From Airbnb to Zipcar:
The Impact of the Sharing Economy on Communities

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DLM was established within the Office of the State Auditor in 1980 as part of the implementation of Proposition 2 ½. The Division’s principal role is to provide determinations of whether a state law or policy constitutes an unfunded mandate as defined by MGL c. 29, §27C. Under M.G.L. c. 11, § 6B, DLM has authority to review local cost impacts of any state law or policy, even one that does not meet the technical definition an unfunded mandate.
What DLM does . . .

- Issues mandate determinations and municipal impact studies
- Examines effects of state law and state policy on municipal budgets
Why does DLM care about the effects of the sharing economy?

- Displacement and/or disruption of current business models may lead to:
  - Changes in local revenue patterns and sources
  - Hidden infrastructure costs
  - Changes to local “brick-and-mortar” commercial tax base
  - Push to create new regulatory structures that increase local budgets
Bills now in the legislature offer differing visions for regulatory frameworks for transportation network companies (TNCs) such as Uber and Lyft. None of these bills modifies local regulatory frameworks and costs for the taxi industry, which remain unchanged. None of these bills anticipates changes in local costs or revenues if TNCs substantially replace taxis as the dominant ride-for-hire mode.
According to a new study from Certify, Uber has surpassed taxis and car rentals on a per-ride basis in the business travel market: In Q4 of 2015, Uber had 41% of rides, rental cars 39% and taxis 20%.

Earlier this month, Lyft announced a $500 million investment by GM, opening the door for future creation of daily “rentals” by Lyft drivers and, longer term, for autonomous vehicle technology in the ride-for-hail market.
Scouting Report II: Other Cities, Other Models

- New York regulates TNC operators like any other “black car” service, so every trip generates state and local sales tax ($15.9 million in FY2015).
- Minneapolis has already phased out limits on taxi medallions and established a separate, “corporate” license covering TNCs ($200 per car for taxis; approximately $45,000 per company for TNCs).
- San Francisco wants each TNC driver to register as a small business operator, but many drivers don’t, costing the city at least $500,000 per year.
Boston ($500K) and Cambridge ($790K) spend much more on regulating taxis than they receive in local tax and fee receipts.

For many communities (Brookline, Danvers, Somerville, Worcester), revenues from taxi licensing, auto excise, property taxes, cabstand rentals, and other taxi-related sources are simply not a significant source of revenue.
Fiscal Questions for Local Governments

- Does a “sharing-economy” innovation disrupt or diminish a current source of revenue? (example: Airbnb)
- Does a “sharing-economy” innovation transform a sector that generates major regulatory costs?
- Does a “sharing-economy” innovation transform a sector that generates major infrastructure costs that aren’t covered by existing revenue sources?