

Shared Office

Homeshare

Shifting Perceptions of Collaborative Consumption

Bikeshare

Rideshare

About the National League of Cities

The **National League of Cities (NLC)** is the nation's leading advocacy organization devoted to strengthening and promoting cities as centers of opportunity, leadership and governance. Through its membership and partnerships with state municipal leagues, NLC serves as a resource and advocate for more than 19,000 cities and towns and more than 218 million Americans.

NLC's Center for City Solutions and Applied Research provides research and analysis on key topics and trends important to cities, creative solutions to improve the quality of life in communities, inspiration and ideas for local officials to use in tackling tough issues, and opportunities for city leaders to connect with peers, share experiences and learn about innovative approaches in cities.

About the Authors

Nicole DuPuis is the Senior Associate for Infrastructure in 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.

NLC's City Survey on the Sharing Economy is a nationwide analysis of the current state of the sharing economy in relation to local governments. This survey has been conducted as a part of NLC's Local Economic Conditions survey, which measures the performance of local economic indicators and drivers of local fiscal health. City responses can be summarized as follows:

Concerns about the sharing economy include:

Public safety, lack of insurance, general safety concerns

61%

Protection of traditional service providers and industry participants

10%

Non-compliance with current standards

9%

Benefits of the sharing economy include:

Improved services

22%

Increased economic activity

20%

Increased entrepreneurial activity

16%

Introduction

Cities make the sharing economy work. The growth, excitement and disruption surrounding this changing economic construct permeate our communities. Despite the sometimes mixed sentiment surrounding the sharing economy, it is here to stay. Cities across America are finding themselves face to face with the opportunities and challenges inherent in this new business model, and NLC is working to help cities navigate this ever-changing environment in preparation for the future.

The sharing economy, also commonly referred to as collaborative consumption, the collaborative economy or the peer-to-peer economy, puts city policymakers and regulators in a unique position. Sharing economy goods and services are not just efficient and beloved by citizens; they also create new economic opportunity and serve as catalysts of urban innovation. Many sharing economy services make use of existing or underutilized resources, encourage entrepreneurial spirit, and promote innovation.

While the sharing economy has many benefits, it also prompts concerns about safety, revenue, workers' rights and other issues. Policymakers are often under pressure to permit the services their constituents love and demand while also ensuring safety, fairness and the best interests of the community.

NLC's City Survey on the Sharing Economy aims to help city leaders best weigh and understand these issues through a careful analysis of the experiences of their peers. This survey assesses the impact of collaborative consumption business models on local economies, and responses reflect how cities are experiencing, understanding, and responding to the influx of new actors.

In addition to this work, NLC has also conducted two previous research projects on the impacts of, and responses to the sharing economy. Our first study aimed to measure the sentiment and direction of the sharing economy in America's 30 largest cities.¹ Among the 30 cities analyzed in our sample, we



Methods

Data about the sharing economy used in this brief was derived from questions specific to the sharing economy in the broader Local Economic Conditions 2015 survey. NLC conducted the mail and email survey of city officials between February and April 2015. Surveys were sent to the chief elected officials in a sample of 986 cities. In total, survey data was drawn from 245 cities, representing a response rate of 25 percent.

CITIES MAKE THE SHARING ECONOMY WORK.

found that nine cities showed overall positive sentiment and 21 had mixed sentiment toward these new business models.² Additionally, we found that 15 of the 30 cities experienced regulatory action or other intervention from state policymakers, indicating that these actors are playing a significant role in the sharing economy policy discussion.³

NLC's second study, *Cities, the Sharing Economy, and What's Next*, was conducted together with the Fels Institute of Government at the University of Pennsylvania.⁴ Several themes emerged in this report, and the research team identified questions and issues that

municipal leaders should consider when they respond to the influx of sharing economy companies. The interviews reinforced a need for quantitative data along with the notion that there is no singular way for cities to approach the management of these new business models. With this new study, we hope to add to NLC's growing body of research on the sharing economy and provide city leaders with more information about how their peers are managing this new and growing economic sector.

In our survey of city officials, we aimed for a sample that represented diversity in terms of both geography and city size.

Core Analysis

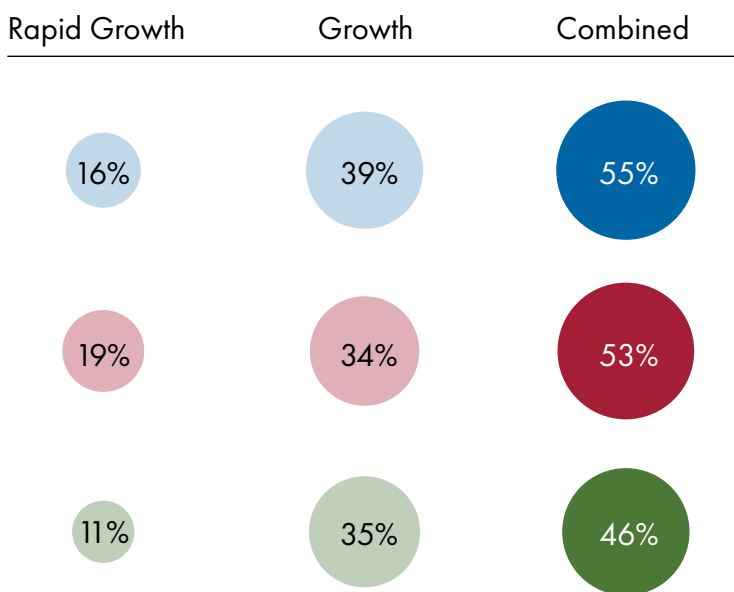
When sharing economy companies began to proliferate throughout the country, they were initially found, for the most part, in large metropolitan areas. This is no longer the case. The sharing economy has entered cities of all sizes around the world, and serves populations with different needs, cultural inclinations and political orientations. This survey explores the impacts of peer-to-peer business models on local economies, and reflects cities' preferences, concerns and experiences integrating them into their economies.



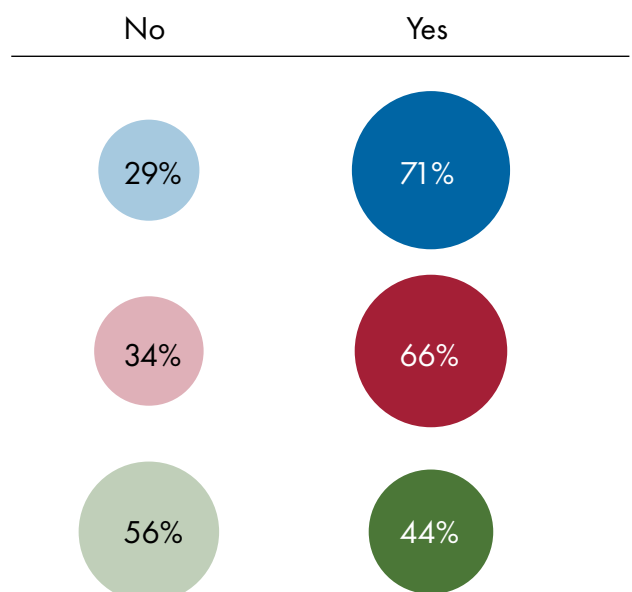
Cities are finding themselves overwhelmed by both the inertia of these new companies and the diverse types of services that have taken on the peer-to-peer model. Over half (55 percent) of cities indicated that they have seen some growth in the sharing economy, with 16 percent classifying this growth as rapid. With more types of sharing businesses entering the market, and the rising popularity of these new applications and services, city leaders have been forced to address these issues all at once. While the sharing economy encompasses much more than mobility services and short-term rentals, these two types of services are the most mainstream. 53 percent of cities reported growth in ridesharing,⁵ while 46 percent saw growth in homesharing.

Despite the rapid and unprecedented growth in sharing economy services, these new businesses cannot operate successfully without support from local (and sometimes state) policymakers. When asked whether their local governments were supportive of rapid sharing economy growth, 71 percent of cities responded affirmatively. NLC's previous research has shown that cities often have mixed sentiment toward the sharing economy, showing favor toward some sectors and dissention toward others.⁶ These survey results indicate more local favor toward ridesharing companies than homesharing companies. 66 percent of respondents indicated that their local government is supportive of ridesharing services, while only 44 percent indicated that the city is supportive of homesharing services.

City growth in sharing economy businesses



Local government support of sharing economy growth



■ Overall Sharing Economy
 ■ Ridesharing
 ■ Homesharing

Policies and Regulation

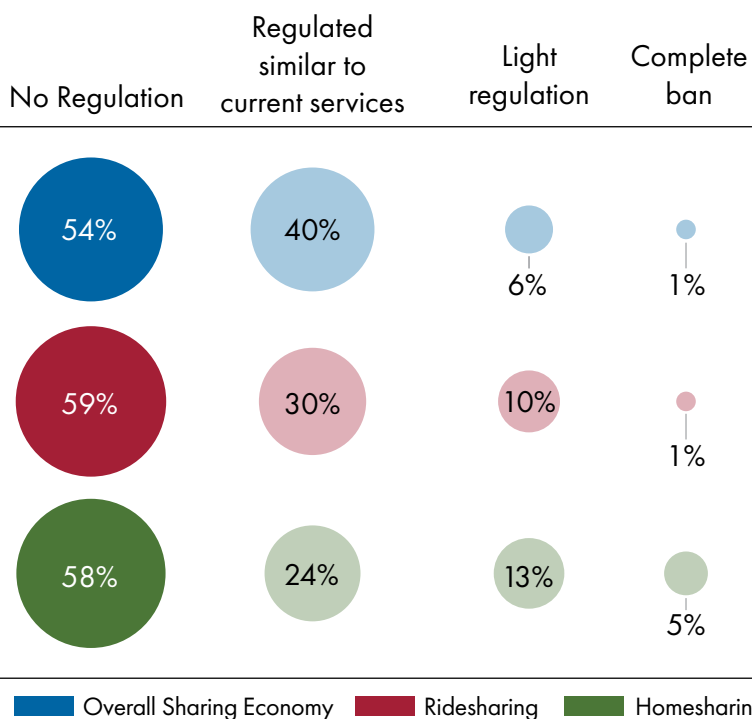
A majority of the cities surveyed (56 percent) affirmed that developing new policies to address the sharing economy is important. Some respondents expressed interest in developing new policies for certain segments of the sharing economy, with 49 percent rating the development of ridesharing policies as important and 41 percent rating the development of homesharing policies as important. This distinction likely reflects the experiences that different cities have with different sharing economy services, and the over-arching policy priorities that guide their decisions.

When asked about regulatory responses to sharing economy services, cities offered varied responses by sector. 54 percent of cities surveyed reported that their local government imposed no regulation on the sharing economy, while 40 percent

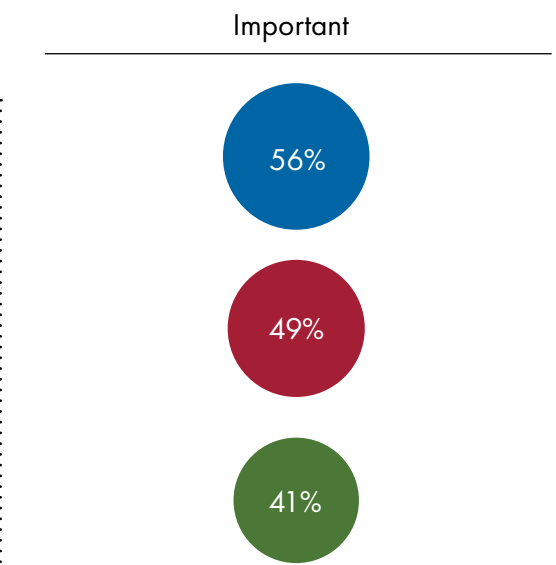
reported that sharing economy services are regulated similarly to more traditional services. More specifically, 30 percent of city respondents reported that they regulate ridesharing providers similarly to traditional transportation providers, while 10 percent reported light regulatory action or a partial ban on these mobility providers. One percent reported that they had banned these services completely.

The majority of cities (58 percent) indicated that their local governments had not instituted a regulation on homesharing, while 24 percent indicated that these businesses are regulated similarly to traditional industries. 13 percent indicated that they had instituted regulations or partial bans on homesharing, and 5 percent reported that they had banned these services completely.

Cities' regulatory response to the sharing economy



Cities rate the importance of developing new sharing economy policies



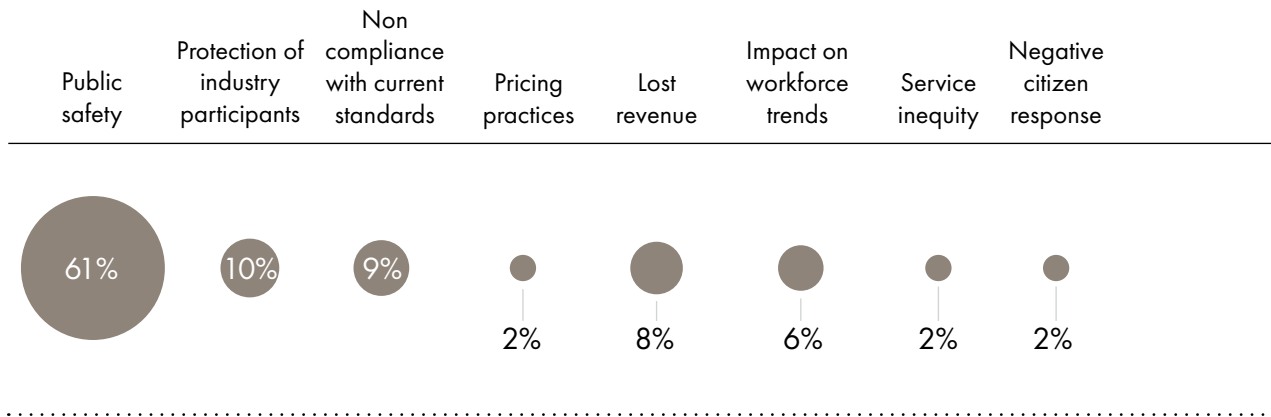
Benefits and Concerns

Sharing economy business models have flourished in so many cities for the simple reason that they represent a value proposition. Policymakers offered a wide array of answers when asked about the greatest benefits of new sharing economy businesses. The three benefits most frequently cited by survey respondents include improved services (22 percent), increased economic activity (20 percent), and increased entrepreneurial activity (16 percent). Other benefits identified by city policymakers include constituent acceptance and praise (15 percent), improved efficiencies (15 percent), and

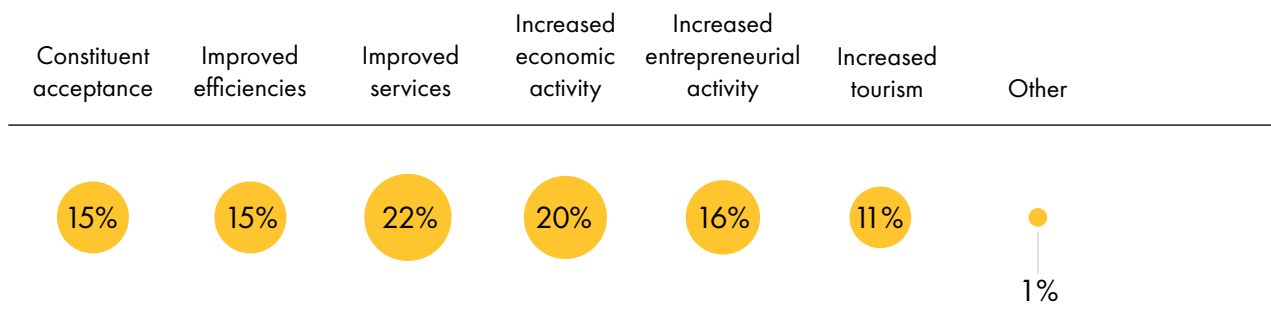
increased tourism and market diversity (11 percent).

When asked about their concerns with the sharing economy, respondents overwhelmingly reported public safety as the primary issue (61 percent). Other major concerns included protection of traditional service providers and industry participants (10 percent), noncompliance with current standards (9 percent), the revenue loss that cities endure when taxes are not collected for these services (8 percent), and the impact of these services on workforce trends (6 percent).

Concerns with the sharing economy



Benefits from the sharing economy



Discussion and Conclusion

Overall, the nation's city officials are amenable to new sharing economy business models, and they recognize the value that these new services bring to their cities and residents. The success of these technology-driven businesses signals a new era in which service efficiency and on-demand information reign as the public's highest priorities.

No city leader aims to stifle innovation or efficiency, and in most cases, city officials are working to respond to constituent demands for these services. However, city leaders have other priorities that they must consider when they make policy decisions. As financial stewards and public servants, city officials must keep the best interests of all their constituents (residents, businesses, etc.) at the forefront of their minds.

As they work to integrate the sharing economy into their cities, municipal leaders should think through some of the insurance and liability issues that emerge with these new business models. They should also consider the tension that is sometimes created by allowing peer-to-peer models to operate in a less restricted manner. Sharing economy companies are not always subject to the same regulations as similar traditional services. This requires city leaders to assess whether or not existing businesses are unfairly disadvantaged as a result. Finally, and above all, city officials' primary concern should center on the well being of the people in their community, both the providers and consumers.

Working through all of these challenges is no small task, but for the most part,

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OR EFFICIENCY.**

city leaders are committed to giving their constituents the services they want.

As we move forward, NLC will attempt to further explore this issue, provide additional resources to help city leaders navigate and prepare for this changing environment, and catalyze discussion via the Sharing Economy Advisory Network. We will also explore larger shifts and trends emerging at the nexus of technology and mobility in our forthcoming City of the Future report.

The sharing economy, despite its unique challenges, offers great promise for cities large and small. City leaders can maximize this promise by being nimble in their regulatory responses and meeting business innovation with policy innovation. Sharing is the way of the future, and cities are poised to reap the economic benefits.

Notes and sources

- 1** The findings in this study 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 have changed since our original classification.
- 2** The findings in this study 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; 4) policies and regulation on sharing-economy services.
- 3** State level interventions ranged from legislation to regulatory rulings to state legal action.
- 4** Researchers from Fels Consulting conducted 12 interviews with city officials from a geographically diverse range of cities.
- 5** The terminology for what has been popularly referred to as ridesharing is in flux, with the Associated Press shifting to use of the term 'ride-hailing' in January 2015. Colloquially, most others continue to use the term ridesharing. Because NLC's earlier research on this subject was conducted prior to the AP's shift, and most city leaders know the terminology as ridesharing, the term is used throughout.
- 6** The Sharing Economy: An Analysis of Current Sentiment Surrounding Homesharing and Ridesharing.

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1301 Pennsylvania Ave, NW
Suite 550
Washington, DC 20004
202.626.3000 | www.nlc.org

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