

Charter update essential for lodging tax fair play

In 1971, when the City of Portland amended its charter to establish a transient lodging tax, you could hardly blame our policy makers for not anticipating the internet.

Obviously, times have changed. As written, the tax applies to lodging in hotels and other short-term rentals, collected through the operators. But today we can rent rooms and plot entire vacations around the world without contacting a destination or even dialing a number. But is a website owner that connects visitors with short-term rentals an "operator"?

EDITORIAL

Our charter was behind on the times.

This May, voters will be asked if they support modifying the city's charter to change the scope of the transient lodging tax to align with the 21st century business model.

There's a reason we have a transient lodging tax. It's not an arbitrary fee. Visitors and tourists have a real impact on the infrastructure and services of a city. No matter how the arrangements are arranged, the impact is the same – and growing year by year. In 2016, nearly 9 million overnight "person trips" were booked for the city, according to Travel Portland.

Passage of Measure 26-194 would allow the city to collect the lodging tax on all short-term rentals, including those coordinated through websites. Airbnb already does this – contributing about \$1 million to the city's housing fund last year. But similar companies renting out our neighborhoods have flouted the tax – most notably HomeAway. The company also operates VRBO and was recently purchased by online mega-reservation outlet Expedia.

After years of legal battles between the city and HomeAway over tax obligations, a federal court ruled that for the city to proceed in collecting lodging taxes, it had to update its charter language.

"They're not only skirting the law, but they're seeking a competitive advantage over their competitors," said City Commissioner Nick Fish. "They can price their rentals below the market. That's not fair."

Fish is leading the charge to update the charter.

Portlanders should support this measure. We aren't alone in battling Expedia, HomeAway, VRBO and similar companies for fair tax collection. Cities across the globe are trying to rein in this

new economic model and think beyond brick and mortar "operators." Portland has to keep pace, because this business model is only going to expand.

It's also a matter of laying the groundwork for larger community standards, said Fish, including existing regulations around safety measures, which are impossible to enforce if companies are operating off the grid.

"I hate this term, 'sharing economy.' It's a misnomer and the industry crafted it. What we've seen pretty consistently is these new internet companies based in Silicon Valley very aggressively have mounted all out wars on communities like Portland from adopting reasonable community standards. If this is a preview of the new economy, it's a great concern. Our job is to make sure there's a level playing field. Our highest obligation is to make sure consumers are safe."

At 11.5 percent, the transient lodging tax is divided between the city and the county, minus a nominal 1 percent going to support the tourism bureau, Travel Portland. The city's portion, 5 percent, funds Portland's Housing Investment Fund. The money is dedicated to mitigate the impact these short term rentals have on our housing market, where existing apartments are reserved for tourists who live elsewhere, not for housing Portlanders.

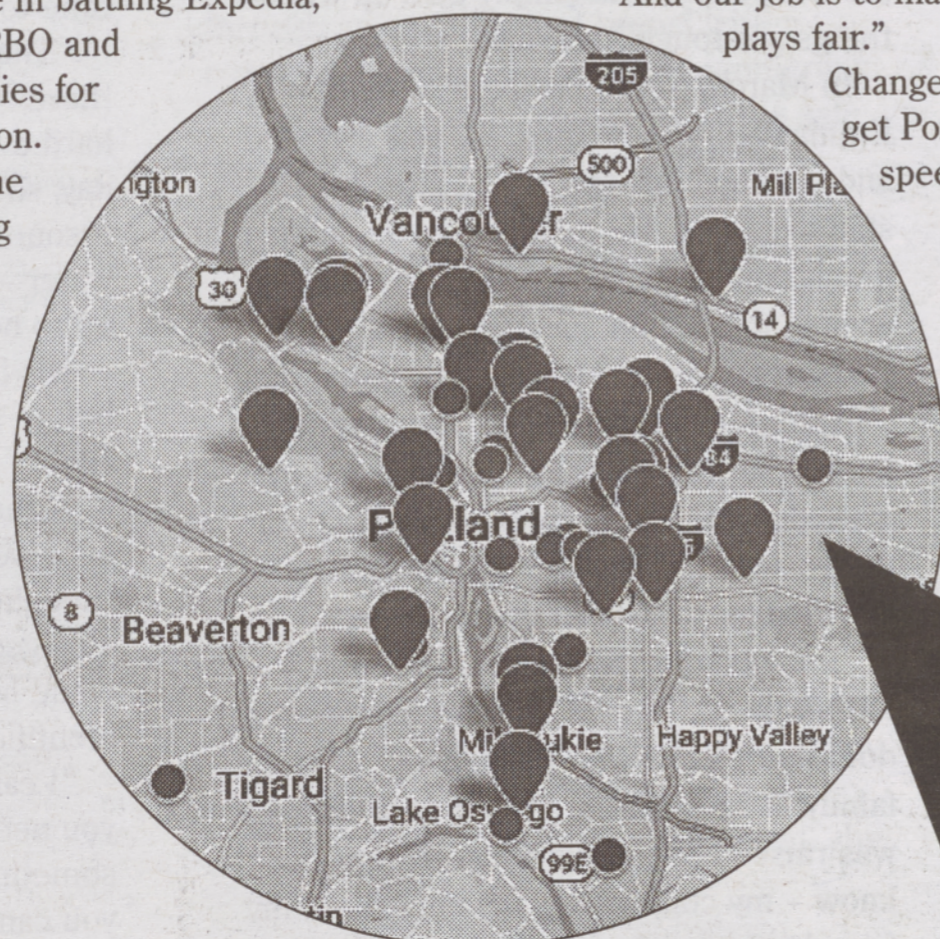
Measure 26-194 does not raise the tax. It only updates language to include this expanding online world.

Companies such as HomeAway are raking in the benefits of a gentrifying Portland without alleviating its burden on the city's housing crisis. They have taken thousands of homes and apartments off the long-term rental market to reap higher returns from short-term rates, with negligible compliance with the basic city laws. By Fish's estimation, if HomeAway rentals paid the lodging tax, it would generate about \$500,000 a year for the city's housing investment fund. It has operated for years without paying a cent.

Meanwhile, HomeAway's owner Expedia, in its report to shareholders, boasted \$72 billion in gross bookings last year, with nearly \$9 billion in revenue – growing two times faster than the industry at large.

"If this is the future of how our economy is going to be structured, there are conspicuous winners and losers, Fish said, "And our job is to make sure everyone plays fair."

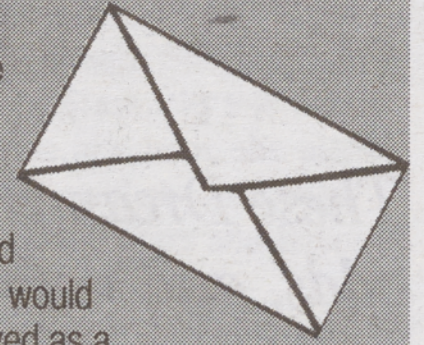
Change the charter. Let's get Portland up to speed.



HOMEAWAY LISTINGS ON GOOGLE MAPS

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