

City University of New York (CUNY)

CUNY Academic Works

Capstones

Craig Newmark Graduate School of Journalism

Fall 12-16-2016

The Rise and Fall of Airbnb in New York

Nomin J. Ujjiyediin

CUNY Graduate School of Journalism

[How does access to this work benefit you? Let us know!](#)

More information about this work at: https://academicworks.cuny.edu/gj_etds/185

Discover additional works at: <https://academicworks.cuny.edu>

This work is made publicly available by the City University of New York (CUNY).

Contact: AcademicWorks@cuny.edu

The Rise and Fall of Airbnb in New York
By Nomin Ujiyediin
2,287 words

State Senator Liz Krueger has seen it all. About 10 years ago, she first began hearing stories from her constituents about landlords running illegal hotels in their buildings: doormen acting as concierges to tourists, shuttles running to and from airports day and night and apartments being divided into hostel rooms.

The Internet didn't make it any easier to stop them. Some landlords and tenants began advertising their illegal accommodations on websites like Craigslist and Homeaway. And then came Airbnb, in 2008.

The startup, valued at \$30 billion as of August 2016, had made its way from a San Francisco living room to Krueger's district, on the east side of Manhattan. The website was an easier way for visitors to book rooms or entire apartments, often for cheaper than the price of a hotel. The number of New York City listings on Airbnb skyrocketed into the tens of thousands.

"It was like creating a steroids option for doing this," said Krueger.

As the years went on, the stories got worse. Elderly residents complained about loud parties coming from all directions. Mothers called to say they didn't feel safe letting their children play in the hallways anymore. Landlords said they had to replace their buildings' keys every time new Airbnb guests stayed in tenants' apartments.

Krueger knew she had to do something. In 2010, she sponsored a bill to amend the state Multiple Dwelling Law to ban short-term apartment rentals. And in doing so, she became one of Airbnb's most vocal critics in the state and the city, witnessing its changing status in New York.

Now, with the passing of a controversial new law that limits the company's activities in the state, the future of Airbnb in New York is uncertain. In the past few years, the company has risen from newcomer to corporate rabble rouser to a significant presence in real estate and business. And as Airbnb has grown, so have its attempts at influencing public opinion. The company has hired numerous lobbying firms, spent millions of dollars on state elections and tried to mobilize its users to advocate for favorable policies in Albany and at City Hall.

As the controversies surrounding the company have increased, so has the number of lobbying firms it employs. Airbnb first hired firm Bolton-St. Johns in June 2010, not long after Krueger introduced her bill to the state legislature in February. Filings with the state's Joint Commission on Public Ethics indicate that the firm has represented Airbnb in Albany since then, and that the company has agreed to pay Bolton-St. Johns more than \$700,000.

In May 2013, the city fined host Nigel Warren for renting out his room on the website. With the support of Airbnb, Warren challenged the violation in court, arguing that the rental was legal because his roommate was present—and won. It was not the first time the city had fined an Airbnb user, but the decision set a precedent by allowing short-term rentals when tenants are present.

During the controversy, Airbnb registered itself as a lobbyist representing its own interests. It was joined by firm Capalino+Company in September 2014, shortly before state Attorney General Eric Schneiderman released a report in October, finding that most

Airbnb rentals in the city were illegal. Capalino also remains on the company's roster of lobbyists. Airbnb has agreed to pay the firm \$350,000 since 2014.

In September 2015, Airbnb hired lobbying firm Brown and Weinraub, which has continued to lobby for the company since then. Airbnb has agreed to pay the firm more than \$180,000.

Connective Strategies Associates and Patricia Lynch Associates joined the lobbying team in the summer of 2016, shortly after the state legislature passed a bill that further limited the website's activities in the state. The company has agreed to pay the lobbying firms \$49,000 and \$37,500, respectively.

That new law, signed by Governor Andrew Cuomo on Oct. 21, amends the Multiple Dwelling Law to ban the advertising of these illegal rentals in any form, including on homesharing websites like Airbnb. Krueger's amendment in 2010 already banned most apartment rentals of less than 30 days in the absence of the units' legal residents.

The company's immediate response was to sue the state and the city, based on the grounds that the law violated Airbnb users' First Amendment rights by restricting their free speech, among other violations of the Constitution and state law. It was a tactic that aligned with Airbnb's other efforts to ally itself with its hosts.

"It behooves Airbnb to keep its hosts happy, regardless of who they are," said Deanna Ting, a journalist who covers Airbnb for the real-estate website Skift. "Airbnb is positioning themselves as something that can help middle-class New Yorkers," she said.

At a hearing at New York City Hall on Oct. 30, 2015, Chris Lehane, the company's head of global policy, testified to this point. "We are a company that was founded to help keep people in their homes, when it comes to making their mortgages; when it comes to paying their monthly rent; we are a people-to-people platform, of the people, for the people and by the people. It was created during the great recession to help everyday people use what is typically their greatest expense, the cost of their housing, as a way to generate supplemental income," he said, according to a hearing transcript on the City Council website.

But anti-Airbnb advocates are skeptical of this message. "They're presenting themselves as the savior of poor working people with no mention of the risks that are involved with the business model," said Vivian Rifflemacher, a member of the West Side Neighborhood Association, which has been organizing against illegal hotels since 2004. These risks include eviction—most residential leases forbid short-term rentals—and fines of up to \$7,500 for violating the most recent amendment to the Multiple Dwelling Law, passed this year.

A section of Airbnb's website is dedicated to teaching hosts about local laws and regulations. But Krueger has observed that users are still unclear about which rentals are legal in the state. Hosts have regularly visited her office—many of them from outside her district—and have expressed their opposition to her anti-Airbnb measures. Krueger has often had to correct their misunderstanding of current state and city regulations.

She views Airbnb as taking advantage of a city where housing is in short supply, and believes that the company is making a significant portion of its income on illegal listings. "It's their business model to encourage people to break the law," she said. The company has disputed this charge by releasing data about its users, claiming that the vast majority of them have only one listing and follow the law.

Airbnb declined to comment for this story.

Airbnb has mobilized these law-abiding users as part of its public relations strategy in New York. In the past year, the company has become formally involved in host clubs, also known as homesharing clubs, in cities across the United States, Australia, Asia and Europe. Many originally formed independently of company oversight, offering an opportunity for hosts to socialize, share business tips and perform community service. Now, in New York City and other locations, the clubs are convincing users to advocate on behalf of Airbnb, and claim to offer a unique outlet for hosts who feel unheard by elected officials.

Conversations with hosts reveal that many of them have used Airbnb to escape financial trouble, pay the bills and afford the cost of living in a city where the median rent for a one-bedroom exceeds \$3,000. Hosts receive no pay for participating in host clubs and lobbying for Airbnb, but many make a significant amount of income through the website. And such steep financial returns have motivated the passionate support of the site's users.

Lee Thomas, of Queens, is one of them. When he developed prostate cancer in 2008 as a result of working near Ground Zero on Sept. 11, 2001, his savings dried up quickly. So he turned to Airbnb. In 2012, Thomas began renting out a one-bedroom apartment in his two-family house in Ozone Park, Queens. His cancer eventually went into remission, and he now works part-time as a consultant, supplementing his income with \$20,000 to \$25,000 a year from Airbnb rentals.

For Thomas, leading a monthly host club in Queens was a natural choice. One major goal is organizing neighborhood cleanups and raising money for hosts in need.

"I think that hosts are always looking for a way to give back to the community and be responsible, and this is a way of doing that," he said.

But giving back isn't the only goal of the host clubs. Alongside other hosts, Lee Thomas has testified in front of the New York State Legislature in Albany and in front of the New York City Council against legislation that would limit the website's activity in the state.

Like many hosts, Thomas believes that by opposing Airbnb, legislators are giving into the interests of the hotel and real estate industries in New York. "I think it's greed and it's politics, and I think it's sad that our elected officials cannot see this," he said.

And he sees the host clubs as a valuable opportunity to represent himself and his financial interests. "I own these properties, I paid and worked hard for these properties," he said, referring to his Airbnb listing, as well as two other properties he rents to long-term tenants. "None of these legislators pay my mortgage, or my insurance, or my taxes. How are you going to tell me how I can use these properties?" he said.

In addition to mobilizing hosts, Airbnb has also tried to influence state elections. In 2016, the company donated \$11 million to a political action committee called Stronger Neighborhoods, according to state Board of Elections documents. In 2016, the PAC spent nearly \$1 million on various local races, including the race between Democratic State Senator George Latimer and Republican challenger Julie Killian, of Westchester.

The PAC spent more than \$75,000 on mailers that attacked Killian and supported Latimer, based on his support of abortion rights and paid family leave, and his endorsements by environmental groups. While it's common for private companies to make donations to political candidates, parties or committees, knowledgeable sources

working in state politics said that it was extremely unusual for a single company to criticize candidates on issues completely unrelated to its concerns.

The Stronger Neighborhoods PAC also spent more than \$350,000 on advertisements and campaign literature supporting former State Senator Terry Gipson, a Democrat, in his bid to retake his seat from current State Senator Sue Serino, a Republican. The PAC spent more than \$400,000 on an advertisement in favor of James Gaughran, a Democrat who challenged Republican State Senator Carl Marcellino. And it spent more than \$100,000 in support of George Amedore, a Republican State Senator.

Serino and Marcellino voted in favor of the 2016 bill limiting Airbnb's listings in New York—and their challengers' campaigns received support in the form of ads funded by Stronger Neighborhoods. Amedore voted against the bill, and also received support from the PAC. But State Senator George Latimer voted in favor of the 2016 bill that banned many of Airbnb's listings, and does not have a record of speaking about Airbnb in public.

“Why would a company like Airbnb wander into the abortion issue? They have a lot of customers that are middle America and that's just nitroglycerin. They were just wandering into whatever issues were available and were polling well for the district,” said William O'Reilly, a political consultant who worked on Killian's campaign.

O'Reilly, previously a fan of Airbnb, stopped using the service because he was so upset by the company's actions in the 2016 election season. “This was the business world muscling into the political world in a way I've never seen,” he said. O'Reilly said he didn't think the mailers had any impact on the race. But he believes the campaign spending was a covert attempt to influence the composition of the state legislature in favor of the Democrats.

Others were also confused about the company's motivations. Airbnb is not a controversial or salient issue in Westchester, where Killian and Latimer ran against each other. “I never said one thing about Airbnb the entire election,” said Killian, a city councilwoman in the city of Rye.

Latimer's campaign was not aware of the mailers and never even saw them, said his campaign manager, Andrew Ferris. It is against the law for political campaigns to communicate with PACs. Ferris also doubted the mailers had any impact on the results of the election.

Shortly after the election, Airbnb settled its lawsuits against the city and the state, on the conditions that the Mayor's Office of Special Enforcement, not New York state, would seek out violators of the Multiple Dwelling Law, and that it would not hold the company liable for its users' actions. Headlines from the past few weeks describe the company as cowed by its recent regulatory battles in American cities and around the world.

It's unclear whether Airbnb will maintain its profits in the face of increasing opposition, if its users will continue to break the law and how will state and city will enforce its new regulations. Airbnb's future in New York may be more uncertain than ever. But State Senator Liz Krueger doesn't think the battle will end anytime soon.

“I really don't wake up any morning hoping to have to deal with Airbnb. And yet, for five, six years now I just seem to have to keep dealing with Airbnb,” Krueger said.

She doubts the company's willingness and ability to change. "They've lied to me so many times," she said.