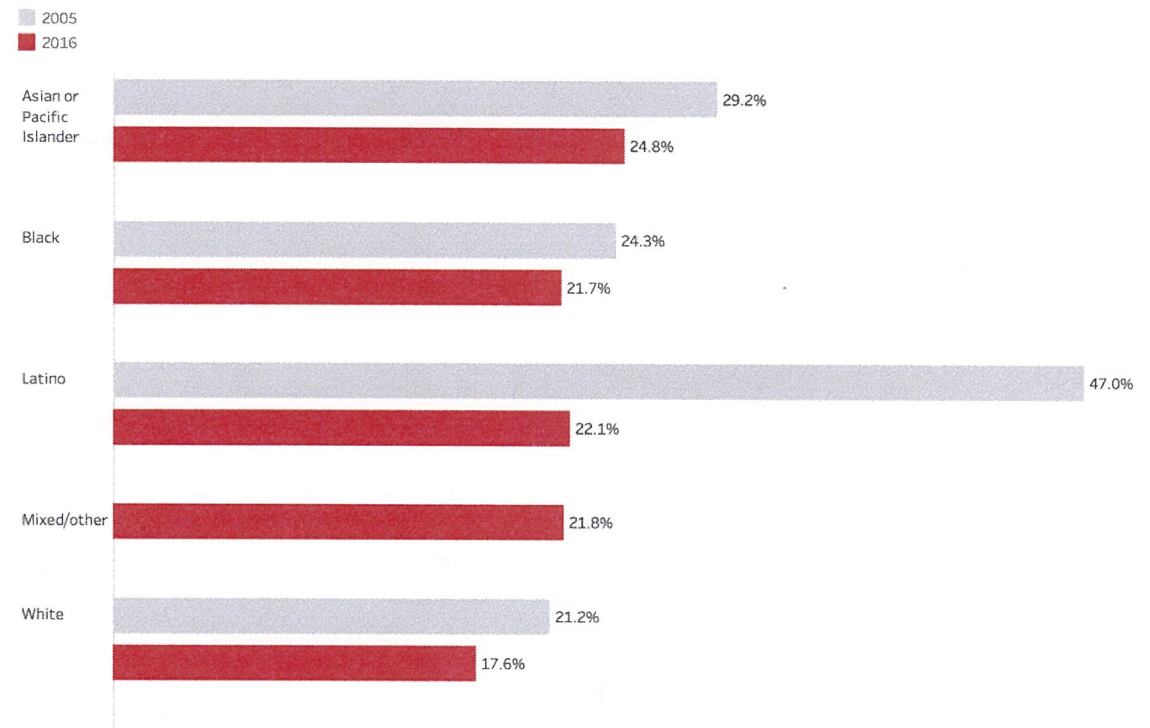


Source: Integrated Public Use Microdata Series. Universe includes all owner-occupied households (excludes group quarters).

## Homeowner Housing Burden by Race/Ethnicity

Latinos had the highest housing burden before the recession which decreased by more than half post-recession. Research from economists Ingrid Gould Ellen and Samuel Dastrup suggests that a couple of factors may explain the change: 1) Black and Latino homeownership declined during the recession, and 2) subprime mortgages that targeted neighborhoods of color experienced more defaults by homeowners of color. Presumably, Latino households with subprime mortgages before the recession constituted some of the those who lost their homes during the recession and subsequently became cost-burdened.<sup>16</sup> In general, the data suggest that cost-burden for homeowners has been reduced for all racial and ethnic groups, due partly to an increase in the aging population, as mentioned earlier.

Latinos had the highest housing burden pre-Recession and which after decreased by more than half  
Homeowner Housing Burden by Race/Ethnicity, 2005 & 2016



Source: Integrated Public Use Microdata Series. Universe includes all owner-occupied households (excludes group quarters).

<sup>16</sup> Gould Ellen, I.; & Dastrup, S. (2012). Housing and the Great Recession. The Russell Sage Foundation and the Stanford Center on Poverty and Inequality.

## Job Growth as a Ratio of Housing Production

Since the Great Recession, job growth has outpaced housing production in both Sonoma County and the larger metro Bay Area. In Sonoma County, the ratio of jobs added for every housing unit built had remained fairly steady at about two to three jobs for every housing unit built. In comparison, the Bay Area's jobs-to-housing ratio reflected more volatility than Sonoma County's. However, the increase in jobs compared to housing has been meteoric since the Recession. In 2016, in both the Bay Area and Sonoma County the ratio of jobs to housing was 9 to 1 almost three times that of the highest ratio ever posted from 1990 to 2007. The 2017 fire only further exacerbated an already challenging situation in terms of balancing jobs to housing.

Job growth has far outpaced housing production post-Recession in both Sonoma County & Bay Area  
Jobs-to-Housing Production Ratio, 1990 to 2015



Source: California Department of Finance & California Economic Development Department.

## Rent-to-Income Ratio

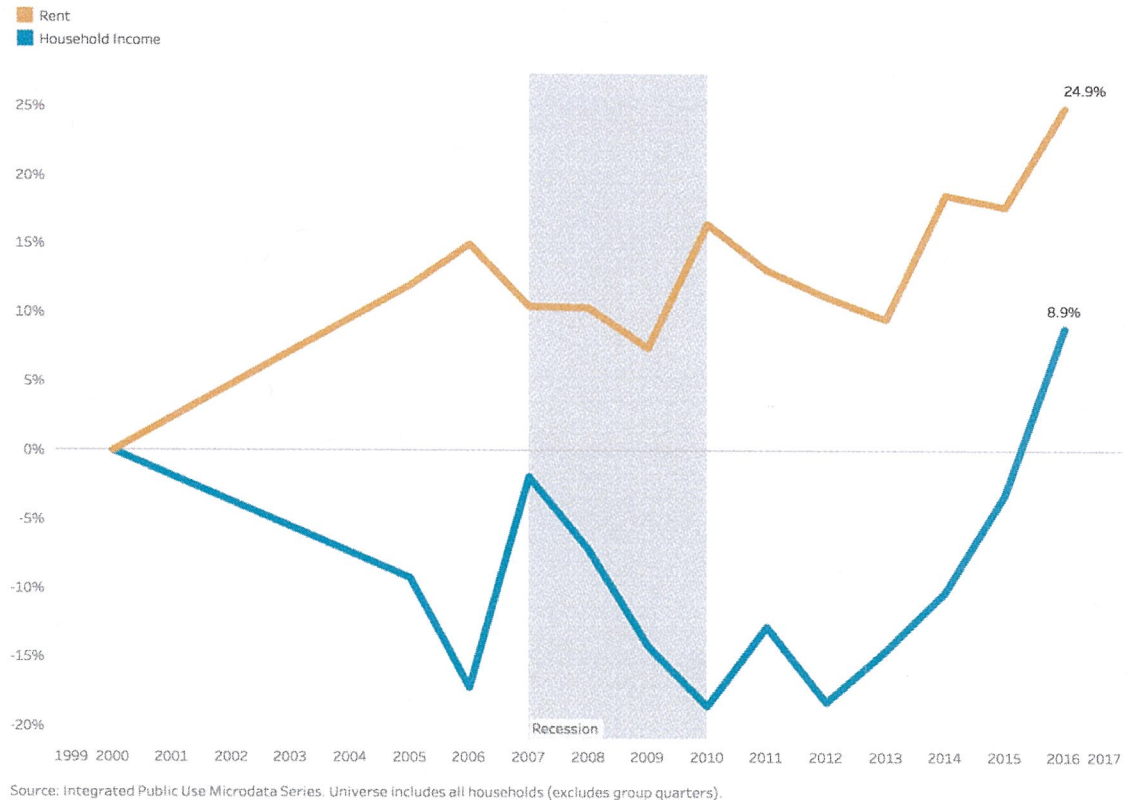
In 2016 the real median household to income ratio for renters increased by 9 percent, or about \$4,600 annually compared to 2000.

During those 16 years, the median rent increased by almost \$260 monthly, or about \$3,120 annually -- a roughly 25 percent increase. Adjusted for inflation, renters in 2016 lost about \$1,550 in purchasing power compared to renters in 2000. However, the 9 percent increase can be misleading given that Sonoma County's renting households experienced negative household income growth from 2000 to 2015, and only in 2016 did households earn above the 2000 level adjusted for inflation. In other words, for over fifteen years renters experienced a widening gap between declining incomes and rising rents.

That the gap has begun to narrow since 2016 is a positive development though one that still leaves significant work ahead given the persistent 16 percentage point gap between rent-to-income since 2000. That gap between rent to income has caused a widening jobs-

housing mismatch in the county. Low and mid-wage workers must commute further to find affordable housing, particularly since the 2017 Tubbs fire when rents jumped 35 percent, and as a result the county is now facing a crisis of severe displacement service sector and public employees.

Rent-to-income gap has been widening since 2000 as rents continue to rise  
Change in Real Household Income & Rent, 2000 to 2016



# Commuting to Work

## Inflow & Outflow

Workers from Sonoma County are commuting more and experiencing longer commute times than in years past. From 2005 to 2015, the number of out-commuters from Sonoma County increased by 18 percent for an average of 72,000 commuters daily. During that time period, the number of people who lived and worked in Sonoma County remained largely unchanged at roughly 122,000 workers. However, the number of workers commuting into Sonoma County from elsewhere has increased by roughly 23 percent to about 53,000 daily in-commuters.<sup>17</sup>

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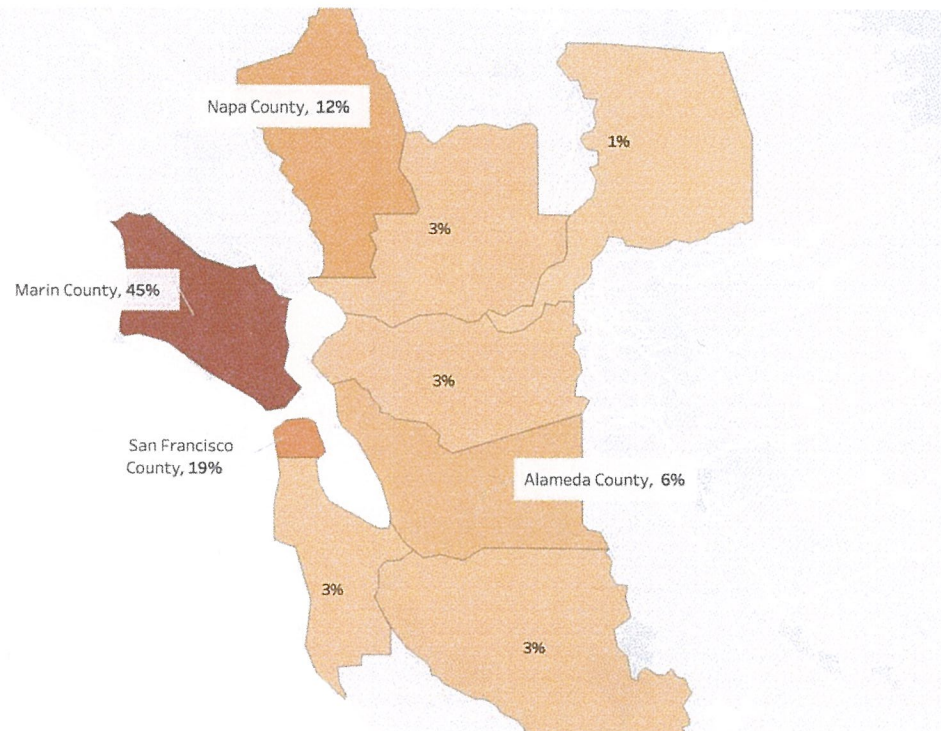
<sup>17</sup> U.S. Census Bureau, LEHD

## Top Out-Commuter Destinations for Work

Out-commuting is defined as commuting from home to work elsewhere, in this case, outside Sonoma County. We estimate that in 2016 Marin County was the primary workplace destination for almost half of Sonoma County out-commuting workers. Second was San Francisco County with about one in five Sonoma County outbound commuters working in or around the City. Third was Napa County with about one in eight out-commuters.

Almost half of Sonoma County out-commuters work in Marin County  
Out-commuting places of work by Bay Area County, 2016

1%  45%

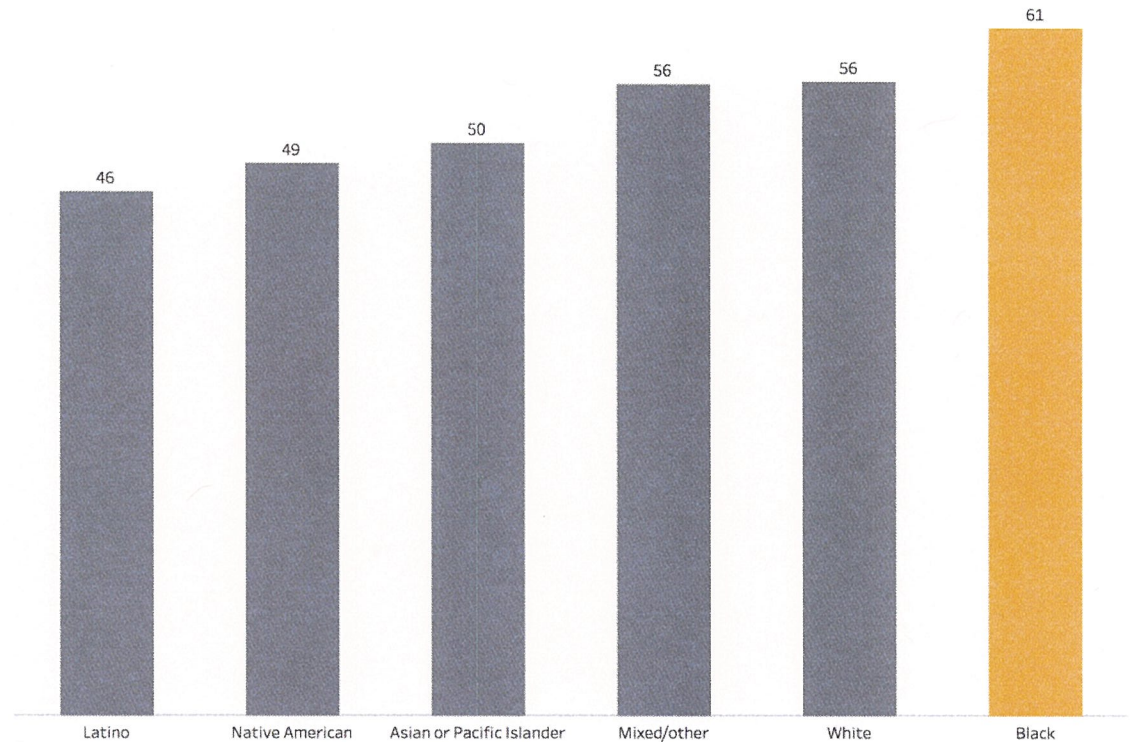


Source: Integrated Public Use Microdata Series. Universe includes all out-commuting workers that reside in Sonoma County (excluding group quarters).

## Median Commuter Time & Wage

In 2016, the median transit time for Sonoma County out-commuting workers was roughly 45 minutes from home to work. We conduct a regression analysis to model the relationship between out-commuting and hourly wages for Sonoma County residents.<sup>18</sup> The findings suggest an hourly wage premium of about \$4.67 for the average commuter compared to local workers. For the average full-time out-commuting worker, that commuter-wage premium translates into an additional \$164 dollars a week, or almost \$653 extra a month. Workers doing their own cost-benefit analysis weighing long commutes may ultimately see the commuter-wage premium as the deciding factor that induces workers to secure employment outside of the county in order to afford living in Sonoma County.

Black workers have the longest average transit times  
Average Transit Time by Race/Ethnicity, 2016



Source: Integrated Public Use Microdata Series. Universe includes all out-commuters (excluding group quarters).

<sup>18</sup> See Data & Methods for regression results.

## Top Commuting Occupations

We assume that inducing a worker to secure employment outside of their home county and bear a commute most commonly arises due to one of two economic conditions: 1) the unemployment rate in the home county is relatively higher than neighboring counties or 2) a worker can secure a wage premium from a job that entails commuting. Given that Sonoma County's unemployment rate is currently at 4 percent, commonly considered "full employment", and that a worker can earn an almost \$5 hourly wage premium for jobs outside of Sonoma County, we can conclude that out-commuting is largely explained by the wage-premium. We find that the top occupations for out-commuters have an hourly wage range of \$15.32 to \$55.22. Eight out of ten workers in these top occupations earn more than \$20 an hour; one in two earn more than \$30 an hour.

Registered nurses and general/operations managers amongst the highest paid and most in-demand  
Out-commuters by occupation and hourly wage, 2016



Source: Integrated Public Use Microdata Series. Universe includes all out-commuting wage and salary workers (excludes group quarters).

## Conclusion

In 2017 after eight years of sustained economic growth and recovery from the Great Recession of 2007-2009 the stock market and after-tax corporate profits surged to record heights. In California, unemployment rates that peaked at 12.2 percent in 2010 dropped below pre-recession levels to 4.5 percent in 2017.

However, as this report demonstrates, the rising tide did not lift all boats. Between 1947-1973 worker compensation and productivity rose together. After the 1973-1974 recession compensation and productivity diverged. In California between 1979-2013, productivity increased by 89 percent, while real median compensation rose by just 3 percent.<sup>19</sup> As a result, the share of national income received by workers has declined to the lowest level, while the share of corporate profits has risen to its highest level since World War II.<sup>20</sup>

In Sonoma County as elsewhere, soaring inequality, the stagnation of median household income, and the flattening or decline of wages for the bottom sixty percent have occurred simultaneously with the economic expansion that began in 2010.<sup>21</sup> Moreover, between 2010-2014, 44 percent of the jobs created were low-wage, paying less than \$14/hr. The number of California workers earning such low wages increased from 30 percent in 2000 to 32 percent in 2017.<sup>22</sup> Only one in five jobs created after 2010 - 2014 were mid-wage, paying between \$14 and \$20 per hour.<sup>23</sup>

The emergence of an hourglass economy with job growth concentrated at the bottom and the top of the labor market while middle-income jobs are shrinking is driving widespread economic insecurity and the dramatic growth of working poor households earning less than \$50,000 a year. One in five families in Sonoma County, and 40 percent of Latino families, are the working poor and receive wages and annual incomes well below self-sufficiency levels.

The failure of wages to rise in tandem with spiraling rents and housing costs, the sharp decline of funding for affordable housing, and the destruction of 5 percent of the county's housing stock during the 2017 Tubbs fire are the root causes of a near catastrophic affordable housing crisis and the displacement of thousands of low income residents.

North Bay Jobs with Justice and other labor, faith and environmental organizations that comprise the Alliance for A Just Recovery have developed a comprehensive policy agenda to address structural inequality and the affordable housing crisis. These recommendations include a region-wide \$15 minimum wage, rent control and just cause eviction protections for tenants, and increasing the real estate transfer tax on the sale of high-end home to fund affordable housing.

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<sup>19</sup> Annette Bernhardt, "Low Wage Work in California 2014 Chartbook," *UCB Labor Center* <http://laborcenter.berkeley.edu/lowwageca/>

<sup>20</sup> Patricia Cohen, "Pay Checks Lag as Profits Soar", *New York Times*, July 13<sup>th</sup> 2018

<sup>21</sup> Arthur MacEwan and John Miller, "The U.S. Economy: What's Going On?" *New Labor Forum*, Vol. 27 Issue 2 Spring 2018

<sup>22</sup> Ian Perry, "Low Wage Work in California Data Explorer 2018," *UCB Labor Center*, <http://laborcenter.berkeley.edu/low-wage-work-in-california/#the-numbers>

<sup>23</sup> Michael Evangelist, "The Low Wage Recovery: Industry Employment and Wages Four Years into the Recovery," National Employment Law Project 2014.

## Author's Biography

This report was written by Jesús Guzmán in the acting capacity of Principal of Los Arroyos Consulting. Jesús is now the Board Chair of Centro Laboral de Graton and staff with PolicyLink. Jesús brings previous experience providing economic analysis with the Marin Economic Forum and data analysis for the California Public Utilities Commission, Office of Ratepayer Advocates. Jesús also previously served as the Program Director for Centro Laboral de Graton organizing with day laborers and domestic workers. He holds a master's in public policy from the Goldman School of Public Policy at the University of California, Berkeley and a Bachelor of Arts from Sonoma State University.

# Appendix A: Data & Methods

## Data Sources

Integrated Public Use Microdata Series (IPUMS), American Community Survey (ACS)

- The workhorse data source for this report includes 5-year samples (2012-2016), 3-year samples (2005-2007), and 1-year samples (2005) ranging in years from 2005 to 2016.
- For the job-growth section, in particular, we restrict our data to the IPUMS 5% 1980 Census and the IPUMS ACS 5-year sample 2012-2016.
- California Economic Development Department, Labor Market Information Division
- U.S. Bureau of Economic Analysis

## Race & Ethnicity

We begin by acknowledging, as the U.S. Census does, that race and ethnicity are socio-political constructs that have shortcomings since this data may not accurately reflect the identities of all individuals. The data is an accumulation of individual responses based on self-identification within the discrete options given for various census questions. However, the benefit from this tradeoff for using six broad race/ethnicity categories, we believe, is that it allows us to analyze broader social trends among a diverse population that may be useful for further public policy discussions. In our construction, we distill race and ethnicity down to one discrete variable with six broad, distinct, and mutually exclusive categories: White, Black, Asian/Pacific Islander, Mixed/other, Native American, and Latino. In this case, all categories (except Latino) are designated as non-Hispanic (e.g. non-Hispanic White, or non-Hispanic Black). “Latino” refers to people who identify as Hispanic, regardless of racial identification. Lastly, we also use the term “people of color” in reference to individuals who do not identify as non-Hispanic White.

## Working Poverty

In our methodology, we use the working poverty definition as put forth by Thiede, Lichter, & Sanders (2015). The sample size is restricted to include Sonoma County residents ages 18 to 64. Workers are defined as having worked in the past year at least part-time (17 hours a week or more) or part-year (27 weeks or more). The ACS includes a unique serial identifier for households but not for families. Since we use the poverty variable measured at the family-level, we construct a unique family unit serial identifier by combining the serial variable and the famunit variable. We then identify unique family units with at least one family member who satisfies the worker definition and measure their levels of poverty for these family units using the poverty variable.

## Low-Wage Work

Low-wage is defined as earning less than two-thirds of the median hourly wage. Workers are defined as wage and salary workers between the ages of 18 to 64 who worked in the last year at least part-time (17 hours a week or more) or part-year (27 weeks a year or more). Unless otherwise noted, the standard universe of workers are defined as being age 18 to 64 and having worked at least part-time or part-year. The ACS does not include an hourly wage variable. In constructing the hourly wage variable, we align our methods as recommended by Welsh-Loveman, Perry, & Bernhardt (2014).<sup>24</sup> We constructed the hourly wage variable by calculating the annual earnings divided by the product of usual hours worked per week and weeks worked last year.<sup>25</sup> In the ACS, the “weeks worked last year” variable is a discrete variable with intervals of weeks worked (such as 14-26 weeks). We transform this variable to a numeric variable by setting the number of weeks worked to the midpoint of each interval.<sup>26</sup> For each dataset, we trimmed hourly wage outliers by dropping wages less than \$0.50 or greater than \$100 in 1989 dollars.<sup>27</sup> Finally, we adjusted wages from previous years to 2014 dollars using the CPI-U for California.

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<sup>24</sup> Welsh-Loveman, J.; Perry, I.; and Bernhardt, A. (2014). Data and Methods for Estimating the Impacts of Proposed Local Minimum Wage Laws. UC Berkeley Center on Labor and Employment - The Center on Wage and Employment Dynamics.

<sup>25</sup> Since the ACS surveys respondents over the course of the year and asks about earnings in the previous 12 months, we apply the ACS-provided *adjust* variable to convert the reported earnings to real dollars.

<sup>26</sup> The ACS annual earnings variable includes wages, salary, commissions, cash bonuses, or tips from all jobs, before tax deductions.

<sup>27</sup> This step follows the methodology of The State of Working America, Economic Policy Institute.

## Regression Analysis

The data source we use is the 2012-2016 IPUMS ACS 5-year sample. We construct a multivariate linear regression model with hourly wage as the dependent variable (measured in 2016 dollars and cents) and a dummy variable with 1 indicating out-commuter and 0 indicating local worker as the main independent variable of interest. The model includes a set of control variables, namely: education, race/ethnicity & gender, age, and transit time. The results are statistically significant at the 0.001 level and the model indicates an adjusted R-squared of 0.255.

### Regression Results

	<i>Dependent variable:</i>	
	Hourly Wages	
	(1)	(2)
Out-Commuters	6.888*** (0.627)	4.670*** (0.679)
White Men	12.922*** (0.652)	4.925*** (0.635)
White Women	7.887*** (0.657)	-1.416** (0.649)
Women of Color	-0.237 (0.786)	-2.927*** (0.717)
Age		0.470*** (0.017)
HS degree, no college		4.673*** (0.813)
Some College, no degree		8.288*** (0.782)
AA degree, no BA		12.401*** (0.951)
BA degree or higher		19.970*** (0.799)
Transit Time		0.005 (0.010)
Constant	19.874*** (0.517)	-4.102*** (0.982)
Observations	8,090	8,090
R <sup>2</sup>	0.082	0.256
Adjusted R <sup>2</sup>	0.082	0.255
F Statistic	180.999*** (df = 4; 8085)	278.284*** (df = 10; 8079)
Note:	p<0.1; p<0.05; p<0.01	

# Skift.

Digital, Booking Sites

## How Can Airbnb Guests Live Like Locals if Hosts Are, Well, Corporations?

Dennis Schaal, Skift - Aug 05, 2019 2:45 pm



### Skift Take

**T**he professionalization of Airbnb may mean cleaner bedsheets and more front desks. But it may also contribute to higher home prices to the detriment of housing-squeezed neighborhoods — and a brand identity that is in dire need of a reboot.

— *Dennis Schaal*

In addition to its regulatory woes, Airbnb confronts a vexing problem — what's the company's identity?

In contrast to its original *raison d'être* more than a decade ago of matching travelers and local hosts to enable guests to get to know a destination like an insider, these days the property host may more resemble an impersonal corporation than a neighborhood fixture.

The direction of Airbnb — particularly as it is now focusing on increasing its roster of traditional hotels — was confirmed Monday in a study by The Times of London (subscription) that found that securing a reservation with a host that's renting out just a single property on Airbnb is very hit and miss.

The Times headlined its story, "Investigation: how Airbnb has been hijacked by agencies making a huge profit."

In fact, The Times analyzed Inside Airbnb data and concluded that 20 percent of Airbnb hosts in the UK have more than 10 listings, and more than half of hosts in that

That means that fewer than half of Airbnb hosts are renting out a solitary listing on the platform.

Asked to comment on these findings, an Airbnb statement did nothing to contradict them and actually tended to confirm the narrative.

“As Airbnb has grown to a platform with more than 6 million listings in 191 countries and 100,000 cities worldwide, a business ecosystem has evolved to provide services that help more people access the benefits of hosting and that are valued by both hosts and guests, like property management, cleaning, and key exchange while hosts are out of town,” the Airbnb statement said.

Airbnb said its roster of “hotels, guesthouses, and B&Bs” is likewise “growing.” In fact, the company stated, in 2018 the percentage of its listings that hosts identified as offering hotels increased 150 percent.

Airbnb’s acquisition of HotelTonight in March will support — i.e. bolster — that trend, the company said.

And Airbnb announced Monday that it acquired Urbandoor, a network of professionally managed, furnished apartments for business travelers, including those who may be relocating and need an elongated stay. Business travelers value managed properties with consistent standards, but these can come at the expense of local hosts and neighborhood vibes.

## **OLD NEWS?**

One can argue that the Airbnb myth of being dominated by struggling owners or renters of single properties trying to eke out some sustenance by renting out rooms in order to pay the rent or mortgage has long been shattered.

Yet some professional management companies have been trying to perpetuate that story by naming an individual as host, rather than highlighting that it is a commercial listing, except perhaps in the fine print.

The Times uncovered a number of instances of individuals being listed as hosts when actually corporations such as Veeva or Onefinestay were behind the listings.

**[Update:** Onefinestay told Skift that it seeks to be identified in Airbnb listings titles and in home descriptions, but Airbnb bars it. Airbnb apparently doesn’t want to consumers to book the property on sites other than Airbnb.]

We’re unsure of the precise methodology that The Times used to compile its statistics about Airbnb hosts and corporate influence, but scraping listings from Airbnb sites can be misleading in several ways. Airbnb’s corporate tilt may be even more pronounced than merely categorizing the number of listings because professional

than individual hosts so reservations may skew toward commercial hosts.

On the other hand, an individual host may have multiple listings for several rooms in one property so it would be erroneous to consider that host as listing multiple properties.

Still, Airbnb did not dispute the basics of The Times story.

## **A CONUNDRUM**

One homesharing executive, who declined to be identified because of his company's relationship with Airbnb, said he believes the same commercial host trend uncovered in the UK is prevalent in other parts of the world, including in the United States.

He argued that it's a conundrum for Airbnb because it's increasingly using professional managers and APIs (Application Programming Interfaces) to increase its supply of homes and apartments more rapidly, but that conflicts with its local host brand identity.

"The reality is that so many hosts have multiple listings, and Airbnb can no longer claim exclusive inventory because these professional managers are listing on HomeAway or Booking.com, as well," the source said.

*This story has been updated to include Airbnb's acquisition of Urbandoor. It also has been updated to include Onefinestay's position on seeking to be identified in Airbnb listings.*

Tags: airbnb, hosts, listings, london, professional managers, uk

Photo Credit: An outdoor common area in a London listing on Airbnb. A study found that most lists on Airbnb in the UK were from hosts who have multiple listings. Airbnb

