



Office of the City Manager

November 3, 2017

To: Honorable Mayor and Members of the City Council
From: ~~Dee~~ Dee Williams-Ridley, City Manager
Subject: Execution of Voluntary Collection Agreement with Airbnb, Inc.

As you are aware, for several months City staff have engaged in, and as of Friday, October 27, 2017, have concluded negotiations with Airbnb, Inc. ("Airbnb") toward execution of a voluntary collection agreement ("VCA"). The agreement is to facilitate the reporting, collection and remittance of transient occupancy taxes ("TOT") imposed on Short-Term Rental booking transactions subject to BMC 23C.22. Booking transactions completed on hosting platforms are paid online, when guests ("transients") pay the rental fee on the hosting platform. Typically, hosting platforms receive a fee, which is usually a percentage of the nightly rental fee and remits the balance of the fee to the host. The host is responsible for collecting the TOT from the transient and remitting it to the City.

Airbnb has entered into VCA with several cities in California to collect TOT from the taxable booking transactions occurring within each contracting city's jurisdiction. If the City of Berkeley enters into a VCA with Airbnb, then Airbnb agrees to assume the duties to collect the TOT completed on its hosting platform and remit it to the City on a monthly basis (per BMC 23C.22). Additionally, the city reserves the right to audit Airbnb and any individual Airbnb host.

Airbnb represents that it achieves 100% compliance with TOT collection through the VCA. It achieves this compliance by programming its hosting platform to automatically collect the TOT from transients who rent short-term rental units from Airbnb hosts. Once collected, Airbnb remits the TOT directly to the City as required by the City's code. While the hosts are responsible for remitting the tax, Airbnb voluntarily collects and remits the tax on the hosts' behalf.

Transit Occupancy Taxes collected by Airbnb as part of the Short-Term Rental booking transaction with remittance to the City will simplify the remittance process for hosts using the Airbnb hosting platform and enable the City to receive 100% of the TOT associated with taxable rental bookings completed with Airbnb. Airbnb commits to enabling TOT collection on its hosting platform 30 days after the execution of a VCA.

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City staff concluded negotiation of an acceptable VCA with Airbnb and has initiated the contract execution process. TOT collection by Airbnb is expected to begin on or about December 1, 2017. A conservative estimate assumes that there are approximately 1,000-1,300 short-term rental listings for lodging in the City of Berkeley. Estimated TOT revenue projections for this volume of Short-Term Rental activity for FY18 is approximately \$800,000 and \$1,000,000 for FY19. All TOT Revenues generated will be credited to the General Fund.

cc: Jovan Grogan, Deputy City Manager
Mark Numainville, City Clerk
Ann-Marie Hogan, City Auditor
Henry Oyekanmi, Finance Director
Matthai Chakko, Assistant to the City Manager