

EXHIBIT A

Biz & Tech

Airbnb preps ad blitz as SF hikes host fees 400 percent

By Carolyn Said | September 14, 2016 | Updated: September 14, 2016 6:00am

9



Photo: Leah Millis, The Chronicle

IMAGE 1 OF 4

Senior administrative analyst Omar Masry (right) helps helps Mehul Dhorda (left) and wife Arpita Patel register as short-term rental hosts during a workshop held this summer by San Francisco's Office of ... [more](#)

San Francisco is poised to increase registration fees for short-term rental hosts fivefold, to \$250 every two years, The Chronicle has learned. Coincidentally, Airbnb, the leading vacation rental company, is mounting an ad campaign in its hometown to buttress its frequent contention that most hosts are regular people making ends meet.

San Francisco legalized short-term rentals in February 2015 with considerable input from Airbnb, whose runaway success caused the long-banned practice to flourish. That law calls for the city controller to annually review the cost of enforcement and automatically adjust fees to cover costs, said Ben Rosenfield, San Francisco controller.



“The way the ordinance is written, there is no discretion for our office,” he said.

His staff tallied up the \$850,000 annual budget for the new six-person Office of Short-Term Rental, which enforces the law, and weighed that against revenues from penalties. The office has levied about \$1 million in fines and collected a quarter of that.

To make up the gap, the city charges fees to hosts. Some 1,700 hosts have registered, leading the office to arrive at the new \$250 fee, up from the current \$50 charged every two years. Rosenfield said the review waited until there was a full year of data; the fee will now be revised annually.

Only a fraction of the city’s estimated 10,000 hosts have complied with the city’s registration requirement. Airbnb and hosts say that the registration process is cumbersome. But the



net effect of so many hosts **skipping registration** is that the law-abiding ones are having to take up the slack for the scofflaws.

The controller sent a memo about the new fees on Friday. By law, they will take effect within 60 days unless the Board of Supervisors steps in to revamp the fees. That seems unlikely. The supervisors have unanimously passed legislation tightening the city's vacation rental laws and otherwise have shown precious little love for Airbnb, which many of them decry as depleting the city's housing stock.



Photo: Liz Hafalia, The Chronicle

Kevin Guy runs the Office of Short-Term Rental.

Airbnb in turn has **sued San Francisco in federal court** over its latest attempts to call it and other vacation-rental companies to task when their users flout city registration requirements. That case is scheduled to be heard in early October. Meanwhile, the city has suspended enforcement of new laws that would penalize Airbnb for arranging rentals in homes that are not registered.

Airbnb said in a statement that the registration process needs reform, especially for infrequent hosts. "Instead of meaningful reforms, middle class hosts now get a (fivefold) permit increase on top of the seemingly endless list of other requirements just for renting out a spare bedroom," it said.

Kevin Guy, who runs the Office of Short-Term Rental, said he will propose that the supervisors intervene. Any city office or the mayor can propose legislation, but it will take six votes to pass.

“We have a concern about the chilling effect on registrations that such a dramatic increase could have,” he said. “It’s our preference to keep the fee level to the current \$50.” Guy said it makes more sense to look to penalties on people running illegal hotels to make up the budget shortfall.

“Our strong preference is to reward the good actors who want to be registered hosts,” he said. Even without the fee increases, registrations have slowed to fewer than 100 a month, down from twice that earlier in the year. Guy’s office hosts frequent outreach events, but they have not enticed many hosts to go through the registration process.

Bill Barnes, a spokesman for city administrator Naomi Kelly, who oversees the rental office, noted that most city fees increase annually along with the Consumer Price Index, generally a modest 2 percent or so.

Even before this latest development, Airbnb was preparing to make a case to Bay Area residents about how it helps hosts. Starting Wednesday, it will spend close to \$1 million on a two-month TV and radio ad campaign featuring profiles of local residents who rely on the extra income from vacation rentals.

The gauzy, feel-good commercials stand in sharp contrast to some previous Airbnb campaigns. A year ago, it spent some \$8 million to defeat Proposition F, a San Francisco initiative that would have severely curtailed vacation rentals. That campaign included many strident ads warning of dire scenarios, like neighbors snitching

AIRBNB IN THE CITY



Airbnb ‘furniture tax’ generates \$120,000 for San Francisco



The most bizarre, outrageous Airbnb feud story you’ll ever read



Why Airbnb hosts aren’t scoring riches on Super Bowl 50



Airbnb gives hosts new tools, under cloud of shocking article

on neighbors. Around the same time, Airbnb tried to make a case about its usefulness to the city with a series of bus-shelter ads congratulating itself for remitting \$1 million a month in hotel taxes. The effort badly backfired; locals slammed the ads' tone-deaf approach on social media.

Airbnb is running ads similar to the latest San Francisco ones in New York, Los Angeles and Vancouver — all cities where it's facing blowback from regulators and housing activists.

“We wanted to ensure that policy makers as well as the broader community see the real face of S.F. hosts,” said David Owen, Airbnb's head of policy strategy. “We remain willing and ready to work with the city to craft sensible rules” for vacation rentals.

Carolyn Said is a San Francisco Chronicle staff writer. Email: csaid@sfnchronicle.com

Twitter: [@csaid](https://twitter.com/csaid)



Carolyn Said

Business Reporter