



Smart cities, home sharing, and the innovation that makes it work

How home sharing is reshaping cities and travel—and the many opportunities for continued innovation.



Margaret Richardson

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Home sharing has become an important part of modern tourism. In cities across the globe, technology platforms connect travelers and locals. The rise of home-sharing company Airbnb reflects the increasing accessibility of modern cities. Since the company was founded in 2008, its users have hosted more than 200 million guests in more than 65,000 cities and 191 countries around the world—from Iceland to South Africa to Indonesia. In this Q&A, Airbnb global policy development leader Margaret Richardson talks about the relationship between cities and the sharing economy and how the public and private sectors can work together to install regulations that enable the continued growth of the sharing economy.

McKinsey: *How can a connected smart city benefit cities and city residents?*

Margaret Richardson: A key component of a smart city is technology-enabled, people-to-people home sharing, which fosters healthy, sustainable tourism. This can have incredible benefits for cities. We are seeing more governments use tax revenue generated by home sharing to help fund the development of affordable housing programs, aid for the homeless, destination marketing, and other important public services. In Portland, for example, the city voted to dedicate at least \$1.2 million annually in lodging taxes from short-term rentals to the city's Housing Investment Fund.¹ And Chicago instituted a 4 percent tax on Airbnb hosts that the city is dedicating to house homeless families with school-age children. In one year, the tax raised \$2.8 million for the initiative.² In scaling these types of interventions, technology providers and governments can bring enormous benefits to the smart cities of the future.

McKinsey: *Some cities have struggled to update their regulatory frameworks to accommodate the rapidly evolving sharing economy, while others have moved swiftly. As cities grow smarter, how do you see the interface between cities and the sharing economy playing out in regulatory and other arenas? Where do you foresee challenges?*

Margaret Richardson: When society transitioned from the horse and buggy to the car, new rules were needed to govern new technology. The same is true today—just on a faster time frame and larger scale. Every municipality faces unique challenges, from zoning to tax issues, and companies facilitating the expansion of the sharing economy must commit to working with governments to develop innovative, customized frameworks that meet those specific challenges. At the heart of every smart piece of regulation is collaboration. When we work together, we can develop solutions that meet the needs of cities, residents, and travelers. As we continue to work with governments across hundreds of jurisdictions, we carry these lessons with us. Collaboration will ultimately be the key to jurisdictions' ability to craft laws that support innovation while protecting health, safety, and economic opportunities for their residents.

¹ Michael Anderson, "Portland dedicates short term rental lodging tax to Housing Investment Fund," Housing Trust Fund Project, Winter 2016, housingtrustfundproject.org.

² Tanveer Ali, "In one year, Airbnb tax raises \$2.8 million for Chicago homeless services," DNAinfo, July 27, 2017, dnainfo.com.

McKinsey: *What do you believe drives innovation?*

Margaret Richardson: Innovation starts with identifying a need. Airbnb began when our cofounders recognized that all of the hotels in San Francisco were sold out ahead of a major design conference, but many people still needed a place to stay. They blew up some air mattresses, built a website, and launched what would eventually become the world's largest home-sharing platform. Ultimately, necessity is the mother of invention. In our current landscape, with cities changing alongside rapid technological advancements, these needs will continue to be met by creative innovators.

There is no shortage of opportunities for new ideas to bolster cities and improve infrastructure. We've already seen how this can happen when it comes to response to major disasters. In the wake of Hurricane Sandy in 2012, our host community started volunteering their space for storm victims. These gestures led to the development of Airbnb's Disaster Response Program, which helps connect residents, as well as emergency relief workers and volunteers, with hosts willing to offer temporary housing. In the wake of Hurricanes Harvey and Irma, more than 1,000 hosts opened up their homes, free of charge. This is only the beginning, and we are excited to see how technology companies and smart cities can further assist displaced people around the world. 

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