

The Caribbean Sharing Economy Resource GUIDE



CARIBBEAN
HOTEL & TOURISM
ASSOCIATION



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A Resource Guide Prepared by the Caribbean Hotel and Tourism Association
to Support the Region's Hotel and Tourism Associations, Governments and Stakeholders
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Technology has fueled an unprecedented consumer-driven movement in the travel industry with the rapid emergence of the sharing economy. Consumers now have more travel choices and can readily shop, compare and access them. Change has come about quickly.

Increasingly, Governments throughout the world are working in partnership with local tourism industry stakeholders and hosting platform companies like Airbnb, taking a proactive approach towards addressing the changes.

However most Caribbean Governments have not, and with the rapid growth of the sharing economy in the Caribbean, largely because of its touristic appeal and the easy entry entrepreneurial opportunities it presents locally to home owners, jurisdictions have found themselves lagging in understanding and responding to the ramifications and new opportunities which are presented.

The traditional accommodations sector is presently at a competitive disadvantage and in a quandary, wondering how to adapt to this new competitor. Governments are faced with a dilemma of supporting greater participation in the tourism industry while ensuring their reputation is not compromised by inadequate standards and that applicable taxes for visitor accommodations are realized.

Regularizing and engaging the sharing economy is essential. It is acknowledged that some sharing economy companies have established standards to self-regulate and to educate their hosts. However as the sector has rapidly grown, many host properties are operating at a commercial level akin to that of small hotels, villas, and bed and breakfast operations, which are required to meet commercial-level health, safety and performance standards and to pay appropriate accommodations taxes.

In the absence of clear and sufficient standards and regulations for this emerging sector, the reputation of destinations as well as the reputation of all types of accommodations, including the vacation home rentals themselves, are compromised. Destination and traditional hotel marketing and airlift development efforts are also negatively impacted without factoring this growing sector in plans and revenue-raising and taxation schemes.

In light of this the CHTA is encouraged by the proactive approach taken recently by those companies, such as Airbnb, which are increasingly working with destinations to address tax and regulatory concerns. Addressing the issues this new phenomenon presents must be an urgent priority for the industry's public and private sector stakeholders. **Through this discussion paper, the Caribbean Hotel and Tourism Association seeks to:**

- 1. Provide a summary of the key issues surrounding the sharing economy, its impact on the tourism sector globally as well as regionally, and the opportunities presented by this emerging accommodations sector.**
- 2. Offer solutions and new approaches for the Caribbean's National Hotel and Tourism Associations and Governments to consider when regulating and regularizing this emerging industry;**
- 3. Set the stage for engaging the emerging accommodations sector in organized public and private sector efforts to protect and grow the tourism industry.**

The CHTA is encouraged by the positive initiatives which have been successfully advanced by some global jurisdictions to proactively address tax and regulatory issues and by the interest of the largest shared accommodations facilitator Airbnb to be a willing partner to help advance and regularize the sector in the region.





ABOUT THE SHARING ECONOMY

ABOUT THE SHARING ECONOMY - WHAT IS IT AND HOW IT EMERGED?

The sharing economy is one of the fastest growing sectors of the global economy. It is also called the peer-to-peer economy or collaborative economy. In essence it makes use of otherwise underutilized assets by making them accessible online to the general public, such assets being marketed typically by individuals and not companies. (Stephany 2015).

The sharing economy emerged as a result of the global spread of the internet. Consumers and businesses have adapted to a new paradigm of commerce and life online: working, socializing, shopping, learning and entertaining through the internet. With the launch of Amazon in 1994, EBay in 1995, Craigslist in 1996, the world saw a shift in how people could gain access to goods and services through the internet. The online vacation home rental concept was seeded by VRBO in 1995. The continuous advancement of technology and the emergence of peer-to-peer companies such as Zopa and Etsy launched in 2005, confirmed the viability of this business structure. Shortly thereafter we saw accelerated growth from the industry's pioneers – VRBO and HomeAway. Along with the birth of the iPhone by Apple in 2007, today's sharing economy began to rapidly evolve. (Bloomberg Brief, 2015). Accelerated by the recession, together with a desire by individuals to convert existing equity into added revenue by means of utilizing technological innovation, the sharing economy has been spreading rapidly and ubiquitously.

BIG DRIVERS: TECHNOLOGY, CHANGING CONSUMERS AND NEW ENTREPRENEURIAL SPIRIT

A newly empowered consumer equipped with technical tools and instantaneous access to information is driving the sharing economy. When these factors converged with changing demo and psychographics, an increasingly value-conscious consumer, the great recession, shifting attitudes toward travel, environmental concerns, and urbanization... the playing field changed. The technology innovation is now enabling people to build a connected community across the world, giving them access to the same content at the same time, and largely reducing the cost and increasing the ease of transactions.

A new entrepreneurial spirit has emerged to fill this demand. Home and vehicle owners quickly recognized the value of underutilized property as well as the opportunity to build, purchase and cover equity investments by utilizing the new technology and consumer trend with little initial investment cost and lower operating costs than the traditional accommodations or transportation provider.

PREDOMINANT PLAYERS: HOTEL AND GROUND TRANSPORTATION INDUSTRIES

The fast growth of the sharing economy is stunning, with the travel industry taking the lead. Numerous players have surfaced like Flipkey, HomeAway, VRBO, Airbnb and Uber. The dominant players to emerge are Airbnb and HomeAway in the accommodations sector and Uber in the transportation sector.

Airbnb provides a platform for local hosts for renting and promoting their accommodations whose listings in 190 regions around the world have recently surpassed the room inventory of one of the world's largest hotel corporations Hilton Worldwide.

Uber invented the Uber mobile app, connecting drivers to riders by offering and getting short-term car rental service in more than 300 cities on six continents worldwide. With \$1.2 billion in startup-funding raised by 2015 against a \$40 billion market value, Uber has become the most valuable startup in the world. The onslaught of Airbnb and Uber in recent years has been changing the way people obtain access to hospitality.





ECONOMIC IMPACT

The sharing economy has created new micro-entrepreneurial opportunities for engaging more individuals in the tourism industry and broadening the geographic reach of options for the traveler. Having more stakeholders in the tourism industry stands to benefit everyone.

The impact on traditional hotels has not been fully determined. There is an increasing number of studies about the phenomenon, among them two reports issued in 2016 by Goldman Sachs and SmithTravelResearch, pointing to the impact which Airbnb and other travel-related sharing economy players is having on traditional hotel businesses. STR's research points to little impact, while the Goldman Sachs report indicates there has been a negative impact. Many CHTA member hotels have attested to business which they have lost to vacation home rental stays.

As of September 2015, Airbnb listed 26,000 units in London, 52.6% of which were entire home/apartment units. This represents around 20 percent of the traditional hotel room inventory which exists in that city. According to a Feb 2016 article in Fast Company magazine, Airbnb exists in over 34,000 cities and 191 countries with over 2 million total listings. Over 40 million total guests stayed in Airbnb accommodations in 2015, up significantly from 2014 with 20 million guests and 2013 with 6 million guests. "When it comes to total number of rooms for rent, Airbnb dwarfs the world's biggest hotel chains", according to Fast Company. Airbnb represents over 2 million rooms for rent, compared to Marriott Intl with 1,112,613 rooms (including Starwood), Hilton Worldwide with 745,074 and Intercontinental with 726,876

With tourism being the predominant sector driving many economies throughout the Caribbean, any research showing no or minimal impact on hotels in the region should be viewed with caution. Data also suggest that travel has increased as a result of new offerings through the sharing economy. It is also clear that more vacation home rental travelers are venturing into non-traditional tourist areas, and spending more on tours, attractions, cultural offerings, food and beverages and excursions. Some hotels have reported increased spending in spas and restaurants from these travelers.

On the other hand, reports also suggest some measure of displacement, with travelers opting not to stay in a hotel, and thus negatively impacting overall hotel revenue and the associated spending generated through their restaurants and amenities.

We are also seeing indications of vulnerability to those Caribbean destinations which have been successful in building their industry around the condo resort model. A growing number of unit owners have opted to use host platform companies to rent their units at rates far lower than those in the rental pool arrangements with the condo resort operator/developer. Thus, the revenue share which accrues back to the resort operator or developer is far less than what was anticipated within the financing and operations pro forma upon which these models were predicated. Unless sufficiently addressed, this could impact the future of this aspect of the hotel industry.

With the support of some sharing economy companies like Airbnb, more destinations globally have changed legislation to implement the taxation of home vacation stays. While this has helped with local revenue collections, avenues for leakage and non-payment by vacation home owners are prevalent as is lax enforcement and collection measures by Governments. Consequently the opportunity for Caribbean Governments, which are generally seeking new revenue sources, is significant.



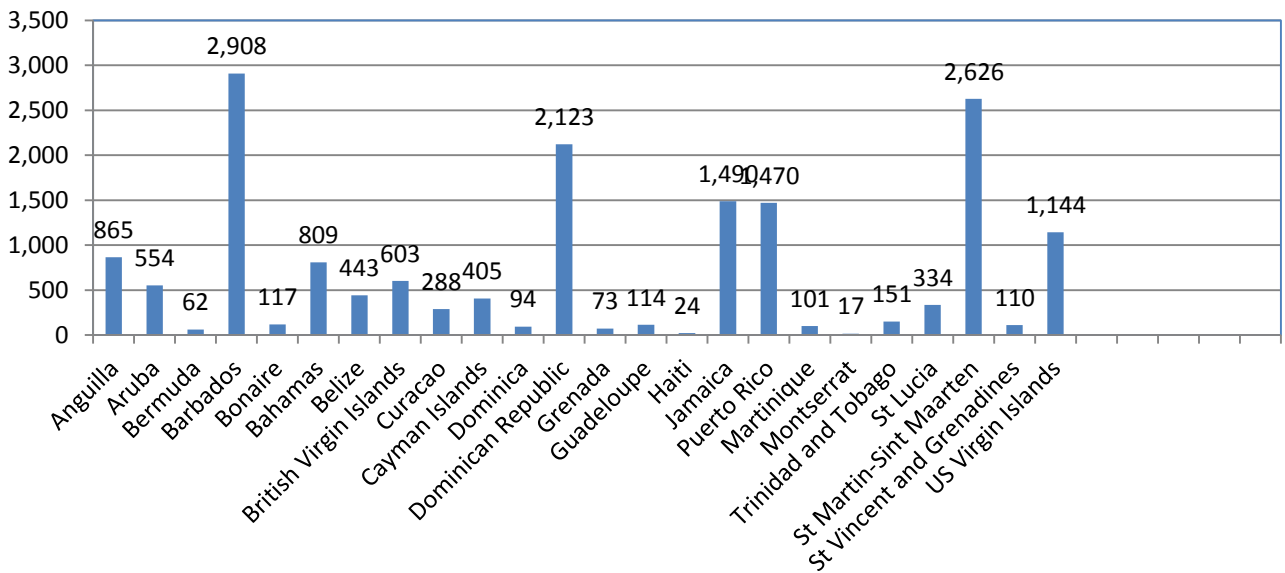
PRESENCE IN THE CARIBBEAN: GROWTH ACCELERATING....

The sharing-economy accommodations are growing every day. By February 2016 Airbnb, recorded more than 25,000 listings in the Caribbean. Early in 2015 Cuba was added to Airbnb’s inventory and in March 2016 showed over 1,000 listings.

In Aruba in the 12 months between December 2014 and December 2015 the number of visitors using non-traditional accommodations (private homes, apartments, villas, condominiums) went from 24% of visitors to 33%. The number of visitor nights went from 27% of the total to 32%.

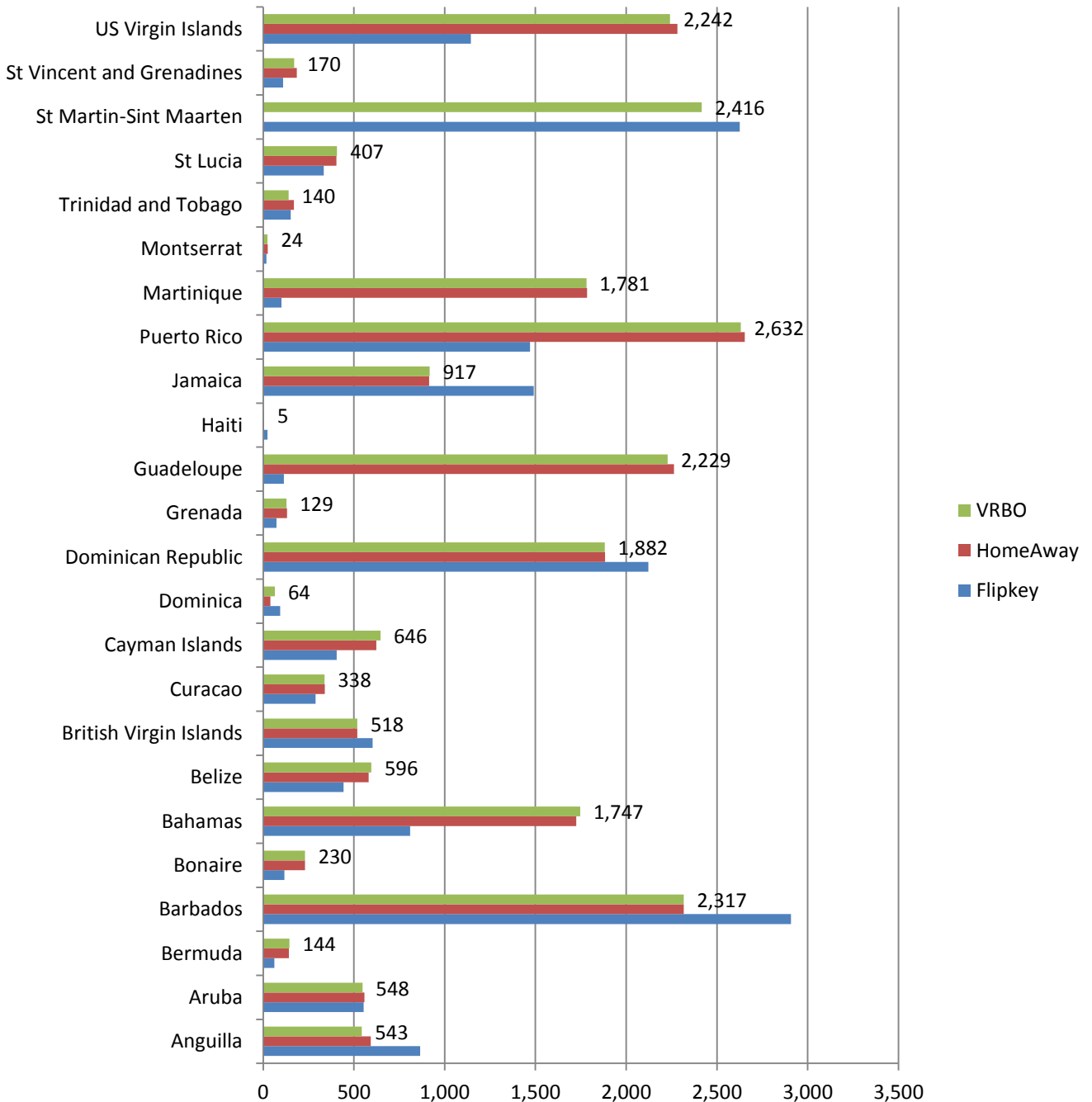
In 2015 in St. Lucia over 900 nights per month were booked by Airbnb and Airbnb is projecting a 17 percent year-over-year growth in visitors to the island using its services.

Exhibit 1: Airbnb Listings of Properties in Caribbean as of February 2016



The above listings should allow for the fact that many properties offer multiple rooms.

Exhibit 2: Other Caribbean Sharing-Economy Accommodations Listings by September 2015. Note: It is not uncommon for properties to be listed on several hosting platforms. It should be noted that since this data was gathered, most of the below destinations have seen on average a 5 percent growth in listings.



FAR GREATER IMPACT WHEN LOOKING AT AVAILABLE 'NEW ROOMS'...

The listings alone don't tell the complete story in terms of room availability. While some short-term rentals are available year-round, many have black-out dates and are only available for a portion of the year. Those homes which are located in high-tourist areas and on beaches are likely available for rentals for a greater period annually than others. Consider that each rental property averages 2.1 bedrooms according to Airbnb and the impact on a destination's 'room' accommodations is greater than initially meets the eye. Some destinations in the Caribbean are reporting that over one-third of their current room inventory is now attributed to these rentals. Airbnb's 25,000 Caribbean property listings in essence could represent 52,500 additional rooms, albeit not available on a year-round basis.

CONDO RESORT MODEL'S PARTICULAR IMPACT

There has been a rapid increase in the number of condo resort unit owners opting to rent through a host platform. Condominium resorts typically operate on a split in the room revenue that varies, usually a 60/40 or 50/50 revenue split. The 40% or 50% that the management company receives is used to support the resort's operations. This includes reservations and reception, bell service, common grounds and usage operations and maintenance, and a host of other support services tied to the resort. The resorts pay a range of government taxes and fees, and contribute to destination marketing efforts that support the destination and airlift.

Independently rented resort condos - some boasting offering 70% off the resort rates – are upsetting the financial models adopted to support debt financing and operational costs. Failure by Governments and condo resort operators to address this quickly can undermine the entire model and have serious negative consequences on its future and the destinations where the operations are predominant.

THE COST AND AVAILABILITY OF AIRLINE SEATS IS BECOMING A FACTOR

The proliferation of such accommodation is also beginning to affect destination airlift capacity, as in some cases airline load factors have increased but in others, where load factors were already high and have remained stable, the increased demand has reduced the number of seats available for hotel guests and, at the same time, has driven up the cost of air tickets. In some destinations it has been reported that on occasion inbound seats cannot be found because of the increased demand for non-traditional accommodation. As this accommodation sector has traditionally not been considered as part of a destination's marketing efforts it is important that it be fully incorporated into such efforts.

ISSUES: STANDARDS, TAXATION, AND DESTINATION ENGAGEMENT

The economic value and potential which the sharing economy is bringing to destinations cannot be disputed. The opportunity exists to maximize its economic value to a destination and to minimize the risk of possible negative consumer and destination perceptions. Constructive initiatives are underway in numerous destinations globally to address this, all with the full support of the industry leader Airbnb. Given that, it is important that Caribbean Governments and tourism stakeholders alike consider various key points of concern and opportunity.

LOST INCOME - NEW STUDY ESTIMATES MILLIONS OF DOLLARS IN POTENTIAL TAX REVENUE

Underscoring the untapped potential for cash-strapped jurisdictions, with taxation measures and supporting collection and enforcement procedures in place, a 2016 Airbnb study estimates that the fifty largest cities in the United States could've collected \$200 million in hotel, tourist and occupancy taxes in 2015. Even by the most conservative estimates, the opportunity presented is clear.

For instructional purposes to Caribbean destinations we site several examples where tax revenue could've been realized with the right policy and procedural measures in place:

- New York Attorney General Eric T. Schneiderman released a report in mid-October in 2014 alleging that approximately 72% of private short-term rentals booked on Airbnb in New York City violated the law. These rentals, from 20,835 hosts in 25,532 units, reportedly generated \$304 million in revenue which the report states could have generated over \$33 million in hotel occupancy taxes had they been collected and remitted to the Government. Airbnb indicates that outdated regulations have not been amended to provide clarity on collections and is a willing partner to rectify the matter. One source has estimated that the city is losing an estimated \$100 million annually. This underscores the need for Caribbean jurisdictions to enact clear regulations governing collections and points of responsibility and for having in place enforcement mechanisms to ensure collections.
- According to "The Economic Impact of San Francisco Hotels" by the Hotel Council of San Francisco, among the \$300 million total taxes generated from hotels, \$200 million goes to the City's General Fund. The hotel industry of San Francisco also gives over \$42 million annually to the non-profit community through the Grants for the Arts/ San Francisco Hotel Tax Fund and various charitable efforts; donates over 48 tons of usable excess goods and supplies annually to local non-profits. (Hotel Council of San Francisco, 2013) This report underscores additional opportunities presented to destinations when the vacation home rental market is embraced as a legally recognized accommodations sector. In doing so, greater opportunities are presented for engaging them in local decision-making and generating addition revenue to support industry and community improvement initiatives.
- Rick Swig of RSBA& Associates reports in 2012 on the taxation leak in San Francisco: "Although actual consumption of alternative accommodations cannot be measured, as companies in the sector do not report their productivity, even at 50% occupancy of 2,984 units of Airbnb inventory at the measured potential ADR of \$183, lost transient occupancy tax to the city would approximate \$35 million annually, while Tourism Improvement District fees assessed on other industry sectors for marketing San Francisco would approximate \$2.5 million."

While dated and the report assumes occupancy on year around availability which is not likely with these types of accommodations, it does underscore opportunity. Since that time the matter has been addressed collaboratively by the Government of San Francisco and Airbnb. As of March 2016 Airbnb remits to the Government in San Francisco over \$1,000,000 monthly in transient occupancy taxes.

Exhibit 3: The Economic Contribution of Hotels and Airbnb in the City of San Francisco in 2012 before Changes:

Direct Contribution	GDP	Employment	Tax Revenue
Hotels	\$6,600 million	24,000	\$56 million
Airbnb	\$300 million	430	N/A



REVENUE AND STANDARDS GAPS

CLOSING REVENUE AND STANDARDS GAPS

Governments are losing potential tax revenue from another perspective. There is strong evidence to suggest that many of those properties in the Caribbean which are listed on hosting platform websites are either owned by expatriates and part-time residents or owned by nationals with overseas accounts. They tend to be the higher-end listings commanding top rates. The transactions typically occur through non-Caribbean financial vehicles. By working with Airbnb and other groups to assist with tax revenue collections, as is occurring in a growing number of jurisdictions outside of the Caribbean, some of the escaped tax revenue can be captured and jurisdictions will have a better understanding of how to engage the sector for greater benefit.

CONCERN ABOUT STANDARDS AND SAFETY

Existing traditional businesses such as hotels and licensed taxis operate with stringent safety and operational standards. Currently standards in the home rental and informal taxi business are lax and it is felt consumer safety and well-being is being jeopardized as a result; as well the hosts and drivers of the sharing economy are also felt to be working under excessive risk.

Uber has been involved in at least 173 lawsuits (Ryffel, 2015). Most of these are related to insurance, regulator and driver compensation matters. As of mid-2015, protests had been staged in Germany, Spain, France, and England, among other nations, and dangerous incidents involving passengers have been documented. In December 2014, Uber was banned in Spain and in two cities in India. Uber continues to be involved in disputes with several governmental bodies, including local governments in the U.S. and Australia. (Wikipedia- Legal status of Uber Service)

Generally, sharing businesses are operating under regulations and standards which are well under the requirements applicable to commercial activities. While vacation homes should not be held to the same stringent standards which apply to hotels, they must be held to a greater level of responsibility than that which is expected for strictly residential use. This helps to protect the reputation of a destination, as well as the reputation of traditional service providers, and the sharing economy businesses themselves.

Airbnb for example has shown leadership with the establishment of its own hospitality standards, the creation of a Community Compact in 2015; and by working with tourism boards and associations in a growing number of jurisdictions has helped to address new opportunities and matters of mutual concern.

Thus officially and appropriately addressing the regulation of Airbnb, Uber and all of the other sharing economy businesses should be a matter of priority for the region's Governments, industry associations and affected companies.

ELEVATING STANDARDS: PROTECTING CONSUMERS, INDUSTRY, THE SHARING ECONOMY, AND DESTINATIONS

The hotel and transportation industries have long been regulated. The industries themselves were at the forefront early in their modern development in creating standards and worked closely with Government to regularize them. They recognized the importance of protecting their industry and their customers. In recent years wholesalers and tour operators, particularly European-based operators, have put in place their own performance standards for hotels as criteria for determining whether or not they qualify to do business with them.



These added standards have forced Caribbean hoteliers to review and, in many instances, improve their standards if they wish to book business with them. Vacation home owners wishing to tap into these markets should face the same requirements.

Normalizing the sharing economy with clear regulations, standards and taxation schemes beyond those applicable to individuals and residential property is not only fair game competition, but recognizes the commercial nature of these new enterprises while facilitating consumer confidence and protecting them and a destination's reputation. The Caribbean can learn from other jurisdictions which are taking the initiative to regulate the sector while creating new ground which considers the sharing economy in a highly touristic environment like the region.

- Chicago has legislation which requires a vacation rental license and safety inspections. It has also approved an ordinance requiring a 4.5 percent tax on rentals. Hoteliers in particular, who have to contend with the city's 16.4 percent tax, have called for a more equitable arrangement, the enforcement of existing regulations, and requirement that all property owners obtain vacation rental licenses. The current regulations are being amended and hosting platforms like Airbnb are collecting revenue and remitting it to the city.
- Portland, Oregon, requires hosts to have "[accessory short-term rental permits](#)" which also require an inspection from the Bureau of Development Services to ensure the rooms meet building code requirements, have a smoke detector and are located on a floor that has a functioning carbon-monoxide alarm. Hosts must also pay the occupancy tax that hotel operator's pay. These regulations are presently being reviewed and expected to be further amended. Hosting platforms like Airbnb are presently facilitating tax collections.
- France updated its housing law in 2014. It gives larger cities in France the right to introduce a permission system for secondary (and other non-primary) properties – but makes it clear that primary residences (e.g. lived in at least eight months of the year) can be shared with visitors – either in full or in part – without any authorization or permission. France has also amended its financial legislation to make it possible for online platforms to collect and remit tourist taxation on behalf of their hosts. Airbnb started collecting and remitting tourist tax in Paris on October 1, 2015. (From Airbnb)
- Three states (California, Oregon and Washington) have passed laws relating to car-sharing, placing liability squarely on the shoulders of the car-sharing service and its own insurers, just as if it owned the car during the rental period.

TYPICAL HOTEL LICENSING REQUIREMENTS IN THE CARIBBEAN

Hotels have a long list of tax and regulatory requirements which must be adhered to in order to secure and renew a license to operate and/or are subject to inspection as part of the process. The table below shows the mandatory standards required by one Government in the region, which believed to be typical for others.

While this listing is not intended to imply that all vacation home rental owners should be subject to the same standards that apply to hotels, it illustrates the wide variety and extent of rules and regulations associated with the health, safety and security of guests that have to be met. This above and above and beyond the basic requirements which are typical for accommodations used for resident purposes.

TYPICAL REQUIREMENTS FOR CARIBBEAN HOTELS TO SECURE AND RENEW LICENSES

Documentation:

- Valid hotel license
- Valid business license
- Valid certificate of sanitation
- Valid elevator inspection certificate if applicable
- In possession of a current Pest Control Contract
- In possession of a Garbage Disposal Contract
- Updated Health Certificates of food handlers
- Available city water supply if applicable
- Proof of Property and Liability Insurance
- Available log book showing pH and chlorine testing in swimming pools or Jacuzzi if applicable
- Available fire log book

Outside Appearance:

- A clearly marked hotel identification sign
- Clearly defined driveway, walkways, and footpaths
- Parking facilities with clear demarcations
- The property is free of litter and debris
- The grounds are properly landscaped
- Absence of structural defects on the building's exterior
- All emergency exits are clearly defined
- The sewerage disposal system is normally operating
- The garbage storage area is properly constructed and sanitized regularly
- Fire lanes are in place and clearly marked

Main Entrance – Lobby/ Lounge

- Walls and floor are in good condition
- Valid Certificate of Inspection posted in each elevator
- All fire safety equipment are in place and in good working order

Reception and Registration Area

- The reception and registration areas are clearly established

Safety & Security

- Exit doors are equipped with panic hardware

Public Washrooms (Male/ Female)

- Male and female washrooms are clearly identified
- Sanitary fixtures are free from odor
- Adequate supply of hot and cold water
- Adequate supply of toiletries
- Waste paper bins with proper covers

Bedrooms

- Standard bedroom supplies
- Guestroom entry doors equipped with adequate locking devices
- Guest are provided with list safety/ security tips
- Non-slip mats is provided for each bathtub
- The linen is of good quality
- The room furnishings are of good quality
- A fire extinguisher and a smoke detector are in each guestroom
- Rate cards and a copy of the Hotel Keepers Act are displayed in each room
- Balconies are with railings

Dining Room

- All exits are clearly marked with illuminated exit signs
- Emergency lights are in place and in good working order
- Foods on buffet are protected from sources of contamination
- Self-service foods on display are protected by a sneeze guard
- Temperature of self-served cold foods on display is maintained at 41 degrees Fahrenheit or lower
- Temperature of self-served hot foods on display maintained at 140 degrees Fahrenheit or higher
- The public restrooms are clean, odor free and with an adequate supplies



Main Kitchen

- Each staff member is involved with the handling of food and beverage, in possession of a valid Health Certificate
- Food handlers are observing standard food preparation regulations
- Employees are observing proper thawing practices
- Cross contamination prevention practices are in place
- Kitchen staff is properly attired
- Sinks are provided for the washing of hands and adequate supplies
- Garbage containers are lined and kept covered
- Walls are painted white or light colored
- The hood, vents and nozzles of the automatic fire suppression system are kept free from grease
- Gas supply lines are painted in the standard yellow color for identification purposes
- The area is free off any sign of rodents, roaches

Garbage Disposal Area

- A contract for garbage collection
- The area is kept clean and free of rodents
- Garbage is properly stored in sealed garbage bags

Staff Cafeteria

- Exits are clearly marked
- Fire safety systems are in place

Laundry

- Laundry area is well ventilated
- Adequate and constant supply of hot/cold running water
- Fire extinguishers, smoke detectors, fire alarm system are in place
- Exits are clearly marked

Swimming Pool(s)

- Depth markers are in place and clearly visible
- Caution and no diving signs are posted

While all of the abovementioned requirements are designed to protect the consumer and the reputation of the jurisdiction, each of them comes with an associated cost, most which the sharing economy accommodation provider is not required to provide or incur.

TYPICAL HOTEL-RELATED TAXES IN THE CARIBBEAN

Hotels are subject to a range of taxes and fees, most which presently do not apply to short-term vacation home rentals. The level and extent of hotel-related taxes and fees varies throughout the region.

- Accommodation or Occupancy Tax
- Consumption Tax – VAT, Gross Receipts, Sales Tax, GST....
- Importation-Related Duties and Stamp Taxes
- Environmental Taxes, Fees or Surcharges
- Commercial Rates and Taxes for Electricity, Water & Sewage, Telecommunications Services
- Work Permit fees
- Annual Hotel Licensing Tax/Fee
- Real Estate Tax
- Special License Taxes/Fees (i.e. restaurant, bar, entertainment, vehicles)
- Turnover Tax
- Corporate Income Tax
- Employee Wage-Related Taxes (income, social security)

TYPICAL STANDARDS PRESENTLY IN PLACE FOR VACATION HOME RENTAL PROVIDERS

Vacation home providers typically are legally required to meet building code and safety regulations applicable for residential properties. In addition, hosting platforms like Airbnb have established additional hospitality standards beyond those required for residential use. These can be both required and recommended and generally address some aspect of:

- **Property and Liability Insurance requirements** – Generally requiring a base level of coverage and/or secondary coverage offered for property insurance by the hosting platform.
- **Cleanliness** – General guidelines are recommended.
- **Safety** – General guidelines are recommended.
- **Cancellation Policies and Security Deposits** – Requirements are established to provide transparency to protect both the guests and the home owner.
- **Truth in Advertising** – To ensure the online listings of offerings and amenities are aligned with what is provided to the guest.

A growing number of jurisdictions are recognizing that the current level of standards is insufficient or that some of those which do voluntarily exist need to be codified. Some jurisdictions have established varying degrees of regulations based upon the size and type of rental accommodation.

CONTRIBUTING TO THE GREATER GOOD AND BENEFIT OF ALL

Most hotels throughout the region voluntarily support the marketing, airlift development, education and training, infrastructure and product development needs of their destination - financially, in-kind, and with volunteer expertise. This is typically done through non-profit associations like Hotel and Tourism Associations, Enhancement/Beautification Funds, Promotion or Tourist Boards. Often these efforts are leveraged with public sector funds and resources.

These collective efforts benefit the overall destination and all businesses, whether one is a contributing company or not. The sharing economy host platforms and hosts should be part of these organized efforts to support the marketing, product development, and local advocacy efforts within the destinations.



RECOMMENDATIONS

A RECOMMENDED PUBLIC-PRIVATE SECTOR PROBLEM-SOLVING APPROACH

Destinations throughout the region are presented with a unique opportunity to help regularize and engage the sharing economy.

The Caribbean Hotel and Tourism Association recommends that National Hotel and Tourism Associations serve as catalysts with the support of CHTA in bringing together public and private sector stakeholders to review their existing laws pertaining to taxes, health and safety requirements, and standards, and incorporate the necessary changes for the sharing economy. This could also present an opportunity to review existing laws and regulations applicable to hotels and traditional accommodations, updating those which are archaic, unnecessarily burdensome, or no longer necessary.

Drawing upon the information and resources described in this paper, each jurisdiction is encouraged to establish a public-private sector committee to conduct the review and determine specific recommendations. The committee's composition should include representatives from the following areas:

- Ministry of Finance or Related Government Area
- Ministry of Tourism or Related Government Area
- Hotel Licensing Department or related area
- National Hotel and Tourism Association or Related Area
- Real-Estate Association Representative with Short-Term Vacation Home Rental Property Management Expertise
- Owner of an Existing Short-Term Vacation Home Rental Property
- Hosting Platform Company (note: Airbnb has indicated its willingness to participate)

To jumpstart the process within the region, CHTA recommends 2-3 destinations serve as pilots. Commitments to a process would need to be secured from the destination's Government, public sector DMO, and National Hotel and Tourism Association. CHTA would work with the local stakeholders to facilitate the process.

AREAS TO BE ADDRESSED...

CHTA recommends the following areas should be addressed by the review committee in establishing the appropriate legislation, rules and regulations for the sector:

1. Criteria for Determining Proof of Ownership
2. Residential Requirements to be Licensed – considering applicability to full-time residents, part-time residents and non-resident property owners.
3. Defining Type of Eligible Properties - by Number of Rooms, maximum allowable length of stay
4. Zoning – considering whether zones should be established indicating those areas where rentals are permitted or perhaps tiered to types of rentals permitted. This would need to consider the safety of renters.
5. Owner in Good Standing – No Outstanding Taxes, criminal record
6. Facility Criteria for Business or Accommodation Registration and License including providing for:
 - a. Condition of Property
 - b. Waste Disposal
 - c. Pest Control
 - d. Source and Quality of Water
 - e. Railings on Steps, Porches and Balconies



- f. Walls, floors and furnishings in good condition
 - g. Minimum Appliance Requirements
 - h. Guest Instructions/Manual – emergency owner representative contacts, police and fire contacts, security, use of specialized appliances/equipment, fuse box location, emergency exit
 - i. Current Fire Extinguisher
 - j. Kitchen Exhaust System
 - k. Smoke Alarms
 - l. Proof of Liability Insurance
 - m. Proof of License – copy in guest manual or posted
 - n. Basic Linens
 - o. Bath/ Mat and Shower Curtain
 - p. Swimming Pool Health and Safety Requirements (same as for small hotel pool)
 - q. Food Health and Safety (where applicable, food handler, storage and preparation requirements should be met)
7. Applicable Taxes and Fees – Determine what is appropriate. A baseline for discussion should be the application of the same occupancy tax or its equivalent to vacation home rental properties which is required of hotels and other related fees – i.e. hotel license and inspection.
 8. Insurance Requirement: Commercial-level property and liability insurance must be mandatory for all rental properties. A minimum liability level should be established, which anticipates the worst-case possible scenario. Typical liability coverage levels for vacation home rentals provides a minimum \$500,000 cover which may be inadequate depending upon the rental offering, with a floor of \$1,000,000 being the optimum.
 9. Safety and Security Standards – Lighting, landscaping, locks and emergency contact requirements.
 10. Property Integrity – Structurally sound and meets determined building code and safety requirements.
 11. Engagement – How best to structure businesses in the sharing economy into a destination’s marketing, product development and investment incentive efforts?
 12. Other Criteria as Determined by the Committee.

In conclusion, adapting to the new economy and staying ahead of consumer trends will help hoteliers to ensure they are not left behind.



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TERMINOLOGY

- Sharing Economy- is a hybrid market model, makes underutilized assets, typically by individuals and not companies, accessible on an online peer-to-peer based sharing platform and enables individuals to rent products or services without buying or owning them.
- Hosting Platforms- are individuals or businesses that provide a means for a person to advertise their residential unit for short-term rental.
- Host - is a person who receives rents in exchange for providing accommodations in their residential units.





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The Caribbean Sharing Economy Resource Guide



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