

Restrictions approved by voters on Tuesday followed concerns over rising rents. They were a rebuke of Airbnb as it prepares to go public.



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If you are hoping to book a cheap stay just a short train ride away from the bustle of Manhattan, good luck finding an Airbnb in Jersey City.

On Tuesday, Jersey City residents voted overwhelmingly in favor of stricter regulations on short-term rentals that will almost certainly shrink the number of Airbnb listings in New Jersey's second-largest city.

The new restrictions were a major defeat for Airbnb as it prepares to go public and the latest in a string of laws that cities around the world have passed to regulate the home-sharing industry's explosive growth.

The Jersey City regulations gained steam following concerns that the platform's 3,000 listings, many run by large-scale investors, were pushing often-unruly tourists into residential areas, helping shoot up housing costs and accelerate gentrification.

Airbnb contended that its platform is a crucial source of extra income for homeowners who list their properties on its website and that the new restrictions were influenced by the hotel lobby.

The new ordinance won handily with about 70 percent of the vote, a sharp rebuke for a company that mounted a robust multimillion dollar campaign and placed its fate in the hands of voters after failing to forge effective political alliances in Jersey City. The company collected enough signatures to trigger the referendum and devoted \$4.2 million to fend off the new rules, betting it could outspend its opponents by hiring political consultants and pollsters, and investing heavily in mailers and TV spots.

The restrictions were a sharp about-face in Jersey City, which had legalized Airbnb just a few years ago but sought to rein in the home-sharing industry as the number of listings ballooned. Other cities with Airbnb-friendly laws that are dealing with growing listings could follow suit. Steven Fulop, Jersey City's mayor, said on Tuesday. "I was an investor in Airbnb. I would certainly take note, as this message of regulation wasn't sent by politicians, but it was dictated directly from the people."

While his opponent, the Jersey City residents association, is an influential hotel workers union, it spent under \$100,000 in the difficult primary election, the most expensive local election in New Jersey history, as a constituency.

In New York City, with a population of 20.5 million, possibly leading its unlikely 2015 victory, a proposed ban for the \$1 billion hotel industry, but it failed to pass in a 2018 when the city passed in year by New York City, its largest market in the country.

Airbnb did galvanize its hosts, but, in the end, they were outnumbered by a broad coalition of concerned neighbors and community groups backed by the hotel industry and local elected officials, including Mr. Fulop, a Democrat.

It was an off-year election, and both sides privately speculated that a higher turnout could have tipped the scales in Airbnb's favor. If anything, the vote settled any regulatory uncertainties in Jersey City ahead of the company's initial public offering, or I.P.O.

It could be inconsequential for the company's bottom line: Airbnb once heavily relied on business in its 10 largest cities, but those cities now account for less than 10 percent of its bookings as the company continues to expand in emerging destinations worldwide.

"From the start of this campaign, we knew this was going to be one of the toughest fights we've faced, with the big New York hotel industry determined to fight home sharing, but we had an obligation to stand up for our community," Christopher Nulty, a spokesman for Airbnb, said in a statement.

"There are Airbnb listings in over 100,000 cities around the world and we will continue to do all we can to support hosts," he added.

How has Airbnb fared in other cities?

Despite having legalized home-sharing in 2015, Jersey City now joins the ranks of other cities and towns that have tackled the spread of Airbnb and similar services.

Los Angeles, Amsterdam, Paris and Vancouver, British Columbia, have all passed laws restricting short-term rentals.

Denver has gone further: The city began filing criminal charges against people who lie about whether their listed property is their primary residence.

Last year, Palma de Mallorca became the first city in Spain to ban Airbnb.

Airbnb has sometimes pursued ballot measures, in which citizens can directly vote on legislation and money can play an outsized role — as it did in Jersey City.

Airbnb collected enough signatures to fend off a bill in San Diego last year.

In San Francisco, where Airbnb is based, the company orchestrated an \$8 million campaign to win a ballot question in 2015, but the city later passed legislation requiring hosts to register with the city, causing listings to drop by 50 percent.

How does the vote relate to New York City's crackdown?

When it comes to Airbnb, Jersey City has effectively become New York City's sixth borough.

The city has more listings than the Bronx and Staten Island combined, and about the same ratio of listings to residents as Manhattan. A large portion of the listings are near public transit hubs that provide guests with quick access to Manhattan, just a four-minute train ride away.

Some experts say that as New York City intensified its war on illegal Airbnb operators through lawsuits and violations, Jersey City's more loosely regulated landscape became an attractive alternative for investors.

Sixty-five hosts who control 527 listings in New York City also operate about 492 listings in Jersey City, according to David Wachsmuth, a professor at McGill University who analyzed data from the analytics firm AirDNA.

“There are plenty of places that are vaguely Jersey-esque, smaller cities on the outskirts of major cities,” Mr. Wachsmuth said. “If the major cities are cracking down, it's only natural that a larger and a larger slice of Airbnb activities there are going to these smaller cities.”

New York City, which has about 50,000 Airbnb listings, passed a law in 2018 requiring home-sharing sites to provide monthly detailed information about their listings, including the identities and addresses of hosts.

In January, however, a federal judge blocked the law after Airbnb and other sites sued.

The lawsuit is ongoing. At the heart of residents' frustrations were deep-rooted concerns about the impact Airbnb was having on their neighborhoods.

Beyond quality-of-life complaints — noise, trash and safety concerns — many residents worried that Airbnb was being used to remove entire swaths of apartments from the rental market, potentially raising rents in a city already grappling with the pressures of displacement. For weeks, neighborhood meetings grew heated as Jersey City residents were bombarded with a barrage of mailers and advertisements.

Airbnb's critics argued the company ran a misinformation campaign under the name "The secret is out that rents here are skyrocketing," said Corey Klein, a real estate attorney who lives in Jersey City. Keep Our Homes, labeling the regulations a "ban." Its supporters said that the ordinance was influenced by the hotel lobby's special interests and that Airbnb hosts were being harassed. Airbnb, for every unit that is rented out to the budget traveler, that's one less unit available to a working family.

The vote, he said, was "a way of Jersey City saying to the big tech giants that an election can't be bought here. The vote was fraught up until the results came in.

On Tuesday night, the Keep Our Homes campaign posted a video that seemed to show Mr.

Fulop encouraging a resident standing by a voting booth, to cast his ballot in favor of the new restrictions. It is illegal under state law to electioneer within 100 feet of a polling place.

The new restrictions allow homeowners to rent out portions of their homes as long as they're present during a guest's stay.

"The entire video would clearly show that I didn't approach anyone, didn't have any literature and didn't electioneer," Mr. Fulop said. "They ran a dirty campaign the entire time and should release the entire video, not an edited four second clip, followed by a banning large-scale Airbnb operators who had converted hundreds of condos and townhouses into makeshift hotels.

It would, however, hurt residents who were making extra cash by renting out a second home for days at a time through Airbnb.