



NEW YORK STATE SENATOR

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## Forwarding: The Mayor's Office of Special Enforcement Sues 'Concierge Service' to Illegal Short-Term Rentals for Raking in Millions from Airbnb

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| ISSUE: **HOUSING, HOTELS, RENTALS, RENTAL UNITS, APARTMENTS**

| COMMITTEE: **HOUSING, CONSTRUCTION AND COMMUNITY DEVELOPMENT**



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**The Mayor's Office of Special Enforcement Sues 'Concierge Service' to Illegal Short-Term Rentals for Raking in Millions from Airbnb**

*The Mayor's Office of Special Enforcement sues rental concierge company MetroButler for deceiving*

## *tourists and illegally advertising short-term rentals*

NEW YORK—The Mayor's Office of Special Enforcement (OSE) filed a lawsuit against MetroButler Thursday, for operating as a third-party property manager for hundreds of illegal rental units across New York City. The company offered its clients services ranging from booking and reservation management to laundry and stocking its units with MetroButler-branded bath and shower products like those found in traditional hotels. The company's original slogan claimed, "If you think of Airbnb as the world's largest hotel, MetroButler is the front desk, concierge, and maid service all in one."

Between 2015 and 2019, more than 9,000 guests were misled into booking illegal and unsafe rentals managed by MetroButler, while Airbnb disbursed more than \$3 million for reservations associated with MetroButler's listings, according to the City's complaint.

"Once again, the online platforms where this activity occurred chose profit over corporate responsibility and looked the other way while MetroButler depleted New York City's housing stock," said **Christian Klossner, Executive Director of the Office of Special Enforcement**. "This case highlights the need for platform accountability so third-parties like MetroButler cannot funnel millions of dollars into their own bank accounts all while breaking the law."

Like a conventional hotel spread out over apartments and buildings across the City, MetroButler offered services including property photography, the creation of online profiles and listings, bookings and reservations management, the handling of guest communication, cleanings, and supply restocking such as sheets and towels for each rental.

MetroButler operated as a broker between its clients and platforms like Airbnb, taking out a

25-33% commission before releasing the remainder of the funds to its clients. The company would also charge additional fees for a range of services including \$250 for creating custom listings on Airbnb and VRBO, \$250 for custom host profiles, and \$250 for reservation cancellations.

Between 2015 and 2019, MetroButler created, advertised, and managed more than 300 Airbnb listings for illegal short-term rentals in at least 270 units in buildings across the City, through at least 264 unique Airbnb user accounts. During this same time period, MetroButler completed over 4,000 illegal short-term rental reservations covering nearly 18,700 nights. Airbnb records show they disbursed more than \$3 million in payouts for reservations affiliated with MetroButler, with over \$2.3 million worth of transactions listing MetroButler as a payout recipient.

Today, MetroButler, now doing business as Makomi, is not directly managing properties itself, instead offering courses and consulting services for clients looking to earn income from the short-term rental market. The company collects a 10% commission on all revenue plus a \$50 application fee. This would allow the company to continue to profit from the illegal short-term rental industry in New York City if any New York-based illegal operators sign up for their service.

The City's suit accuses MetroButler of unlawful advertising, deceptive trade practices based on advertising short-term rentals without disclosing the illegal and hazardous nature of the rentals, illegal advertising and occupancy in multiple dwellings, and other violations. The City is seeking more than \$3 million in damages, as well as City-wide injunctive relief to prevent MetroButler from any further violations.

"I'm extremely grateful to the Mayor's Office of Special Enforcement for their action today against MetroButler, which acted as a third party property manager for hundreds of illegal hotel rooms operated by Airbnb," said **State Senator Brad Hoylman**. "Illegal hotels threaten the safety and well-being of New Yorkers and visitors alike, as well as our city's stock of affordable housing. The OSE lawsuit sends a strong message to illegal hotel operators and their accomplices that they'll be held accountable for breaking our laws that ban short-term rentals."

"Once again, a company claiming to be innovative stands credibly accused of engaging in business practices that flagrantly violate New York's laws restricting short-term rentals," said **State Senator Brian Kavanagh, chair of the Senate Housing Committee**. "The City's ongoing enforcement of these laws is an important aspect of our larger efforts to ensure that all New Yorkers have access to high-quality, safe, and affordable housing. I applaud the Mayor's Office of Special Enforcement for its vigilance in pursuing those who seek to deplete the city's permanent housing stock by illegally converting apartments into short-term rentals—effectively illegal virtual hotels. Hopefully legal actions like this one will finally convince those who might choose to ignore these laws that such behavior will not be tolerated. I look forward to continuing to work with the Mayor's Office of Special Enforcement, as well as with my colleagues at all levels of government, to prevent these types of abuses going forward."

"Every illegal short-term rental in our city represents a unit of housing that is not available for real New Yorkers to live in," said **State Senator Liz Krueger**. "In the middle of an ongoing affordable housing crisis, the hundreds of units stolen from New Yorkers by MetroButler constitute a serious crime against the people of this city. It strains credulity to believe that platforms like Airbnb are unable to identify and remove these crooks that use their system -

they are simply unwilling to do so. I thank the Mayor's Office of Special Enforcement for their ongoing efforts to rein in these illegal practices and keep New York's housing available for New Yorkers."

"It is clear that Airbnb and conspiring companies like MetroButler do not serve the interests of New Yorkers or travelers but simply exist to make money for a select few," said **Assembly Member Deborah Glick**. "Not only does Airbnb encourage people to illegally list their homes as if they were hotel rooms, but new companies like MetroButler have become middlemen serving as booking agencies connecting unsuspecting people to illegal and unsafe home-sharing services. These operations remove desperately needed housing from the marketplace from which New Yorkers could benefit. I am pleased that the Mayor's Office of Special Enforcement has filed a lawsuit against MetroButler and is actively taking steps to stop these usurious practices."

"New Yorkers who care about protecting residential housing should know that the City means business when it comes to cracking down on third party brokers seeking to profiteer off residential apartments by illegally renting them out as hotel rooms," said **Assembly Member Dick Gottfried**. "Illegal hotels reduce New York's stock of desperately needed affordable housing and put the safety of legal tenants at risk, and those facilitating violations of the law will face meaningful consequences from the Mayor's Office of Special Enforcement for doing so."

"Airbnb's co-founders have soared to billionaire status on the back of commercial operators like MetroButler, which enable and promote wide-ranging illegal hotel activity," said **Assembly Member Linda Rosenthal**. "For years, Airbnb has promised anyone who would listen that it was aggressively cracking down on commercial operators, like MetroButler. Instead,

MetroButler built an illegal hotel empire that directly worsened New York's housing and homelessness crisis. I applaud the Office of Special Enforcement (OSE) for taking MetroButler on, and I will continue to advocate for OSE to be provided with more powerful tools to reign in the illegal hotel activity that Airbnb refuses to even acknowledge exists."

"Companies acting illegally like this one are responsible for making it more difficult for countless New Yorkers to find an affordable place to live," said **Council Member Ben Kallos**.

"Illegal short term rentals and the companies that create them cannot and will not be allowed to continue making New York City apartments grossly unaffordable; this company along with Airbnb profited millions from the 18,700 nights and over 9,000 guests it rented to illegally. Legislation I have introduced forcing units to be registered to ensure they are legal, will prevent something like this from happening again once passed. My bill will make sure that apartments are available to New York City renters not tourists. Kudos to the Office of Special Enforcement for the work they are doing here to rectify this situation."

"Congratulations to OSE for once again identifying those property owners who are taking apartments out of the marketplace — reducing our housing stock — and ensuring that they face the consequences," said **Council Member Helen Rosenthal**. "By filing this case against MetroButler, a third-party property manager for hundreds of illegal rental units in the city, OSE is sending a clear message that those who engage in this illicit activity will be brought to justice."

"The West Side Neighborhood Alliance applauds OSE's and the Administration's ongoing commitment to protecting NYC housing for New Yorkers. Bravo!" said **Tom Cayler of the West Side Neighborhood Alliance**. "This kind of abuse, fraud, and deceptive trade practices by third party operators who know that the online platforms will do nothing to stop them until

the City files lawsuits, is exactly why the City Council needs to adopt a registration plan that will prevent operators from being able to operate illegal Airbnb accounts and from defrauding the vital tourist trade as the City comes back from the pandemic.”

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