

The Portland Tribune

City Won't Legalize Vacation Rentals, But Does It Matter?

By Steve Law

December 13, 2018

Audit: Airbnb already has whole-house listings here illegally, even though city leaders previously promised to prohibit them.

Though Portland now hosts the headquarters of North America's largest vacation rental company — Vacasa — the city has quietly dropped the idea of legalizing vacation rentals within city limits.

Vacation rentals have been a fixture on the Oregon Coast for decades, and in July 2014 then-mayor Charlie Hales announced his intention to legalize them inside city limits for the first time. Conjuring an image from the TV show "Let's Make a Deal," Hales said the city's pending ordinance to legalize Airbnb-style rentals in private homes was akin to Door No. 1, and expanding that to allow short-term rentals in apartments and condos, planned for later that year, was akin to Door No. 2.

Door No. 3, Hales said, was vacation rentals, and that would come next, he promised, with city planners drawing up proposed regulations to be vetted the next year. Vacation rentals typically give travelers the run of a whole house, without a landlord or resident present, for several days.

But it never happened.

Mike Liefeld, who runs the enforcement program for the Bureau of Development Services, said recently that the city decided not to open Door No. 3, because of the feared impact on the rental housing market from converting long-term rentals into short-term vacation rentals.

It's hard to pinpoint when the decision was actually made, because it came with little fanfare and no public discussion. But Marshall Runkel, chief of staff to Commissioner Chloe Eudaly, said his boss determined she didn't want to allow vacation rentals during the time she oversaw the Bureau of Development Services in 2017 and early 2018.

"It was very clear that the commissioner wasn't interested in enabling whole-house rentals," Runkel said. They are the "most damaging" type of short-term rentals for a neighborhood and the most damaging to the housing market, he said.

There's been no discussion by Mayor Ted Wheeler's staff about changing the city policy on vacation rentals since he took over control of the Bureau of Development Services earlier this year, said his spokeswoman Sophia June.

"When then-Mayor Hales said that the next policy to consider was vacation rentals, Portland hadn't declared a housing emergency and we weren't in a housing crisis," she wrote in an email to explain the mayor's thinking. "We understand that there is a constituency that would like the city to allow for vacation rentals, but at this time the city's policy remains unchanged."

Back in 2014, Vacasa executives told the Tribune they'd refrain from expanding into the city if it wasn't going to legalize vacation rentals — but grumbled that if the company didn't get respect from the city, it might move its headquarters to Boise. But if the city did open Door No. 3, they envisioned a substantial operation that would require the services of 200 to 400 more employees in Portland, including housekeepers, maintenance staff, photographers and data specialists.

Vacasa has since grown exponentially, and now manages more than 10,000 vacation rentals across the U.S. and in select cities in Europe, Latin America and even Africa. But it still has only a limited inventory of properties in Portland, said Vacasa spokeswoman Anni Murphy.

"The units we manage adhere to local regulations, as our company has been advised by the city," Murphy said.

A recent search found the company was listing 68 vacation rentals in Portland, though it's unclear if those are all in city limits, and some may be in commercial zones where such rentals are not restricted.

Murphy said Vacasa would still welcome a decision to legalize vacation rentals in Portland.

"Second-home vacation rentals provide great lodging options for tourists and family members visiting Portland, thereby increasing revenue to the city and local businesses," Murphy wrote in an email statement. "At Vacasa, we support legally operated short-term vacation rentals in Portland, and believe they should be taxed equally to hotels, while redirecting the proceeds to important social causes including affordable housing."

But some wonder if the whole issue is now moot, because Airbnb and other short-term rental companies have long flouted the city ordinance, and operate vacation rentals anyway.

Saying the city won't open Door No. 3 "makes no sense to me," because they've already opened it, said Steven Unger, owner of the Lion and the Rose, a Northeast Portland bed and breakfast.

The city short-term rental ordinance allows people to rent out one or two bedrooms in their home, apartment or condo. But if they want to rent out more than two bedrooms, they must get a different permit that is much costlier and more involved, akin to the permit that regular bed and breakfasts must get.

Airbnb is widely accused of flouting the rules here and elsewhere around the world. Along the way, it has created a robust new global market for urban vacation rentals.

"If you go to Airbnb, there are about 3,000 entire-place listings" in Portland, Unger said. City auditors reached a similar conclusion in an audit released in August, when they decried the city's lax enforcement of the short-term rental ordinance, and estimated whole-house home and apartment rentals accounted for 60 percent of Airbnb's Portland listings in December 2017.

Laura Rillos, spokeswoman for Airbnb, said many of those listed whole-house units are accessory dwelling units (ADUs), which are legal under the city ordinance. Many of those would not be offered on the long-term housing market, she says, because the owners keep them for visiting family and other guests certain times of the year.

Debi Hertert, leader of a locally based trade group of short-term rental hosts, Host 2 Host, said her members don't offer whole-house rentals, but individual rooms in homes, primarily through Airbnb. Hertert said it's unfair that Airbnb gets singled out for criticism because it is the largest player in the Portland market, when other companies often are more flagrant violators of city rules.

But Hertert recently researched large homes on the market as a locale for an overnight meeting of several Host 2 Host members.

"I was shocked by how many four to five-bedroom homes were available in Portland," she said.

One of the problems with the city's short-term rental ordinance is it's hard to enforce, and easy to circumvent. For instance, the host must be on site at least three-fourths of the year. But that

means someone could be out of town for three months — the entire summer — and lease their house out as a vacation rental during the prime tourist season.

And the city has no way of knowing if a family or group is using three or more bedrooms in a home instead of just two.

Though the bed and breakfast business has been severely hurt by the explosion of home-sharing and short-term rentals, Unger thinks the city should legalize vacation rentals. He reasons that they're occurring anyway, and that way the city could set its own rules for them, just as Cannon Beach, Manzanita and a host of other Oregon cities do.

"I think the city should do Door No. 3," Unger said. "I think they should regulate it in a controlled manner, that meets the strategic goals of the city."

Otherwise, he figures, they're happening anyway.

But one Portland Airbnb host, who asked that his name not be divulged to avoid retribution, predicted that if the city were to legalize vacation rentals it could lead to a "full-on free-for-all" by investors grabbing up regular homes and converting them to permanent vacation rentals.

Hertert, of Host 2 Host, agrees that legalizing vacation rentals would take even more housing off the regular rental market.

"The vacation rental industry is booming," she said. "I think the urban areas are wise to protect themselves."

Airbnb deal aims to fix problem with short-term rentals

By Steve Law

December 13, 2018

New registration process should put teeth in Portland regulations for short-term rentals.

City leaders seem to have consensus that regulating squirrely short-term rental companies will become a lot easier once a pending agreement with Airbnb is negotiated.

The company has agreed to provide names and addresses of its local hosts, in exchange for being allowed to register its own hosts and dispense with mandatory city safety inspections by the Bureau of Development Services. It's similar to a deal the city reached nearly a year ago with HomeAway to settle a lawsuit.

Mayor Ted Wheeler acknowledged in an October interview that short-term rental companies have been operating like "the Wild Wild West" in Portland, but said that's about to change. When Airbnb and other companies release the data on host names and addresses, "that will definitely eliminate illegal usage," Wheeler said.

Thomas Lannom, the city Revenue Division director who has been negotiating with Airbnb for the good part of a year, said via email Nov. 30 that he's "down to fine details" on that deal.

Under the agreement, Airbnb hosts would stipulate on online forms that they meet city requirements, including safe escape exits from rooms, interconnected smoke alarms and carbon monoxide alarms. Hosts must also live on the premises at least three-fourths of the year, and rent no more than two rooms at a time.

Airbnb calls the move toward deregulation "pass-through registration," because the registration of hosts passes through them, not the city. More than 4,000 residential properties have been rented out by the night since the City Council adopted a short-term rental ordinance in 2014.

But it's unclear if stakeholders and other citizens will have a chance to weigh in on the new system, because it may be adopted administratively rather than go to the City Council for approval.

And the deal is placing a lot of faith in Airbnb to act with integrity, which, judging how they have handled the case of a fake mega-host dubbed "Nadia," is not a sure thing.

Administrative deal?

Lannom said city attorneys have determined the new scheme does not require City Council approval. "This agreement is not required to go to City Council," he stated.

At least one city commissioner, Chloe Eudaly, wants to debate the changes and explore additional language, such as restricting central-city apartment owners from turning their vacant units into short-term rentals, which has limited the supply of rental housing during the city's declared "Housing Emergency."

"Even if they're not required to bring it to City Council, they should," said Marshall Runkel, Eudaly's chief of staff. "I hope we can persuade them otherwise."

Commissioners Nick Fish and Amanda Fritz did not respond to requests for comment on the issue.

City attorneys say the deregulation deal does not constitute a change in the city's short-term rental ordinance or city code. The new pass-through registration process "is in furtherance of the code provisions. As such, it is an administrative act and fits within the code language," Ken McGair, senior deputy city attorney, said in an email.

Section 33.207 of the city Zoning Code, where the short-term rental provisions seem to have landed, states that "The Bureau of Development Services must verify that each bedroom to be rented to overnight guests" meets the smoke alarm and carbon monoxide requirements, plus "the building code requirements for a sleeping room at the time it was created or converted."

"BDS will still verify the requirements are met," McGair said, "through either a random inspection of the property, or by accepting a signed attestation from the host, or both."

'Nadia' still renting units

The Portland Tribune exposed Airbnb's fraudulent listings for "Nadia" in an Oct. 2 story. Nadia claimed on Airbnb's website to live in Portland, Seattle and San Diego, and listed several hundred short-term rentals in those cities plus Los Angeles and Boston. The photo used for Nadia turned out to be an apparent model, as the same image was used on unrelated websites about "Becoming a Pretty Girl in High School," and "100 Pretty Back to School Outfits Ideas," among others.

Nadia's listings of properties available on the website also were fraudulent, as the same photos were used to depict rentals in Portland and other cities.

Six days after the Tribune exposed the fraud, Airbnb hadn't responded to questions about it, and Nadia was still listed as the host for 120 properties in Portland. When told the Tribune was doing a follow-up story, Airbnb finally responded, and said Oct. 9 that it "suspended" the Portland listings "while they are reviewed."

So far, Airbnb has not responded to questions about the results of that review, which was announced nearly two months ago.

A recent check of Airbnb found that the Portland listings for Nadia seem to be off the website. However, Airbnb is still using the fake model photo of Nadia on her Airbnb profile, and insists that her ID was "verified" by the company.

Nadia is still listing at least 100 short-term rentals in four other cities, though it appears to have taken steps to make it harder to search for her entire portfolio.

A recent customer review of Nadia's property by a guest named Moky is illustrative of Airbnb's lax approach, and the limits of its ability to do self-policing of poor hosts through guest reviews.

Moky cautioned other would-be renters that the unit was managed not by Nadia but by a corporate entity named Barsala that owns multiple apartments in downtown Seattle. Moky wrote that the unit they gave here was not the one she thought she rented online, and the images posted online were stock photos and not of the unit. When she complained, she had to move to a different unit, at her cost.

"Not sure Nadia even exists as I never heard from her. It's exactly what Airbnb is NOT about. It is disingenuous," Moky wrote.

Nadia's response to Moky's criticism posted on the website was telling: "Moky was a wonderful guest. There were no issues whatsoever. We have no hesitation recommending Moky to any host."

Mayor Wheeler noted in October that with him taking authority for the Bureau of Development Services, "there's a new sheriff in town" to crack down on short-term rental companies.

We shall see if that turns out to be the case.

Sources: Extreme but Not Extremist? City May Exit Task Force

*By Jim Redden
December 13, 2018*

Plus, Oregon House Speaker Tina Kotek favors having the 2019 Legislature pass statewide rent control.

The City Council is poised to withdraw Portland from the FBI Joint Terrorism Task Force following the election of activist Jo Ann Hardesty to replace Commissioner Dan Saltzman in January.

With commissioners Chloe Eudaly and Amanda Fritz leaning in that direction, FBI Special Agent in Charge of Oregon Renn Cannon probably didn't help matters last week when he told reporters his agency doesn't consider the Proud Boys to be an "extremist group."

Cannon was briefing reporters on task force activities Dec. 4 when he contradicted a statement from the Clark County Sheriff's Office that the FBI had made such a designation.

The group describes itself as "a pro-Western fraternal organization," and self-declared members have fought with Patriot Prayer members against counter-demonstrators in Portland.

Even Mayor Ted Wheeler and Commissioner Nick Fish, who support Portland staying in the task force, undoubtedly consider them extremists.

The FBI classification process is technical and intended to focus on the actual activities of organizations, not the political beliefs of their members. But good luck explaining that during what will be a heated public hearing on Portland withdrawing from the task force.

Kotek favors statewide rent control

Oregon House Speaker Tina Kotek says the 2019 Legislature will consider a statewide rent control and tenant protection program.

Speaking before the Columbia Corridor Association on Dec. 7, Kotek, the Democrat who represents District 44, said the state cannot guarantee enough additional homes will be built in coming years to overcome the current affordable housing crisis.

But Kotek also said the Legislature should not simply repeal the existing state prohibition on local rent control programs.

Instead, Kotek said the upcoming legislative session would consider imposing restrictions on rent increases and no-cause evictions across the state, even though she admitted developers have said that could reduce future new home construction.

Commission: Infill Report Mostly Good News

By Jim Redden

December 12, 2018

Some members of the Planning and Sustainability Commission are worried housing costs will still be too high for lower income households.

The new economic report of a rezoning plan working its way to the City Council was well received by most of the members of the citizen committee working on it last Tuesday.

The majority of the Planning and Sustainability Committee was pleased that the report said the current Residential Infill Project recommendations will create far more housing units in neighborhoods now zoned for single-family homes over the next 20 years. The units would also cost far less to rent than single family homes because they would be in duplexes, triplexes and four-plexes.

"I'm very happy with the way this turned out," commission member Chris Smith said of the Johnson Economics report released shortly before the Dec. 11 meeting.

But commission member Andre Baugh said that even though the predicted rents were lower, they still are predicted to average \$1,823 per unit, which is more than lower income households can afford.

"That's not affordable by HUD [US Department of Housing and Urban Development] standards. All of a sudden, we have a class of people being left out."

Other members noted that few of the new units would be available for purchase. And some worried that older existing homes, which are currently the most affordable ones, will be demolished to way for the new multifamily projects. The commission responded by directed the Bureau of Planning and Sustainability, which is staffing to project, to prepare a study on the displacement of existing lower income residents potentially caused by the recommendations.

Project manager Morgan Tracy said the recommendations were never intended to create affordable housing as defined by HUD or home ownership opportunities, but to increase the availability and variety of housing in the city. Tracy said the city has other programs to create affordable housing and home ownership opportunity.

The commission is expected to approve the recommendations on March 12 and forward them to the council, which will consider them in the summer.

The commission originally considered recommending that 60 percent of single-family neighborhoods be rezoned to allow smaller multifamily project. It now has raised that number to 96 percent, or almost all of them. The commission also wants to encourage developers to build multifamily projects by increasing the maximum size of the structures. Single-family homes would be limited to 2,500 square feet but increased to 3,500 for a triplex or four-plex.

The Johnson Economics report found the current recommendations would result in 38,115 new homes being built over the next two decades. That compares to 13,665 new homes under the city's current zoning, the report says. The original recommendations would have produced only around 200 additional homes.

According to the report, under the city's existing zoning, the majority of new homes built over the next 20 years would be single-family houses that would rent for an average of \$4,159 a month. If the council approves the recommendations, the majority would be duplexes, triplexes and four-plexes, with the average rent being \$1,823 per unit.

"The impact on rental residential pricing was highly significant, with average rents dropping by 56 percent as compared to the default scenario (current zoning), which reflects a change in unit size as opposed to reduced rents per square foot," the report says.

The numbers do not include the larger multifamily projects expected to be built along major transportation corridors and in designated urban centers including downtown.

The report also predicts a relatively small increase in demolitions if the rezoning happens — from 1,384 to 1,501 over the next 20 years. But the net increase of 24,333 units is much greater because so many multifamily projects will replace them.

Almost all of the new units will be rentals, not owner-occupied homes, however. According to the report, few developers are building condominiums anymore because of liability and insurance issues, which are national concerns.

The recommendations are controversial. Supporters say the change will encourage the construction of a greater and more affordable range of housing throughout the city. Opponents say the rezoning will change the character of the city's neighborhoods and encourage more existing homes to be demolished and replaced.

"It is no surprise that by allowing more units on a single lot, we can lower prices per home. Right now, the only type of housing allowed in 43 percent of the city is the most expensive: a single-family detached home with mandatory space for a car. This latest recommendation will allow for smaller, more flexible, and less-expensive housing options, making it possible for all kinds of Portlanders to live in neighborhoods that are close to schools, jobs, parks, transit and all the things that we love about our city," said Madeline Kovacs, coordinator of Portland for Everyone, a project of the 1000 Friends of Oregon land-use watchdog organization.

But the results were criticized by the Multnomah Neighborhood Association, which is challenging the city's push for more "missing middle" housing in court.

"The memo shows that the RIP will increase demolitions by 8 percent, create 24,333 mostly small rental units, promote rentals over owner-occupied units, [and] result in an average monthly rent of \$1,823," reads a Sunday email from the MNA, whose members also are demanding public testimony on the report. The deadline for submitting comments on the recommendations was May 15.

You can learn more about the project at www.portlandoregon.gov/bps/67728.

Willamette Week

Artists Offered Free Studio Space in Effort to Slow Portland Gentrification

*By Rachel Monahan
December 12, 2018*

WeWork is offering a six month residence for artists.

National co-working startup WeWork is joining an effort to keep Portland artists from being displaced by rising rents.

WeWork is offering four artists six months of free studio space in its first-ever artists-in-residence program at its Pearl District location.

Applications are due Jan. 13, and the move-in date for studio space is Feb. 4.

"I strongly encourage the private sector to make these artists-in-residence programs available, and I applaud WeWork for taking the lead," say City Commissioner Nick Fish, who has championed efforts to address the shortage of affordable studio space for artists.

The Portland Mercury

Big Pipe 2.0: Council Approves Construction of Earthquake-Proof Pipe Under Willamette

*By Alex Zielinski
December 12, 2018*

By now, seismic experts are confident saying there's a 35 percent chance that a massive earthquake-triggering rupture will hit the Cascadia Subduction Zone fault line—which runs to the east of Portland—in next 50 years. It's serious enough for Portland City Council to start doubling down on costly reforms to protect city utilities and stabilize collapsable buildings.

With that in mind, commissioners approved a \$73.5 million contract with a company based in Dallas, Oregon to bury a 4,500-foot-long pipe 80 feet under the Willamette River. Unlike the city's \$1.4 billion "Big Pipe" project, which created massive underground tunnels on both sides of the Willamette, this pipe won't be filled with poop and other toxic water globs. This pipe will carry drinking water from the Eastside's water reservoirs to the Westside in a pipe that's expected to withstand the massive earthquake we're patiently waiting to strike at any moment.

Portland already has six pipes that stretch across the under the Willamette—both under the river and across bridges—to transport water and from the east to the west. But earthquake experts say those current pipes "are at significant risk of failure" once an earthquake hits, leaving the Westside without potable water for up to six months.

This new pipe project, dubbed the [Willamette River Crossing](#), is expected to start construction in 2022.

The Portland Water Bureau hinted at a future wrinkle that may irk Southeast Portlanders: The pipe will require constructors to dig into private property (thanks to eminent domain) to connect the pipe to... other pipes. PWB will host a number of community meetings in 2019 to hash out those details.