

# THEM'S THE BRAKES

WHY CITY HALL LOVES HOME-SHARING COMPANY AIRBNB BUT NOT CAR-SHARING STARTUP UBER.

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Mayor Charlie Hales says he wants Portland to stand as a leader in making room for the “sharing economy.”

That’s one reason he has championed rewriting city rules to legalize the operations of Airbnb. The online company, which brokers the rental of apartments and homes to travelers, has operated as a rogue for years, violating city rules against unlicensed hotels.

Portland’s shift follows Airbnb’s March announcement of its plans to locate a 160-employee call center here.

“The Web is way ahead of old-fashioned institutions,” Hales tells *WW*. “It behooves us as a city to try to keep up with this furious pace of change.”

But this new-economy mentality only goes so far—and depends a great deal on who actually holds power in the city.

Hotels oppose Airbnb because it cuts into their business, and some neighbors call the service a nuisance. But Airbnb apparently has the votes to get city rules redrawn in its favor.

While holding the door open for Airbnb, Hales and the City Council late last year slammed it shut on another popular and cutting-edge operation, Uber.

Uber enlists drivers to use their own cars as de facto taxis, with customers summoning rides with the tap of a phone app.

Hales and other city commissioners have not wanted to challenge the clout of Portland’s cab companies—largely Broadway Cab and Radio Cab—and labor unions.

Portland remains the only large West Coast city where Uber isn’t running cars. “We’ve been told essentially that we’re not welcome there,” says Brooke Steger, who manages Uber’s operations in Washington. (Uber launched in Vancouver last week.)

Uber this week is preparing another

run at breaking the cab companies’ virtual monopoly. Here are four questions that define the debate:

## What’s the difference between Airbnb and Uber?

They have a lot in common. They’re both San Francisco tech startups valued at billions of dollars. Both rely on the “sharing economy” philosophy that people renting out their property—without government regulation—creates new business markets.

But Uber didn’t realize how little appetite Portland officials had for challenging the taxi industry, carefully guarded by the city’s Private for-Hire Transportation Board of Review.

“There may well be a way to have Uber come to Portland,” says regulatory division manager Frank Dufay, “but not just by throwing out several of our important regulations.”

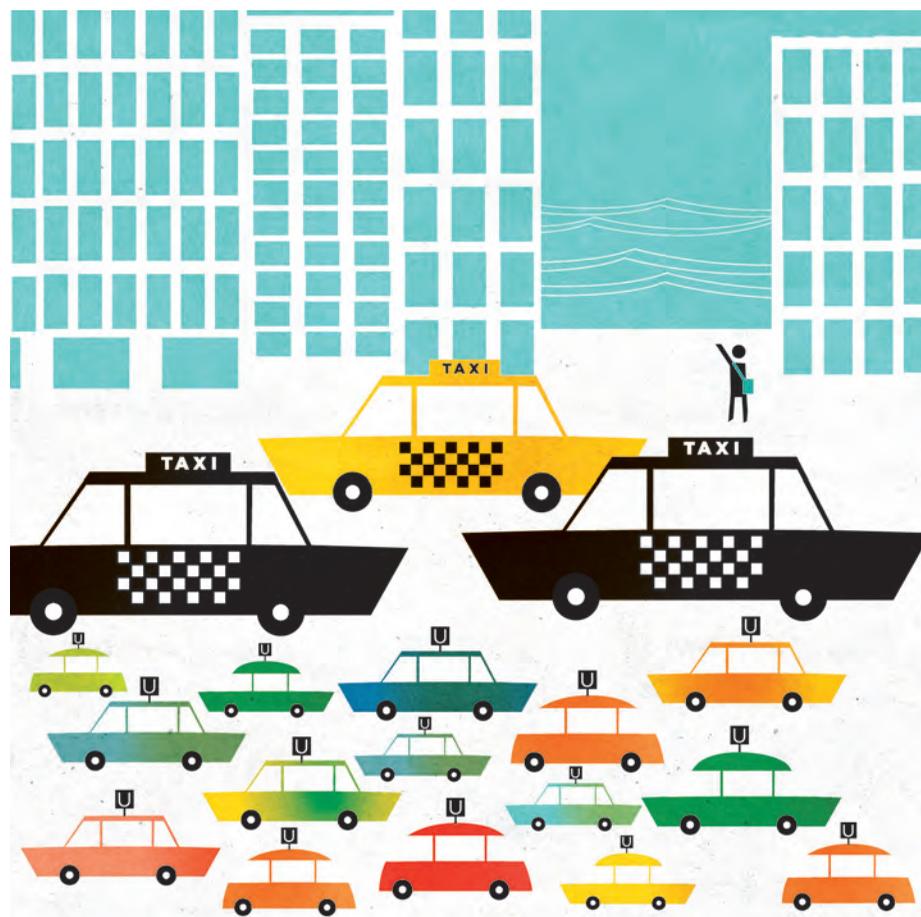
Airbnb, meanwhile, had an economic advantage: 1,600 Portland clients already renting in an underground market, many of whom claimed hardship if forced to stop (“Suite Surrender,” *WW*, March 19, 2014).

City inspectors could have shut down these rentals, but they mostly looked the other way. If neighbors didn’t want DIY motels on their street, they had to complain to city officials, who usually issued tepid warnings and rarely issued fines.

## Who controls city rules?

Ultimately, the City Council. But any business that wants to enter the Portland ride-sharing market has to get past the city’s taxi board—which includes representatives from existing cab and town-car companies. And Radio and Broadway—controlling 285 of the city’s 460 taxi permits—hold sway.

But the biggest force is the Oregon AFL-CIO, which last year obtained 50 taxi permits for driver-owned Union Cab and doesn’t want Uber’s competition. “There are entrenched interests in the Portland taxi industry, including the AFL-CIO, that Uber will have to compromise with,” says Greg Peden, a lobbyist with Gallatin Public Affairs who represented Uber last year.



“People make a living driving taxis,” responds Oregon AFL-CIO spokesman Russell Sanders. “We’re just afraid that Uber’s presence could undercut that.”

City officials say Uber appeared unwilling to comply with city town-car rules regarding safety and fares.

Steve Entler, general manager of Radio Cab, denies his company is powerful enough to stop Uber, which he labels dangerous and elitist. “The only people they target are people with a smartphone and a credit card,” Entler says. “Who’s taking care of your mother?”

What’s wrong with more choices? The concern about Airbnb and Uber remains one of accountability.

Cab companies warn that Uber drivers aren’t vetted—“It’s any yo-yo with a car,” says Entler—and could be a menace on the roads. On New Year’s Eve, an Uber driver hit and killed a 6-year-old girl in San Francisco. And this week, a Seattle woman said an Uber driver had raped her.

Steger says Uber conducts background

checks on its drivers—“but we welcome newcomers to the industry.”

Airbnb’s disruptions could hurt the city’s housing market—if landlords can get more money renting out rooms to tourists, that could further raise rents in a city with a shortage of affordable apartments. And if something goes haywire during a rental—like when a New York City man discovered in March his apartment was being used for an orgy—Airbnb isn’t legally responsible.

“It all sounds well and good,” says Maureen MacNabb, president of Capital Property Management Services, “until someone loses an eye.”

## What’s next?

The City Council is scheduled to vote July 23 whether to loosen city rules on short-term rentals and start collecting nearly \$500,000 a year in hotel taxes from Airbnb—the first city to do so (“City for Rent,” *WW*, July 9, 2014).

“I hope that the city is able to prioritize innovation,” says Uber’s Steger, “especially after they welcomed Airbnb.” *WW*

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