



ALLISON KEREK

CITY FOR RENT

MAYOR CHARLIE HALES WANTS TO GIVE AIRBNB SOMETHING IT CAN'T GET ANYPLACE ELSE.

BY AARON MESH amesh@week.com

Last week, Airbnb threw a house party in Portland City Hall.

The San Francisco-based online startup laid out two tables lined with trays of bagels, brownies and blueberry muffins. It invited its clients—the thousands of Portlanders who use Airbnb to rent their homes or apartments to tourists—to have snacks and testify in front of the mayor and city commissioners about why their rentals should be legal.

It's unusual for a company with business before the City Council to put on a buffet in the building. But Airbnb is hungry.

The “sharing economy” company is poised to be a breakout success, with venture capitalists’ investment valuing the firm at nearly \$10 billion.

But the past few months have been

unkind to Airbnb. It faces backlash in its hometown of San Francisco. In New York, the state attorney general has subpoenaed the company's database of clients. Earlier this week in Spain, the Catalan government fined Airbnb for breaking rental laws.

In Portland, officials have instead been welcoming—none more so than Mayor Charlie Hales.

On July 23, the city will consider a rule change that will permit Portland to do something no other city in America is yet willing to do: collect taxes from Airbnb's room rentals, legalizing the company's operations. In most cities around the world, Airbnb's clients are renting their property in violation of local hotel regulations—though officials often look the other way.

The plan to legalize Airbnb's rental of rooms in single-family homes in Portland has the full backing of the City Council. But Hales wants to go further—and give Airbnb's clients permission to rent apartments and condos.

To supporters, Hales' proposal would place Portland on the cutting edge of a

democratic new economy where people make money by renting their property on the Internet. Critics say it would give the Silicon Valley company the kind of legitimacy it has nowhere else.

“Portland legalizing short-term rentals in a city ordinance would be a major win for Airbnb and Portland's tax revenues,” says Matt Turlip, a senior analyst at PrivCo, a New York agency that evaluates privately held companies, “but would only be one small step of a puzzle that needs to be pieced together for Airbnb to legitimize its questionable business model.”

Meanwhile, Airbnb is bringing to Old Town 160 call-center jobs, paying up to \$18 an hour. Hales says he wants to put Portland at the forefront of the “sharing economy”—the Web marketplaces that allow peer-to-peer rental of property and goods.

Hales' courtship of Airbnb may reflect his need to show tangible accomplishments. It could also be costly. The mayor's willingness to give Airbnb what it wants has irked his political base: real-estate developers and property owners who have forbidden their tenants to sublet their apartments.

Real-estate interests, who were among the biggest donors to Hales' mayoral campaign, worry his plan will create risks for other tenants and liability for them.

“This is going to be a three-ring circus,” says Maureen MacNabb, president of Capital Property Management Services, which

operates 145 apartment buildings in Portland. “They're putting people in jeopardy for a few bucks in the city's pocket.”

Almost everywhere you look, Airbnb is under fire.

Housing activists and landlords in Airbnb's hometown of San Francisco have accused the company of forcing longtime residents out of their apartments.

In New York, a state senator called Airbnb a “scofflaw company,” charging it is openly violating the city's ban on short-term rentals.

Tabloid headlines scream horror stories of rentals gone wrong: “Hookers turning Airbnb apartments into brothels,” declared the *New York Post* in April. And New York's attorney general this spring subpoenaed a year's worth of data about Airbnb clients, trying to find the names and addresses of people who regularly and illegally rent out their apartments.

Airbnb responded in New York by pledging to set up a feedback hotline for neighbors and landlords. It also spent hundreds of thousands of dollars on lobbying and advertising. A company employee co-founded a nonprofit called the Peers Foundation, which has rallied New York City clients to petition their elected officials for the right to make money from their residences.

This spring, looking for a friendlier

CONT. on page 8



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reception, Airbnb took aim at Portland.

The company already has more than 1,600 Portland clients offering rooms in their homes through its website. (By comparison, New York City has 19,000 hosts, and San Francisco 5,000.)

Airbnb has been operating in Portland for years, even though city zoning code forbids rentals lasting less than 30 days without a bed-and-breakfast license ("Suite Surrender," *WW*, March 19, 2014).

Last year, Airbnb clients began asking City Hall to change those rules.

"The city started a formal legislative process last summer," says David Owen, Airbnb's regional head of public policy. "When we learned more about the work that was already going on, we wanted to help."

Airbnb first reached out to Hales in January. The company hired the Portland lobbying firm CFM Strategic Communications, which reported

"I'M HAVING TO DO SOME THINGS THAT ARE PRETTY UNPOPULAR RIGHT NOW. IT'S NICE TO DO SOMETHING THAT SOME PEOPLE THINK IS A GOOD IDEA. I'M NOT SURE YOU CAN SAY THAT ABOUT THE STREET FEE." —MAYOR CHARLIE HALES

spending \$4,500 to meet with city officials in the first quarter of 2014.

Two months later, Hales highlighted Airbnb's selection of an Old Town office building for its "operational headquarters" in his annual State of the City speech. Five days later, Airbnb dubbed Portland its first "Shared City," meaning it would begin collecting an 11.5 percent hotel tax from its clients. (It started collecting that tax July 1.)

Airbnb officials say Portland is the first city in the U.S. where they are collecting local taxes. The company hopes to strike a similar deal with San Francisco officials this summer.

"We are excited to see local leaders embracing the sharing economy," says Owen, "and this legislation is a great step forward."

Email correspondence obtained through a public records request shows Airbnb communicated repeatedly with Hales about the "Shared City" announcement. The communication included a phone call between the mayor and company CEO Brian Chesky.

"Brian would very much like to give the Mayor a call," an Airbnb employee wrote a Hales staffer March 20, "to discuss it briefly mano a mano before the launch."

Hales has another close connection to Airbnb: His daughter, Katelyn, is dating the company's chief mapmaker.

Last week, Airbnb urged users via email to testify at the City Council hearing on short-term rentals. "This is it..." the mass email read, "the final chance to show your support for clear legislation that allows you to share your home!"

The company asked its clients to meet a half-hour before the 2 pm hearing for coffee and bagels. Next to the cream cheese and almond butter, the company placed round stickers with its rallying hashtags.

"#FairToSharePDX," read the green stickers. "#AptsAndCondosTOO," blared the purple ones.

More than two dozen clients testified, including Overlook neighborhood homeowner Gary Cash, who said he started paying his mortgage with Airbnb rentals after his partner died and his father developed dementia.

"All the legalities, I don't know about," Cash said, choking up. "But I'm living in my house today, and I'm getting to keep it because of Airbnb."

Hales says such testimony was persuasive and came as a relief after the torrent of criticism that greeted another of his top priorities, instituting a new transportation fee.

"You couldn't help but be moved," he tells *WW*. "I'm having to do some things that are pretty unpopular right now. It's nice to do something that some people think is a good idea. I'm not sure you can say that about the street fee."

At the July 2 hearing, Hales offered Airbnb welcome news: He proposed further rule changes that would expand the legalization of short-term rentals to include apartments and condos, not just single-family houses.

That would be a powerful precedent for cities across the country, because so many city dwellers live in multifamily housing. It would legalize the apartment rentals that have drawn ire in other cities—and do so in the middle of Portland's building boom.

Hales' suggestion marks the latest step in the mayor's growing relationship with Airbnb.

The mayor says Airbnb has asked for more than he's willing to give. But he says the potential of attracting more investment from Silicon Valley peer-to-peer rental companies justifies changing some rules for Airbnb.

"I'd rather try something and see if it works," Hales says, "than wait while the Internet runs away from us."

But Hales' suggestion divided the City Council, which is united in support of legalizing short-term rentals in single-family homes.

Local critics of Airbnb warn that legalizing short-term rentals in apartments could jack up rents in a city with a notorious housing shortage. At the July 2 hearing, City Commissioners Amanda Fritz and Nick Fish panned the idea, and Hales delayed a vote until October.

"There are clearly going to be winners, and some very compelling stories," says Fish. "My concern is, the losers could be people who are unable to afford an apartment."

The biggest critics of allowing apartment dwellers to rent their units through Airbnb come from the group traditionally aligned with Hales—real-estate developers and landlords.

Greg Goodman, whose family owns the Indigo, a 23-story apartment building at 430 SW 13th Ave., doesn't like the idea of Airbnb brokering short-term rentals in his building. "It's not a hotel," Goodman says. "We want to know who our tenants are."

Bob Ball, whose 177-unit Pearl District rental, the Parker, will be completed next month, says landlords bear additional risk for no additional gain. "The deposit you get from regular tenants isn't enough to cover the cost of damages short-term renters might do," he says.

Hales says he understands the concerns, especially about crowding out affordable housing. But he still plans to move forward against his own political base.

"I was a little puzzled that they want us to go slower on this issue," Hales says. "I don't think putting our head in the sand and hoping short-term rentals disappear is a good strategy." *WW* news interns Erin Carey and Rebecca Turley contributed to this story.

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