

# The Sharing Economy

## An Analysis of Current Sentiment Surrounding Homesharing and Ridesharing

*By: Nicole DuPuis and Brooks Rainwater*

The emergence of the sharing economy results from a confluence of economic, socio-political, cultural and technological developments. The world is increasingly urbanizing at a scale unprecedented in human history, and if projections hold, more than 70% of individuals worldwide will live in cities by 2050. According to the U.S. Census, over 80% of US residents now live in urban areas, and growth in cities is outpacing overall population growth, as the century of the city continues apace.<sup>1</sup> People crave more connections through both collaborative opportunities and commerce, and at the same time expect on-demand services at their beck and call. The sharing economy is thriving as a result, and it is upending traditional industries, disrupting local regulatory environments and serving as a bulwark for innovation and growth—all at the same time.

Cities are the key factor in this shifting environment. Today's increasingly urban residents are focused on livable communities, convenience, and collaboration, and overwhelmingly showing preferences for dense, walkable neighborhoods. Robert Schiller of the Case-Schiller Home Price Index has addressed ways that the shift in preference for city living has impacted the real-estate market.<sup>2</sup> It has also significantly impacted driving habits and the automobile industry, as city living lends itself to car-free and car-light arrangements. The

sharing economy is a direct outcome of these significant shifts in priorities, and also reflective of individuals' desires to collaborate and engage with one another using technology.

The sharing economy, also commonly referred to as collaborative consumption, the collaborative economy or the peer-to-peer economy, is rapidly emerging in cities and towns across the United States. This term refers to businesses that provide consumers the ability and platform to share resources and services from housing to vehicles and more, typically taking place with an online and/or application-based business model.

As the sharing economy grows, and continually disrupts the way in which individuals think of space and ownership, city leaders find themselves in the unique position to manage these burgeoning new industries in ways that work for their communities and constituents. This study aims to appraise the sentiment toward two industries in the sharing economy: ridesharing and homesharing.

Ridesharing is typically recognized as a one-time transaction where someone who needs a ride is matched with a nearby driver and is shuttled to a destination. This service is distinguished from traditional for-hire transportation service by the fact that ridesharing vehicles are the personal vehicles

of the operators (i.e. UberX, Lyft and Sidecar), who are generally non-professionals providing rides on a part-time basis. Homesharing is recognized as an organized agreement between two parties, in which one party rents out all or part of his or her home to another party on a temporary, one-time basis (i.e. Airbnb and HomeAway). While these two industries are not necessarily representative of the full range of services offered using collaborative models, the policy discussions related to ridesharing and homesharing reflect the current sentiment for this emerging economy.

## Sentiment Surrounding Ridesharing/Homesharing

Sharing economy businesses have been growing in cities, and presenting a new set of challenges and opportunities for policy makers and city leaders. While the sharing economy represents new and exciting possibilities offered by technology platforms, cities are finding that these innovative services also present a new set of safety, taxing and business challenges. The consensus is that there is no consensus. There is no one size fits all regulatory framework that can be implemented to accommodate these new business models, and only a community can determine the best solution. Because existing regulatory frameworks typically do not include these new types of technology-based services, cities are challenged to adjust existing regulations and/or develop new regulations for ridesharing and homesharing services. Doing so in a way that honors the local authority and expertise of city policy makers while also acknowledging the concerns of all constituency groups can be challenging.

## Classifications

Because of the diverse range of solutions and responses that city leaders and their state counterparts have for the sharing economy, we

developed a typology with which to measure sentiment toward these new services.<sup>3</sup>

Cities classified as having positive sentiment are those in which regulatory frameworks, policies, and ordinances allow ridesharing and homesharing services to operate legally or without legal repercussions. For instance, in Austin, TX city ordinances have been put in place to permit both ridesharing and homesharing businesses to operate legally. For the purposes of this typology, inaction was often considered as powerful as action. Many cities are hesitant to implement or enforce regulations on homesharing and ridesharing, actively choosing to allow these services to continue without restriction. An example can be seen in Indianapolis, which has implemented an unofficial pilot program and actively avoided the development and passage of formal ridesharing regulations.

Cities classified as having mixed sentiment are those in which policymakers have regulated or restricted sharing economy activities of one kind but not the other. For instance, in Portland, OR, existing regulation prohibits ridesharing companies from operating legally, but a pilot program has legalized and encouraged the operation of homesharing enterprises. In Philadelphia, homesharing is prohibited according to current ordinances, but city leaders are unmotivated to enforce said ordinances. This creates tension among advocates of fair business practices, but allows homesharing companies to operate unrestricted. Cities were also classified as having mixed sentiment if they implemented policies that imposed extra restrictions on ridesharing and homesharing companies (registration requirements, drug testing, fingerprinting, etc.).

Within the category of mixed sentiment, there are some cities that have taken direct action to reduce or restrict the ridesharing and/or homesharing industries. For instance, in New

York City there have been various discussions about policies that would potentially restrict the services offered by both.

## State Level Policies and Interventions

In addition to the wide range of responses from cities, our analysis found that state actors are playing an ever more prominent role in this discussion. State level interventions ranged from legislation to regulatory rulings to state legal action. In some cases, state interventions promoted positive sentiment for the sharing economy. Colorado Governor John Hickenlooper signed into law a bill to authorize ridesharing services. In California, the state's Public Utility Commission (PUC) approved a regulatory framework under which ridesharing companies could operate legally throughout the state. In other cases, state intervention has prohibited sharing economy companies from operating legally. Arizona Governor Jan Brewer vetoed a bill that would have enabled ridesharing due to her concerns regarding insurance and drug testing requirements for drivers. A ruling from the State of Maryland's Public Service Commission (PSC) deems that Uber's black car and SUV services (but not the cheaper UberX and Lyft services) qualify as common carriers, and thus that they are subject to the same regulations imposed on traditional transportation providers. The Maryland PSC is currently developing new regulations that would apply to all ridesharing companies. Some cities are choosing to let state policymakers call the shots on this issue. In an act of deference, policymakers in Louisville are waiting on the Kentucky Transportation Cabinet to develop new regulations before they move to update city ordinances.

## Findings

While all cities address the sharing economy in different ways, our analysis found that the majority of cities in our sample are working

toward policies that accommodate or adjust to the operation of ridesharing or homesharing companies. Most negative sentiment for the sharing economy is based in concerns over safety (provider and consumer), fair business practices (equal application of regulations or "leveling the playing field"), or lost tax revenue (uncollected hotel taxes). What cities are finding is that there is a way to strike a balance between promoting innovation, ensuring consumer safety and addressing existing industries.

The National League of Cities' Sharing Economy Sentiment Study finds that of the thirty most populous cities studied:

- 1 Nine cities** (Austin, Charlotte, El Paso, Indianapolis, San Diego, San Francisco, Seattle, San Jose and Washington DC) show positive sentiment toward ridesharing and homesharing. Of those cities with positive sentiment:
  - **3** (Austin, Seattle, Washington DC) have passed formal policies to allow or legalize ridesharing;
  - **3** (San Diego, San Francisco and San Jose) have seen state level policies or interventions that allow or legalize ridesharing
  - **2** (Austin and San Francisco) have passed or considered formal policies to allow or legalize homesharing
  - **3** (Charlotte, El Paso, and Indianapolis) have deferred action on ridesharing and homesharing.
- 2 Twenty-two cities** (Baltimore, Boston, Chicago, Columbus, Dallas, Denver, Detroit, Fort Worth, Houston, Jacksonville, Louisville, Las Vegas, Los Angeles, Memphis, Nashville, New York, Oklahoma City, Philadelphia, Phoenix, Portland and San Antonio) show mixed sentiment toward

ridesharing and homesharing. Of those cities with mixed sentiment:

- **5** (Chicago, Columbus, Houston, Oklahoma City and San Antonio) have passed or discussed formal policies that would allow ridesharing, but impose additional restrictions (drug testing, licensing fees, etc).
- **9** (Baltimore, Boston, Dallas, Detroit, Fort Worth, Jacksonville, Memphis, Louisville and Nashville) have policies pending about ridesharing.
- **1** (Philadelphia) has chosen not to enforce existing homesharing rules.
- **1** (Portland) has an existing ordinance that prohibits ridesharing.
- **1** (Phoenix) saw negative state intervention on ridesharing.
- **4** (Boston, Chicago, Los Angeles and Portland) have passed or are considering formal policies about homesharing.
- **2** (Las Vegas and New York) have seen various legal actions against current ridesharing and homesharing business models.

**3** **Fifteen cities** (Baltimore, Charlotte, Chicago, Denver, Detroit, Jacksonville, Las Vegas, Los Angeles, Louisville, New York, Philadelphia, Phoenix, San Diego, San Francisco and San Jose) have experienced regulatory action or other intervention from state policymakers.



## Philadelphia, Pennsylvania

Population: 1,553,165 (2013). Square Miles: 134<sup>4</sup>

Philadelphia's response to the sharing economy is challenging to classify, mostly because of the fact that there have been so many players involved. The Pennsylvania Public Utility Commission (PUC), which regulates taxi activity outside of Philadelphia issued a cease and desist order to stop ridesharing companies in the state of Pennsylvania. However, the city of Philadelphia was not subject to that order, as its taxi services are regulated by the Philadelphia Parking Authority (PPA). Much like the system in New York and other large metropolitan cities, Philadelphia manages taxi operations via a medallion system. There are approximately 1,600 taxi medallions in Pennsylvania, all managed and authorized by PPA. To date, the PPA permits Uber Black, the high-end service offered through the Uber platform, but no other ridesharing services are legally allowed to operate in the city. Pennsylvania State legislators have proposed legislation that would exempt ridesharing companies from some of the more stringent rules that govern traditional transportation providers.

As far as homesharing is concerned, most homesharing listings are illegal under existing Philadelphia zoning codes. While Philadelphia city policymakers have not yet implemented a regulatory framework that legalizes homesharing, city officials have indicated that they will not enforce existing laws to crack down on the service providers.



## Denver, Colorado

Population: 649,495 (2013). Square Miles: 153 <sup>5</sup>

Denver, Colorado has found itself at the cutting edge of the sharing economy, in part thanks to intervention from state lawmakers. Colorado was the first state in the union to pass legislation authorizing ridesharing statewide. While the taxi industry opposed the legislation, Governor John Hickenlooper celebrated it as an affirmative move toward innovation for the state. The bill requires ridesharing companies to have insurance policies that cover the rider and driver, and to conduct background checks on all potential drivers. Colorado's Public Utilities Commissions is responsible for oversight of the new policy.

Currently homesharing is prohibited in most neighborhoods by the city's zoning codes. In October of 2014, the Denver City Council convened a special task force to explore the city's sharing economy. One of the goals of this task force is to understand homesharing's economic and social effects, and consider the present regulations regarding short-term rentals for their appropriateness.





An aerial photograph of Portland, Oregon, showing a dense urban area with various buildings, including a prominent tall skyscraper on the left. The city is surrounded by green hills and forests. In the background, the snow-capped peak of Mount Hood rises against a clear blue sky.

## Portland, Oregon

Population: 609,456 (2013). Square Miles: 133 <sup>6</sup>

Portland's city code currently prohibits ridesharing, and it does not seem like the city's Private for-Hire Transportation Board of Review will move to change that anytime soon. Uber's request for the board to change the laws that prohibit its service provision were rejected. The city council has indicated that it will consider updates to the city code that might allow ridesharing companies to legally enter the market. Homesharing, on the other hand, is legal in the Rose City. The city council voted to legalize homesharing services and partnered with Airbnb to launch its Shared City Initiative. The Shared City Initiative has agreed to help Airbnb renters collect taxes on behalf of the city, and hopes to roll this model out in other cities if it is successful.



## Conclusion

The sharing economy in all its forms, from car sharing and homesharing to bikesharing, collaborative workspaces and beyond, continues to develop and increase in popularity, and will likely greatly impact the future of cities. While ridesharing and homesharing present new challenges for city leaders, they also present new opportunities. Even though our findings reflect that cities have a myriad of responses to the new economy, one thing is clear: the sharing economy is here, and it is a game changer. Cities must embrace it in ways that work for them, balancing factors of safety, innovation, convenience and collaboration to move forward.

Cities are welcoming these changes, but at the same time, leaders understand the need to make sure that regulations and taxing structures are properly aligned. City ordinances that governed traditional fields of commerce took decades to solidify, and while the opportunities of the new fields are great, the swiftness of their rise has been challenging. Cities are up to this challenge, though, and the National League of Cities is helping them navigate and prepare for this changed environment. We must harness the power of great ideas, encourage innovation and develop robust regulatory structures that meet the needs of many. The sharing economy that is flourishing during our current urban renaissance will only continue to grow in the coming years.

## About the National League of Cities

**The National League of Cities (NLC)** is dedicated to helping city leaders build better communities. NLC is a resource and advocate for 19,000 cities, towns and villages, representing more than 218 million Americans. NLC's City Solutions and Applied Research Center strives to strengthen communities, transform and improve cities, and assist city leaders, by knowing and learning about cities; identifying and sharing promising city practices; fostering effective solutions and innovation; and challenging cities and city leaders to lead.

## About the Authors

**Nicole DuPuis** is the Senior Associate for Infrastructure for the Center for City Solutions and Applied Research at NLC.

**Brooks Rainwater** is the Director of the Center for City Solutions and Applied Research at NLC.



## Appendix - Compendium of Policies

This compendium includes the current status of legislative and regulatory action along with a policy action inventory. The policy action inventory makes notes of whether any policy action has been taken or is pending. This includes legal, regulatory, legislative and any other wise enabling or obstructive action at the city or state level in the arena of homesharing or ridesharing policy. It is not meant to reflect positive or mixed sentiment, but rather to provide an inventory of policy actions. This inventory was used in addition to our content analysis outputs to make a sound appraisal of sentiment in each of the thirty cities listed.

CITY	STATUS OF POLICY DEVELOPMENT	POLICY INTERVENTION OR ACTION?
1. <b>New York City, NY</b>	Policy discussions underway to limit ridesharing and homesharing models. State legislation needed to address ridesharing insurance.	Ridesharing: YES-Statewide Homesharing: PENDING
2. <b>Los Angeles, CA</b>	Ridesharing permitted by state regulation, DA threatened injunction on Sidecar, homesharing limited under existing city regulations.	Ridesharing: YES-Statewide Homesharing: YES-existing
3. <b>Chicago, IL</b>	Ridesharing permitted but limited under new policy, homesharing regulation under consideration. Pending veto override of state legislation could preempt parts of city ridesharing ordinance.	Ridesharing: YES Homesharing: PENDING
4. <b>Houston, TX</b>	Ridesharing permitted but limited under new ordinance, no action on homesharing.	Ridesharing: YES Homesharing: NO
5. <b>Philadelphia, PA</b>	Philadelphia Parking Authority shut down Sidecar, homesharing prohibited by current regulations, but not enforced. State legislation under consideration.	Ridesharing: YES Homesharing: YES-existing
6. <b>Phoenix, AZ</b>	State legislation that would have enabled ridesharing vetoed by Governor; no action on homesharing.	Ridesharing: YES-Statewide Homesharing: NO
7. <b>San Antonio, TX</b>	City considering regulations that would limit ridesharing, no action on homesharing.	Ridesharing: PENDING Homesharing: NO
8. <b>San Diego, CA</b>	Ridesharing permitted by state regulation, no action on homesharing.	Ridesharing: YES-Statewide Homesharing: NO
9. <b>Dallas, TX</b>	New regulations for ridesharing pending, no action on homesharing.	Ridesharing: PENDING Homesharing: NO
10. <b>San Jose, CA</b>	Ridesharing permitted by state regulation, no action on homesharing.	Ridesharing: YES-Statewide Homesharing: NO
11. <b>Austin, TX</b>	Ridesharing and homesharing permitted.	Ridesharing: YES Homesharing: YES
12. <b>Indianapolis, IN</b>	City implementing unofficial pilot and deferring on ridesharing regulation, no action on homesharing.	Ridesharing: NO Homesharing: NO
13. <b>Jacksonville, FL</b>	Proposed city regulations would limit ridesharing companies, state legislation could limit growth of homesharing.	Ridesharing: PENDING Homesharing: PENDING-Statewide
14. <b>San Francisco, CA</b>	Ridesharing permitted by state regulation, city regulations permit homesharing.	Ridesharing: YES-Statewide Homesharing: YES

# The Sharing Economy

CITY	STATUS OF POLICY DEVELOPMENT	POLICY INTERVENTION OR ACTION?
15. Columbus, OH	Ridesharing permitted but limited under new policy, no action on homesharing.	Ridesharing: YES Homesharing: NO
16. Charlotte, NC	City policymakers deferring to state general assembly.	Ridesharing: NO Homesharing: NO
17. Fort Worth, TX	City policymakers working with City of Dallas and COG to develop regional ordinance on ridesharing, no action on homesharing.	Ridesharing: PENDING Homesharing: NO
18. Detroit, MI	Ridesharing permitted, but restrictive regulation under consideration, no action on homesharing.	Ridesharing: PENDING Homesharing: NO
19. El Paso, TX	No action on ridesharing or homesharing.	Ridesharing: NO Homesharing: NO
20. Memphis, TN	Ridesharing ordinance under consideration, no action on homesharing.	Ridesharing: PENDING Homesharing: NO
21. Seattle, WA	Ridesharing permitted but limited, no action on homesharing.	Ridesharing: YES Homesharing: NO
22. Denver, CO	Ridesharing permitted by state legislation, homesharing prohibited by existing policy.	Ridesharing: YES-Statewide Homesharing: PENDING
23. Washington, DC	Ridesharing permitted, no action on homesharing.	Ridesharing: YES Homesharing: NO
24. Boston, MA	Ridesharing and homesharing regulation under consideration.	Ridesharing: PENDING Homesharing: PENDING
25. Nashville, TN	Ridesharing and homesharing regulation under consideration.	Ridesharing: PENDING Homesharing: PENDING
26. Baltimore, MD	Ridesharing regulation under consideration by state, no action on homesharing.	Ridesharing: PENDING-Statewide Homesharing: NO
27. Oklahoma City, OK	Ridesharing permitted but limited under new ordinance, no action on homesharing.	Ridesharing: YES Homesharing: NO
28. Louisville, KY	City authorities waiting on state transportation body to regulate ridesharing, no action on homesharing.	Ridesharing: NO Homesharing: NO
29. Portland, OR	Ridesharing prohibited under existing policy, homesharing pilot underway.	Ridesharing: YES-existing Homesharing: YES
30. Las Vegas, NV	Nevada Taxicab Authority, Nevada Transportation Authority have taken steps to limit ridesharing. Clark County District Court Judge rejected a temporary injunction request from the state attorney general against Uber, no action on homesharing.	Ridesharing: YES-Statewide Homesharing: NO

## Endnotes

**1** Growth in Urban Population Outpaces Rest of Nation, Census Bureau Reports: [http://www.census.gov/newsroom/releases/archives/2010\\_census/cb12-50.html](http://www.census.gov/newsroom/releases/archives/2010_census/cb12-50.html)

**2** <http://bettercities.net/news-opinion/blogs/nathan-norris/17803/why-gen-y-causing-great-migration-21st-century>

**3** This study measures the sentiment and direction of the sharing economy in the thirty most populous cities in America. This list was generated from the U.S. Census Bureau's American FactFinder, which ranks cities by estimates of the resident population. These findings are based on a content analysis of media sources covering: 1) the subject of sharing economy services, 2) the introduction of sharing economy services in cities, 3) the overall sentiment pertaining to sharing economy services, and 4) policies and regulation on sharing economy services. In total our sample includes 105 sources. For the purposes of this study we limited the analysis to mention of ridesharing and homesharing services. In measuring the sentiment toward the sharing economy, we also determined whether each city has or is undertaking legislative or regulatory action toward sharing economy services. Using this information combined with an assessment of legislative and/or regulatory action, we made an appraisal of the current sentiment toward the sharing economy in each city. These findings are reflective of the sentiment in each city at the time of our data collection and analysis. Because of the rapidly changing and fluctuating nature of this policy arena, it is possible that the current sentiment or relevant policy may divert from our original classification.

**4** <http://quickfacts.census.gov/qfd/states/42/42101.html>

**5** <http://quickfacts.census.gov/qfd/states/08/0820000.html>

**6** <http://quickfacts.census.gov/qfd/states/41/4159000.html>