

SHORT-TERM RENTAL REGULATION:

Enforcement is lax and effect on housing crisis unknown

August 2018



PORTLAND
CITY AUDITOR
Audit Services





See complete data from this report on
Audit Services' website

Mary Hull Caballero, City Auditor

Kari Guy, Audit Services Director

Audit Team

Alexandra Fercak, Senior Management Auditor

Tenzin Gonta, Senior Management Auditor

Minh Dan Vuong, Senior Management Auditor

Cover

Map data © Google



Short-Term Rental Regulation

Enforcement is lax and effect on housing crisis unknown

Summary The City began regulating short-term rentals in 2014, and the market has more than doubled since then. The intent of regulations was that homes should be used primarily for residential rather than commercial purposes, but the City's current approach cannot assure this. Most hosts do not obtain the required permits: only an estimated 22 percent of properties are permitted, and the City rarely enforces its regulations. Despite concerns about the effect of short-term rentals on housing availability and affordability, the City does not collect data needed to regulate these rentals and to monitor the housing market.

City sets rules for short-term rentals In 2014, City Council changed the zoning code to allow hosts to rent their residences for short terms. Commonly, hosts and renters find each other using online booking agents, such as Airbnb, HomeAway or Vacasa. Before these rules were adopted, the City only regulated and taxed hotel, motel, and bed & breakfast rentals.

The City's short-term rental regulations require hosts to get a Type A or Type B permit depending on the size of the rental and follow certain restrictions:

- The host must occupy the residence at least nine months of the year
- The rental property must be the primary residence of the host
- A maximum of 25 percent of units in a multi-family building may be rented
- Rentals must be for less than 30 days

These requirements were intended to preserve the residential character of neighborhoods and to prevent *commercial* short-term rental activity.

The Bureau of Development Services conducts home inspections before issuing permits to ensure the safety of visitors renting the units. Development Services also investigates complaints and enforces short-term rental regulations.

Hosts are required to obtain a business license from the Bureau of Revenue and Financial Services and pay City taxes and fees. Those taxes include the lodging tax also required of hotels, and a business tax if rental and other business income combined exceeds \$50,000 per year. Recent changes to city tax codes also added fees specific to short-term rentals. Online booking agents may remit lodging taxes and fees on behalf of hosts.

We conducted this audit to determine the effectiveness of the City's regulations, and how the City evaluates the effect of short-term rentals on housing availability and affordability.

Audit Findings

If the regulations were working as intended, all short-term rentals would meet permit requirements, inspections would ensure the safety and livability of the spaces rented, and all taxes would be paid. In addition, the City would analyze effects of short-term rental activity on housing affordability and availability. We found shortcomings in these areas.

One factor that has limited City bureaus' ability to enforce the regulations is the lack of data about short-term rental activity, including data on listings and their hosts, how often and for how long listings are rented, and rental rates and revenue. Of approximately 15 booking agents active in Portland, none regularly provide data to the City, citing privacy protections for hosts. The City recently reached an agreement with one booking agent, HomeAway, to provide data on hosts as soon as Airbnb also agrees to provide data to the City. At the time of this audit, the City had not yet reached agreement with other booking agents.

Because the City did not have data on short-term rentals, we used information gathered by Inside Airbnb. Inside Airbnb is a group not affiliated with Airbnb that compiles public information from Airbnb's website. Its data includes the listing, the availability calendar, estimated location, host information, and reviews for all properties offered on the Airbnb website. This information is limited: it doesn't include properties offered by other booking agents; the data does not show nights rented, whether a host lives on site, or the address of the unit. In addition, a listing on Airbnb doesn't always represent a housing unit such as an apartment or house, and one permit issued

may be applicable to more than one listing. However, because most Portland rentals are listed on Airbnb, we found the data sufficiently reliable to provide an estimate of short-term rental activity in Portland and to highlight the importance of obtaining complete data from the booking agents.

This audit’s findings rely on City permit and complaint data and Inside Airbnb data. Visual representations based on Inside Airbnb data can be found on the [City Auditor’s website](#).

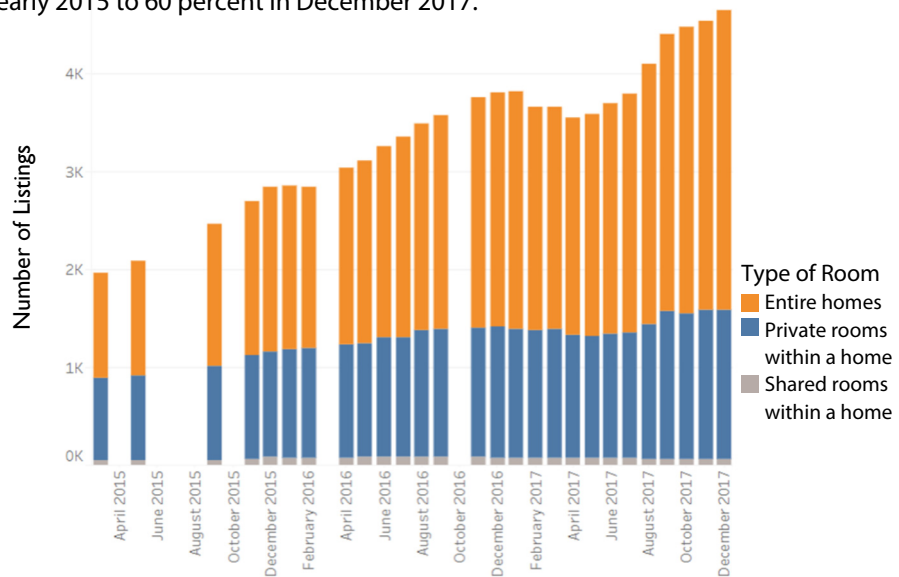
Compliance is low and enforcement is limited

As of October 2017, Development Services had issued 1,638 active permits. In contrast, data from Inside Airbnb shows over 4,600 listings offered on Airbnb alone. Assuming a one-to-one relationship between permits and listings, and estimating number of listings from the other booking agents, only about 22 percent have permits.

Only about **22%** of short-term rentals are permitted



Since 2015, listings on Airbnb have more than doubled. Among all listings, the percentage of entire houses/apartments has grown from about 55 percent in early 2015 to 60 percent in December 2017.



See complete data on Airbnb listings and hosts on our website

Data is for Airbnb listings only. Listing might be for the whole house/ apartment or a room within the house/ apartment. For some months data was not available.

Source: Audit Services analysis of data from Murray Cox, Inside Airbnb

One reason for the low permit compliance may be that the cost and time to obtain a Type B permit is high. Since 2014, the City granted 1,733 Type A permits, which are required for hosts renting one or two bedrooms. The permit fee is \$178 and requires no land-use review. A Type B permit is required for hosts who want to rent three or more bedrooms. The fee costs about \$5,000 and Type B permits require a land use review. Only 13 Type B permits have been issued as of October 2017, but an estimated 444 of the 4,600 listings identified in 2017 by Inside Airbnb are for properties with three bedrooms or more.

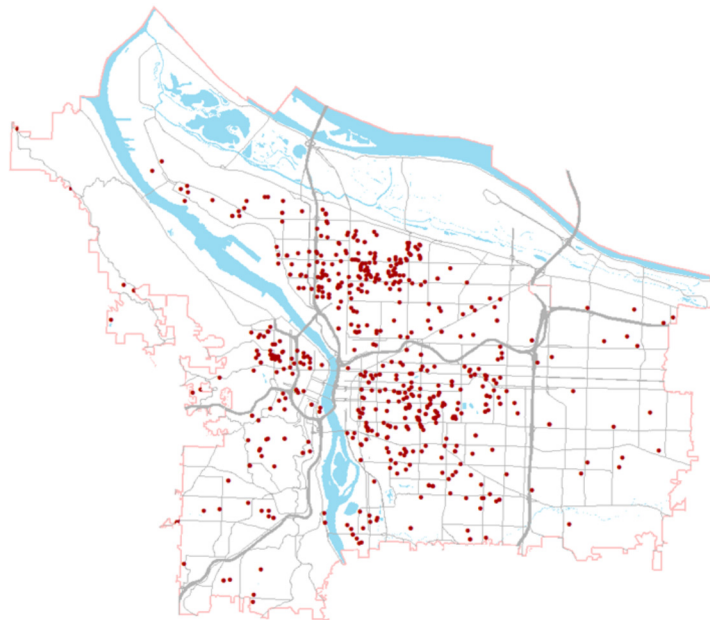
Another reason for low compliance with permit requirements may be that booking agents do not require a rental to have a City permit before posting the listing to their websites. This is required by City Code where the City can fine agents for each unpermitted listing, but it is not enforced because the City does not have host data. In contrast, San Francisco requires booking agents to verify that hosts have obtained a permit, and the city reached an agreement with booking agents to obtain their host data and fines agents for unpermitted listings.

Enforcement by Development Services is also limited because it reacts to complaints rather than using more proactive approaches. The Bureau investigates complaints about properties to determine whether they are valid and if fines should be imposed, but does not proactively enforce the Code. The number of complaints about short-term rentals increased from 24 in 2013 to 297 in 2017.

Our analysis of Inside Airbnb data shows some neighborhoods with high concentrations of short-term rentals, but the Bureau does not use this information to target them for enforcement. The data shows some hosts with multiple listings, contrary to Code requirements. Relying on a complaint-based process means that only those with knowledge of the process will submit a complaint to the City and increases the likelihood that compliance with regulations will remain low.

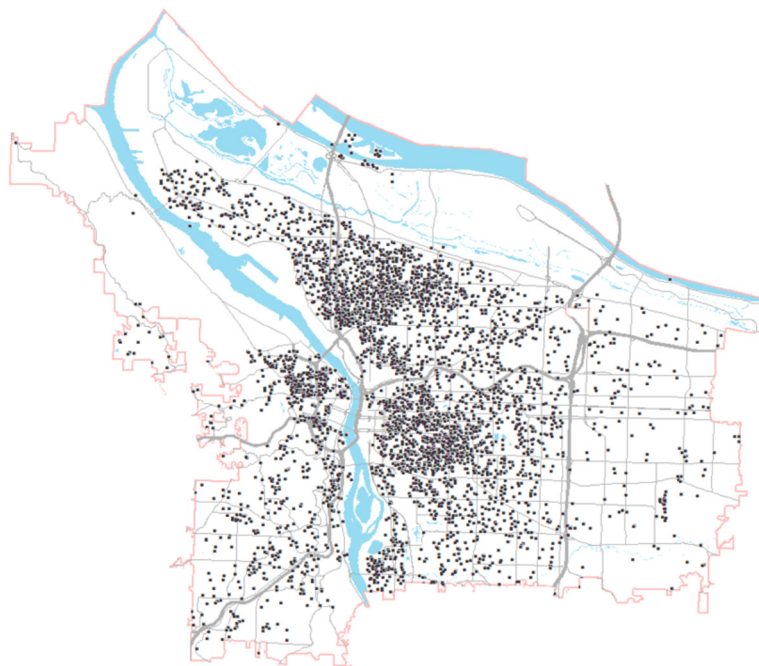
As long as the City does not proactively enforce requirements and there is widespread non-compliance, it will be unable to control short-term rental activities and protect the residential nature of neighborhoods.

Complaints are concentrated in Northwest and Northeast Portland (Fiscal Year 2013-2018).



Source: Audit Services analysis of Bureau of Development Services short-term rental complaint data. Only partial data for FY 2018.

Airbnb listings are concentrated in Northwest, Northeast, and Southeast Portland.



Source: Audit Services analysis of data from Murray Cox, Inside Airbnb, December 2017
Data is for Airbnb listings only.

[Go online for data visualization on Airbnb listings types and hosts.](#)

Inspections may not ensure safety

Over 90 percent of permit applicants pass the safety inspection on the first try. Safety inspections are brief, taking about ten minutes to complete. This is because current City Code includes only specific requirements, such as the presence of a smoke detector in the bedrooms, and does not require a comprehensive safety inspection of the property.

Inspections were intended to ensure the safety of visitors renting the units, but the current inspection requirements and practices are minimal and may not meet that intent or the public’s expectations. For example, someone renting a permitted space would reasonably expect the house or apartment to be safe for overnight stay. In addition, the City may be exposing itself to legal risk when inspectors do not address a property’s other Code violations, such as an unsafe staircase or patio. An alternative approach could be to conduct targeted inspections and focus resources on high-risk properties.

Most booking agents remit lodging tax

Ten out of an estimated 15 booking agents remit lodging taxes to the City. Since these ten agents represent the majority of Portland’s listings, Revenue Division estimates that most hosts are paying the lodging tax. However, without access to the host and listing data, it is difficult for the Division to audit these booking agents. The Division estimates the total number of hosts by searching each agent’s website, which may not provide an accurate count. The result is that the City may be missing out on taxes owed.

Booking agent	Pays lodging tax
Airbnb	✓
Craigslist	
Evolve	
HomeAway	✓
HomeToGo	
HouseTrip (TripAdvisor)	✓
Misterbnb	✓
Roomorama	
StayAlfred	✓
TripAdvisor/Flipkey	✓
Vacasa	✓
VacationHomeRentals (TripAdvisor)	✓
VacationRentals (HomeAway)	✓
VRBO (HomeAway)	✓
Wimdu	

Source: Division of Revenue

Revenue's approach to improve tax compliance and get data on listings has been through litigation. Revenue was successful in reaching agreement with HomeAway to provide listing data if and when Airbnb also provides the data. At the time of our audit, the City was negotiating with Airbnb to obtain its data.

Effect of short-term rentals on housing market is unknown

Even as the number of short-term rental units has increased each year, their effect on housing availability, affordability, and neighborhood quality has not been monitored by the City. No City bureau has been assigned the responsibility to collect data and measure the impact on housing or related goals.

Prior work by City bureaus does not sufficiently address these questions. In 2016, the Bureau of Planning and Sustainability produced a short-term rental regulation progress report, but it did not describe effects on the three areas of concern. The Housing Bureau attempted to review the short-term rental market as part of its State of Housing Report in December 2017, but it lacked data on hosts and listings.

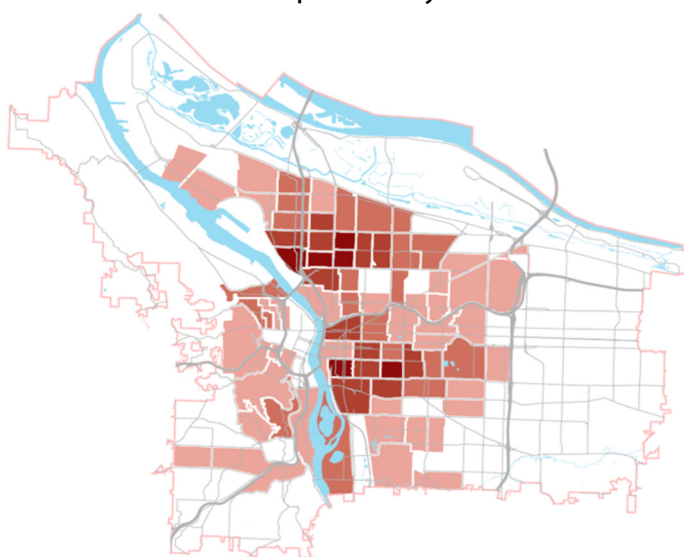
The 4,600 Airbnb listings identified by Inside Airbnb make up approximately 1.7 percent of the City's 273,000 housing units. However, addresses for listings are not provided, and one housing unit may have more than one listing. At the time regulations were developed in 2014, City Council and community members raised concerns about the effect of short-term rental units on the housing market, but the City has not obtained complete data from the booking agents to assess these effects.

Analysis of Inside Airbnb and City data

Some Portland neighborhoods have higher activity

Some neighborhoods have a high concentration of short-term rentals and high numbers of visitors staying in these units. To provide a neighborhood comparison, we estimated the number of nights units are occupied and compared them to the housing stock for each neighborhood.

Neighborhoods in inner Northeast and inner Southeast are frequented by short-term renters more often than other parts of the city.



These also are neighborhoods that have experienced gentrification and are facing housing shortages. These neighborhoods may need to be monitored to determine how short-term rental activity affects them. For example, some cities have limited short-term rental units in certain neighborhoods because of high use that detracts from neighborhood livability.

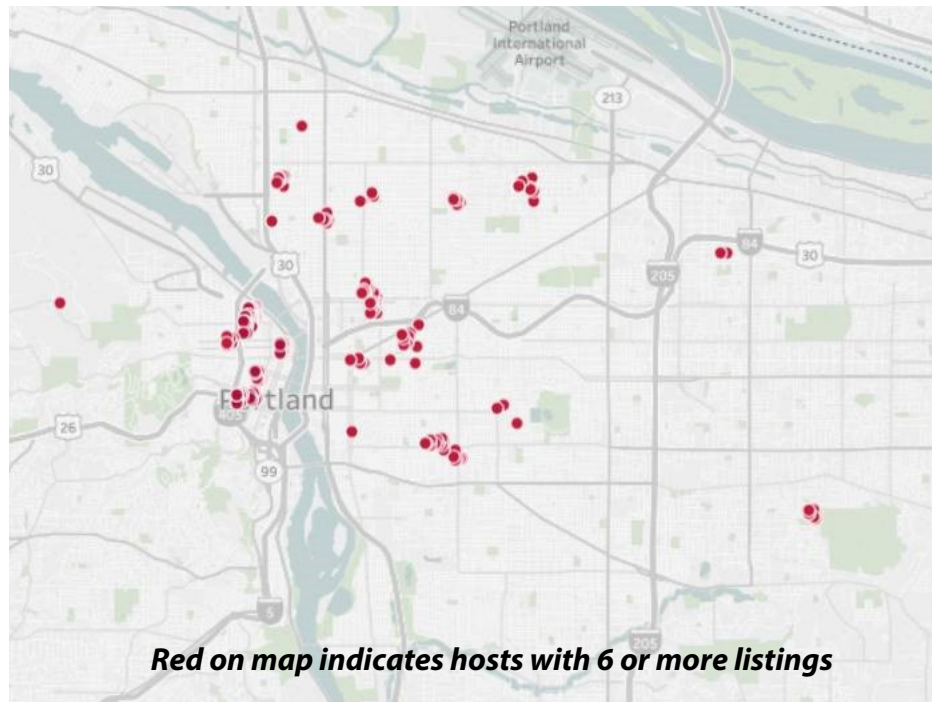
Source: Audit Services analysis using data from Murray Cox, *Inside Airbnb*, December 2017
Data is for Airbnb listings only. Estimated nights of occupancy as a percent of total housing stock.

Hosts renting multiple short-term rentals may decrease housing supply

Inside Airbnb data shows there are several Portland hosts with multiple listings (see data on [Auditor's website](#)). Due to limited data on listings, it is unclear how much of this activity represent illegal short-term rentals. For example, some of these hosts are hotels or bed & breakfast firms that list separate rooms, or hosts that list separate bedrooms in their homes. Some may be management companies that list and manage units for clients. Others may be hosts listing multiple houses that are not their primary residence, which would be a violation of City Code.

Because the City doesn't have access to complete data on these listings, it does not know the effect on long-term rental rates or whether hosts are removing residences from the long-term rental market. Research in other cities shows growth in the number of hosts who rent multiple properties in residential areas. This commercial-type activity in residential areas also risks diminishing the character and livability of the neighborhood.

Some Airbnb hosts offer multiple listings



Source: Audit Services analysis using data from Murray Cox, *Inside Airbnb*, December 2017. Data is for Airbnb listings only. See data on [Auditor's website](#)

Accessory dwelling units intended to increase affordable housing supply may be used as short-term rentals

Council intended for accessory dwelling units, also known as in-law apartments, to contribute to the City's affordable housing and housing density goals. However, for permitted short-term rentals, we found that 21 percent of properties are estimated to have an accessory dwelling unit.

21%
of short-term rental permits are properties with an accessory dwelling unit

The City currently waives fees for accessory dwelling units construction in order to incentivize the use of these structures for affordable housing. In June 2018 Council voted that to qualify for the waiver of these fees, the unit may not be used for short-term rental for 10 years.

The exact number of these units currently used as short-term rentals is unknown, because the City does not have an exact number of accessory dwelling units, and data on the total number of short-term rentals with accessory dwelling units is not available.

Other cities have attempted to study the effect of short-term rentals on housing affordability and availability. In May 2015 the City and County of San Francisco concluded that commercial hosts using Airbnb affect the city's neighborhood supply of long-term rental housing units. On average, hosts earned more money renting to short-term visitors than they would in the long-term rental market. New York and Seattle have also concluded that their growing short-term rental market is affecting availability of long-term rental housing. These conclusions have inherent data limitations, because in many cases they used incomplete Airbnb data obtained from third parties and may rely on assumptions about the rental market. The conclusions and their limitations demonstrate the need for a thorough analysis and monitoring of Portland's housing market, and for the City to continue pursuing valid and comprehensive data.

Recommendations

To effectively regulate short-term rentals and enforce rules, we recommend the Bureau of Revenue and Financial Services and the Bureau of Development Services:

1. Obtain data on active short-term rental hosts, listings, and occupancy from booking agents or from other publicly available sources, and use it to enforce the City’s zoning and tax code.
2. Use proactive, risk-based enforcement to target hosts with multiple listings and potential commercial activities in residential zones.
3. Revise the permitting process to meet intended safety and neighborhood livability goals.
4. Use host data to enforce booking agents’ compliance with City Code.

To assess the impact of short-term rentals on the housing market, we recommend the Housing Bureau:

5. Work with Council to add measuring the effect of short-term rentals on housing goals to short-term rental City Code and regulations.
6. Obtain short-term rental data from booking agents or from other publicly available sources, develop a monitoring process of the market, and evaluate effects on housing. Report short-term rental market data in the State of Housing annual report.

Objectives, Scope and Methodology

Our audit objectives were to determine the effectiveness of the City's short-term rental regulations and how the City evaluates the effects of short-term rentals on housing.

Our methods included:

- Reviewing City Code, state laws, existing studies, and other audits
- Reviewing the permitting and inspection processes and interviewing staff from the Bureau of Development Services and Bureau of Revenue and Financial Services
- Analyzing permitting and enforcement data
- Analyzing tax activity data
- Interviewing stakeholders
- Analyzing data on Airbnb listings obtained from Murray Cox/ Inside Airbnb and housing stock from the American Community Survey

We performed analyses to conclude that city data was reliable for our audit objectives. We relied on the work of Murray Cox of Inside Airbnb for webscraped Airbnb data sets, and we concluded this data to be reliable for our audit objectives. The Airbnb listings data presented are monthly one-time snapshots of listings available between 2014-2017. We also relied on the work performed by the Bureau of Planning and Sustainability to determine which properties in the city had an associated accessory dwelling unit.

Auditing standards require auditors to be structurally independent of the audited organization to avoid any actual or perceived relationship that could impair the audit work performed or findings reported. The City Auditor is responsible under City Charter to conduct audits of the City, which are performed by the Audit Services Division. Under City Code, the City Auditor also has a role in appeals of City enforcement decisions and the collection of City liens. This work is conducted by units separate from the Audit Services Division. Given this audit's scope and focus on activities at the Bureau of Development Services and Office of Management and Finance's Revenue Division, we do not believe the City Auditor's

other non-audit responsibilities constitute a threat to our independence.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESPONSES TO THE AUDIT



Office of Mayor Ted Wheeler
City of Portland

August 7, 2018

Mary Hull Caballero
City Auditor
1221 SW Fourth Ave, Room 140
Portland, OR 97204

Dear Auditor Hull Caballero:

Thank you for your audit and the short-term rental regulations enforcement and effects on the housing market. As the Commissioners-in-Charge of the Bureau of Development Services, the Bureau of Revenue and Financial Services and the Portland Housing Bureau we take the results of your audit very seriously.

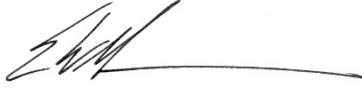
In terms of additional enforcement mechanisms, we are dedicated to increasing our oversight and enforcement of the city regulations. Specially, the Bureau of Development Services will be working with the Office of Management & Finance to ensure that the regulatory regime most effectively deploys city resources and focuses on accomplishes the goals of the City. Continued refinement of regulatory requirements to ensure that they are appropriate will be a key priority of this effort. Specifically, the Bureau of Revenue and Financial Services will continue to finalize agreements with industry so that we have access to up to date data from the platforms. With this data, which has been lacking, the Office of Management & Finance will be able to more effectively enforce City Council's direction on Short Term Rentals. This will effectively respond to the issues brought forward by the audit.

While the full effects on the housing market are at present unknown, your audit's preliminary analysis shows some very concerning trends, especially in inner-city neighborhoods. It is concerning to us that short-term rentals may be exacerbating the accessibility, availability and rentability of these neighborhoods.

Our offices are confident that negotiations with Short Term Rental companies will result in a new regulatory structure that will enable the City of Portland to effectively enforce its policy that limits the number of days a non-owner-occupied unit can be rented on a short-term basis. These "commercial" short-term rentals not only could reduce the supply of long-term housing, but could also subvert the zoning code by converting residentially zoned properties into commercial uses.

Thank you again for your team's thoughtful and timely analysis.

Sincerely,

A handwritten signature in black ink, appearing to be 'Ted Wheeler', followed by a long horizontal line extending to the right.

Mayor Ted Wheeler

A handwritten signature in black ink that reads 'Chloe Eudaly' in a cursive style.

Commissioner Chloe Eudaly



City of Portland, Oregon
Bureau of Development Services
Office of the Director
FROM CONCEPT TO CONSTRUCTION

Chloe Eudaly, Commissioner
Rebecca Esau, Director
Phone: (503) 823-7300
Fax: (503) 823-6983
TTY: (503) 823-6868
www.portlandoregon.gov/bds

August 3, 2018

To: Mary Hull Caballero, City Auditor
Audit Services Division

From: Rebecca Esau, Director *RE*
Bureau of Development Services

Cc: Elshad Hajiyev, Business Operations & Finance Services Manager
Dan Coté, Interim Portland Online Permitting Services & Inspection Services Manager
Dave Tebeau, Residential Inspections Manager
Mike Liefeld, Enforcement Program Manager

Subject: BDS Response to Short-term Rental Regulation Audit

Thank you for the opportunity to review and respond to your audit, **Short-term Rental Regulation**. We appreciate the time that the audit team spent assessing this issue and its impact on housing, especially in a time when housing is at the forefront of policy conversations regionally and across the country. We acknowledge that the current regulation and enforcement system is not perfect and needs improvement. The Bureau of Development Services (BDS) has consistently administered the policies adopted by City Council and these audit recommendations relate to policy issues beyond BDS. BDS is committed to administering any changes to Short-term Rental (STR) issues as directed by the City Council.

In response to your recommendations to both the Bureau of Revenue and Financial Services and the Bureau of Development Services:

1. *Obtain data on active short-term rental hosts, listings, and occupancy from booking agents or from other publicly available sources and use it to enforce the City's Zoning and Tax Code.*

BDS supports the City's efforts to enter into agreements with STR booking agents to share host information. This recommendation is addressed by the Bureau of Revenue and Financial Services in their audit response letter.

2. *Use proactive, risk-based enforcement to target hosts with multiple listings and potential commercial activities in residential zones.*

The City Council adopted STR regulations in 2014. At that time, the City Council was very clear that enforcement would continue to be complaint driven, and no additional resources were allocated for STR enforcement. Additionally, City Council was clear on what should be inspected at these sites, due to concern from the public that the inspectors would cite

homeowners with violations unrelated to the STR, and the inspection requirement would become a deterrent to getting host sites permitted. City Council limited those bedroom inspections to three things: a) that they met the building code requirements for a sleeping room at the time they were created or converted, with an exemption for bedrooms in multi-dwelling structures and in triplexes; b) that each bedroom to be rented have a smoke detector that is interconnected to a smoke detector in an adjacent hallway in the dwelling unit; and c) that the bedroom(s) to be rented are on the floor of a dwelling unit equipped with a functioning carbon monoxide alarm. If the dwelling unit does not have a carbon monoxide source, then the alarm is not required.

In an effort to increase permit compliance rates, in 2017, BDS developed a citation-based enforcement process specific to STRs. Information on this system and current enforcement penalties are found here: <https://www.portlandoregon.gov/bds/article/628271>

City Council will need to provide clarity on the level of enforcement they wish to see for STR regulation violations and provide additional resources to implement a proactive risk-based enforcement, targeting hosts with multiple listings and potential commercial activities in residential zones. Current revenue collections from registration and inspection fees are not sufficient to implement proactive, risk-based enforcement to target these hosts. Funding sources such as General Fund and/or new fees could possibly fill that funding gap. Policy discussion is needed with City Council regarding appropriate funding sources to support an expanded enforcement program, and whether host-paid permit fees should be increased to pay for enforcement beyond the current complaint-based system. Consideration should also be given to the impact that higher fees could have on achieving the goal of hosts seeking the required permits.

3. Revise the permitting process to meet intended safety and neighborhood livability goals.

When adopted in 2014, City Council was very clear that the scope of the safety inspection was limited to the three existing standards in Title 33, Chapter 33.207. City Council will need to revise the adopted zoning code language if they wish to set a new inspection scope. In addition, if the inspection scope is revised, the cost of these inspections would need to be covered by additional fees to applicants, or paid for through an alternative funding source. Current revenue collections from inspection fees are not sufficient to implement an expanded inspection scope. Funding sources such as General Fund and/or new or increased fees could possibly fill that funding gap.

4. Use host data to enforce booking agents' compliance with City Code.

This recommendation is addressed by the Bureau of Revenue and Financial Services in their audit response letter.

A point of clarification regarding fee waivers for accessory dwelling units (ADUs), the City does not waive fees for ADUs. However, System Development Charges (SDCs) are waived for ADUs if the owner records a covenant on the property stating that they will not rent any of the bedrooms on the site as an STR for a period of ten years. BDS is supportive of this

recent change in City policy from providing SDC waivers for all ADUs to only those that won't use their property as an STR for ten years, thereby incentivizing the use of the units/bedrooms on-site as long-term rentals.

BDS shares the concern that STRs are impacting the supply of long-term rental housing units due to them often being a more lucrative option for a property owner. That income may also make it feasible for lower income homeowners to remain in their homes, avoiding displacement. Affordable housing, gentrification and displacement are layered and complex issues. More data from booking agents, etc. will help the City as we move forward to refine our policies to better address the housing crisis. BDS appreciates the work that the audit team has done and is committed to the City's goals of effectively regulating short-term rentals and mitigating the housing crisis.



Portland Housing Bureau

Mayor Ted Wheeler • Interim Director Shannon Callahan

421 SW 6th Avenue, Suite 500
Portland, OR 97204
503-823-2375 PHONE
503-823-2387 FAX
portlandoregon.gov/phb

August 3, 2018

Mary Hull Caballero
City Auditor
1221 SW Fourth Ave, Room 140
Portland, OR 97204

Dear Auditor Hull Caballero:

Thank you for the opportunity to provide feedback on the Short-Term Rental Regulation Audit report. The report makes two recommendations to the Housing Bureau.

1. Work with Council to add measuring the effect of short-term rentals on housing goals to short-term rental City Code and regulations.

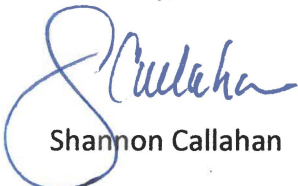
Our understanding is that this recommendation would add a requirement to measure the effect of short term rental on housing goals into City regulations, i.e. the Ordinance. The Housing Bureau understands and accepts the recommendation to monitor the market, and to evaluate short-term rentals effects on the housing market.

2. Obtain short-term rental data from booking agents or from other publicly available sources, develop a monitoring process of the market, and evaluate effects on housing. Report short-term rental market data in the State of Housing annual report.

As stated above, the Housing Bureau agrees with the recommendation to monitor and evaluate short-term rentals effects on housing. We would propose to conduct a baseline analysis and report. Periodic follow-up reports could be published as necessary. We believe we would it would be prudent to establish a baseline to determine the effects on the market before making a commitment regarding the frequency of reporting.

We appreciate your office's work to help the City and the Housing Bureau adapt to emerging market trends which may affect housing accessibility and affordability of housing in Portland.

Sincerely,



Shannon Callahan




CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE
BUREAU OF REVENUE AND FINANCIAL SERVICES

Ted Wheeler, Mayor
Jennifer Cooperman, Chief Financial Officer
Thomas W. Lannom, Revenue Division Director

Revenue Division
111 SW Columbia Street, Suite 600
Portland, Oregon 97201-5840
(503) 823-5157
FAX (503) 823-5192
TTY (503) 823-6868

M E M O R A N D U M

TO: Mary Hull Caballero, City Auditor
FROM: Jennifer Cooperman, Chief Financial Officer 
SUBJECT: Response to Audit of Short-Term Rental Regulation
DATE: July 30, 2018

Thank you for the opportunity to comment on your audit titled "Audit of short-term rental regulation."

The City of Portland has been a national and international leader in the areas of short-term rental regulation and taxation. Portland was among the first cities to legalize short-term rentals and was also the first U.S. city to collect hotel/motel taxes from short-term rental platforms beginning in 2014.

We generally agree with the recommendations in the audit, especially the recommendation to obtain data on short-term rental hosts and listings. As noted in the audit, the Bureau of Revenue and Financial Services, Revenue Division has already secured an agreement for data-sharing from HomeAway.com, Inc., and soon expects to reach an agreement with Airbnb as well. Once obtained, this data will be used to enforce regulatory and tax provisions of the City Code.

Audit Services Division

Office of the City Auditor

1221 SW 4th Avenue, Room 310

Portland, OR 97204

503-823-4005

www.portlandoregon.gov/auditservices

*Short-Term Rental Regulation: Enforcement is lax
and effect on housing crisis unknown*

Report #499, August 8, 2018

Audit Team: Alexandra Fercak, Tenzin Gonta,
Minh Dan Vuong

Mary Hull Caballero, City Auditor
Kari Guy, Director of Audit Services

Other recent audit reports:

*Private Stormwater Management: City reliance on
property owners requires review of risks and results
(July 2018)*

*Portland Police: Improvements made to training
program (June 2018)*

*Regional Arts and Culture Council: Clear City goals
aligned with strong Arts Council strategy will improve
arts and culture services (May 2018)*

This report is intended to promote the best possible management of public resources.

This and other audit reports produced by the Audit Services Division are available for viewing on the web at: www.portlandoregon.gov/auditservices.

Printed copies can be obtained by contacting the Audit Services Division.

