



City of Ketchum

March 14, 2022

Mayor Bradshaw and City Councilors
City of Ketchum
Ketchum, Idaho

Mayor Bradshaw and City Councilors:

Conduct Public Hearing and Second/Third Reading for Local Option Tax Election Ordinance

Recommendation and Summary

Staff would request approval of Resolution 22-018 which calls for the special election on May 17, 2022; and Public Hearing/Second and Third Reading of Ordinance 1235 outlining changes to original LOT ordinance for both allowed uses and collection rates.

Suggested Motion #1: "I move to conduct the second and third reading and approval of Ordinance 1235 by number and title only."

Suggested Motion #2: "I move to approve Resolution 22-018."

OR

Suggested Motion #3: "I move to conduct the second reading of Ordinance 1235 by number and title only and file for third reading."

The reasons for the recommendation are as follows:

- The City Council expressed a desire for the creation of a Housing Action Plan to create additional workforce housing choices in Ketchum.
- Currently, Local Option Tax revenues cannot be used towards workforce housing projects/initiatives.
- Idaho has restricted cities from other traditional workforce housing tools such as inclusionary zoning, rent control, real estate transfer tax, or tax incentives.
- Currently, all city revenues are funding existing operational and capital improvement needs.
- Should City Council support the Housing Action Plan, funds would either need to come from a new LOT rate or reductions in other city areas.
- The city intends to hold a May 2022 election.

Introduction and History

Staff presented three rate change scenarios to City Council at the March 4 meeting. The discussion led to the following proposal:

- An additional one percent (1%) sales tax on retail sales
- An additional two percent (2%) sales tax on lodging, including short-term rentals (30 days or less)
- An additional two percent (2%) sales tax on liquor-by-the-drink sales
- An additional one percent (1%) sales tax on building material sales, excluding materials for workforce housing projects

Council agreed to add additional language to the ballot to designate new revenues generated from the additional LOT solely for the use of workforce housing provision and support.

City Council requested staff to reach out for feedback from the community on the proposed rates, specifically in the building community. A survey was distributed to 601 business license holders and 184 contractors and subcontractors, the ProjectKetchum.org notification list, and placed on the city website and social media. Results of the survey will be presented at the meeting.

Council also requested confirmation on the following items:

- Local option tax is required for building materials when the delivery point is Ketchum
- City will utilize the same approach reaching out to Amazon and other large internet sales providers that was used with AirBNB and other online rental operations, to ensure appropriate tax collection
- City staff will work with software provider, Caselle, to modify the program to separate sales tax collected on retail and liquor for accurate reporting

Analysis

In October of 2022, the city kicked off the process to create the Ketchum Housing Action Plan. Agnew-Beck Consulting was retained to assist with the creation of the plan as they have extensive similar experience in several western communities. In addition, the city retained Housing Strategist Carissa Connelly to serve as local project manager.

All elements of phase one have been completed with robust community engagement conducted to provide feedback on the findings. Several elements (50%) of Phase 2 have been completed (draft vision, strategic framework, goals/actions).

Staff completed the second round of three listening sessions with affected business owners regarding both the findings of the plan as well as the potential changes to LOT collection. Staff also conducted a focus group of Ketchum registered voters. Council reviewed the findings via a PowerPoint during its March 4 meeting. There was strong support for a draft Housing Action Plan as well as changes to LOT collection rates to fund the implementation. The main discussion point was whether any collection rate should occur to retail. If so, how much.

Sustainability Impact

Adequate community housing decreases the occurrence of trip generation and associated greenhouse gases.

Financial Impact

The chart below illustrates the current proposal and its fiscal impact based on the last full fiscal year.

		Current Proposal			
FY21 Sales	Current %	Potential Housing LOT Revenue		New Total Ketchum City LOT	Total w/ 6% State Tax
Retail**	2%	\$1,957,602	1%	3%	9%
Lodging	3%	\$620,356	2%	5%	13% (+2%)*
Liquor	3%	\$283,550	2%	5%	11%
Building***	2%	\$440,723	1%	3%	9%
		\$3,302,231			

*additional 2% state tax
 **excluding groceries and automobile purchases
 ***rebate on workforce housing

Attachments:

1. [Housing Local Option Tax Survey](#)
2. Ordinance 1235
3. Resolution 22-018

**CITY OF KETCHUM
ORDINANCE NUMBER 1235**

AN ORDINANCE OF THE CITY OF KETCHUM, IDAHO, AMENDING ORDINANCE 712, AS PREVIOUSLY AMENDED, WHICH PROVIDES FOR THE IMPOSITION OF LOCAL OPTION TAXES (LOT); PROVIDING FOR A BALLOT; AMENDING KETCHUM MUNICIPAL CODE 3.12.050 TO ADD TO AUTHORIZED USES OF LOT FUNDS AND INCREASING CERTAIN LOT AMOUNTS AND DESIGNATING SUCH INCREASES TO AN AUTHORIZED USE; PROVIDING A SEVERABILITY CLAUSE; PROVIDING FOR PUBLICATION; PROVIDING A REPEALER CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Ketchum is authorized to collect certain local option taxes (LOT) pursuant to Ordinance 712, as amended by Ordinances 1090, 1097, and 1108 (collectively City LOT Ordinance).

WHEREAS, the City of Ketchum has determined it is in the best interests of the public to amend the City LOT Ordinance to add an additional authorized use, Workforce Housing Provision and Support, to the list of purposes for which LOT revenues may be used.

WHEREAS, the City of Ketchum has determined it is in the best interest of the public to increase certain of the current rates of LOT and designate such increases solely to the authorized use of Workforce Housing Provision and Support.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND THE CITY COUNCIL OF THE CITY OF KETCHUM, IDAHO:

SECTION 1. BALLOT. The following ballot shall be submitted to the registered voters of the City of Ketchum at the May 17, 2022 election and the City LOT Ordinance shall be further amended as provided if that the ballot is approved by sixty percent (60%) of the registered voters that vote on such ballot:

SPECIAL NON-PROPERTY TAX ELECTION

**CITY OF KETCHUM
STATE OF IDAHO
May 17, 2022**

Local Option Tax

Shall the City of Ketchum support workforce housing by adopting proposed Ordinance No. 1235 to:

1. add “Workforce Housing Provision and Support” to the list of authorized purposes for which local option tax revenues may be used, and

City of Ketchum Ordinance No. 1235

2. increase the local option tax rates in the City of Ketchum by an additional one percent (1%) on retail sales tax, an additional two percent (2%) on hotel-motel room occupancy sales tax including on short term rentals (30 days or less), an additional two percent (2%) on liquor-by-the-drink sales tax, and an additional one percent (1%) on building materials sales tax, excluding materials for workforce housing projects?

The new revenues generated from such additions will solely be used for the purposes of Workforce Housing Provision and Support.

IN FAVOR	→	<input type="checkbox"/>
AGAINST	→	<input type="checkbox"/>

Ordinance No. 1235 was adopted by the Ketchum City Council on _____, 2022, but will only be effective upon approval of sixty percent (60%) of the registered voters that vote on this ballot.

SECTION 2. Ketchum Municipal Code 3.12.050, is amended as follows if approved by the registered voters of the City of Ketchum pursuant to the ballot designated above:

3.12.050: PURPOSES FOR WHICH THE REVENUES DERIVED FROM NONPROPERTY TAXES SHALL BE USED:

The nonproperty tax revenue derived from and collected under this chapter shall be used for the following purposes:

- A. Municipal transportation.
- B. Open space acquisition and recreation.
- C. Capital improvements: roads, water, sewer, parking, Ore Wagon Museum.
- D. Emergency services: police, fire, ambulance.
- E. City promotion, visitor information and special events.
- F. Property Tax relief.
- G. Direct costs to collect and enforce the tax.
- H. Maintaining and increasing air service to Friedman Memorial Airport
- I. Workforce housing provision and support.

SECTION 3. The City LOT Ordinance is further amended to increase and add the following local option nonproperty tax rates:

- A. An additional one percent (1%) retail sales tax on each sale at retail.
- B. An additional two percent (2%) hotel-motel room occupancy sales tax on receipts from all short-term rental (30 days or less) charges for hotel rooms, motel rooms, condominium units, tourist homes, or other sleeping accommodations or living units.
- C. An additional two percent (2%) liquor-by-the-drink sales tax on all sales at retail of liquor-by-the-drink, including liquor, beer, wine, and all other alcoholic beverages, for consumption on the premises or at event or activity in the City of Ketchum.
- D. An additional one percent (1%) building materials sales tax on building supplies and materials, excluding such supplies and materials for workforce housing projects.
- E. All above-listed additions will solely be used for the authorized use of Workforce Housing Provision and Support.

SECTION 4. SEVERABILITY CLAUSE. If any paragraph, part, section, subsection, sentence, clause or phrase of this Ordinance is for any reason held to be invalid for any reason by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance.

SECTION 5. PUBLICATION. This Ordinance shall be published once in the official newspaper of the City.

SECTION 6. REPEALER CLAUSE. All City code sections, ordinances or resolutions or parts thereof, which are in conflict herewith are hereby repealed.

SECTION 6. EFFECTIVE DATE. This Ordinance shall be in full force and effect on June 1, 2022, after voter approval, passage by City Council and Mayor, and publication according to law.

PASSED BY THE CITY COUNCIL OF THE CITY OF KETCHUM, IDAHO, and approved by the Mayor this ___ day of ____, 2022.

Neil Bradshaw, Mayor

ATTEST:

Tara Fenwick
City Clerk

**CITY OF KETCHUM
RESOLUTION NO. 22-018**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KETCHUM, IDAHO, CALLING AN ELECTION FOR THE SUBMISSION TO THE QUALIFIED ELECTORS OF THE CITY THE QUESTION OF ADOPTING A LOCAL OPTION TAX ORDINANCE AMENDMENT MODIFYING THE PURPOSES FOR WHICH LOCAL OPTION TAX REVENUES MAY BE USED TO ADD “WORKFORCE HOUSING PROVISION AND SUPPORT” AS AN AUTHORIZED USE, AND TO INCREASE AND ADD CERTAIN LOCAL OPTION TAXES ON RETAIL, LODGING, LIQUOR-BY-THE-DRINK, AND BUILDING MATERIALS; ESTABLISHING THE DATE OF THE ELECTION; PROVIDING FOR ADMINISTRATION OF THE ELECTION; APPROVING A FORM OF BALLOT PROPOSITION; PROVIDING FOR REGISTRATION OF VOTERS; PROVIDING FOR RELATED MATTERS; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, the City of Ketchum, Idaho (the “City”), is a municipal corporation duly organized and operating under the laws of the State of Idaho; and

WHEREAS, Sections 50-1044 to 50-1049, inclusive, Idaho Code, as amended, authorize the voters of resort cities (as defined in Section 50-1044, Idaho Code) to authorize their city government to adopt, implement and collect local-option non-property taxes; and

WHEREAS, it has been determined by the City Council of the City (the “Council”) that the City is a resort city and has a population less than 10,000; and

WHEREAS, the Council has determined that visitors and travelers to the City place an undue burden upon the taxpayers of said City and that the question of the imposition of a local-option non-property tax has been presented to the voters of the City; and

WHEREAS, the City has adopted a local option tax ordinance, Ordinance 712, that was approved by voters on November 20, 1997, authorizing the collection of local option taxes as provided for under Title 50, Chapter 10, Idaho Code, and which was extended on November 8, 2011, by voter approval of Ordinance No. 1090 which amended Ordinance 712, to provide for an additional fifteen (15) years through December 31, 2027; and

WHEREAS, the Council has determined that it is desirable to seek voter approval to add a further purpose, workforce housing provision and support, for which the local option tax revenues derived may be used, and to increase and add certain local option nonproperty sales tax on retail, lodging, liquor-by-the-drink, and building materials; and

WHEREAS, the local-option non-property tax and its purposes cannot be adopted, implemented or collected without the assent of a sixty percent (60%) majority of the qualified electors of the City voting in an election called for such purpose; and

WHEREAS, the Council has determined to call and the County will conduct an election for the aforesaid purposes as required by Sections 50-1044 to 50-1046, Idaho Code.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF KETCHUM as follows:

Section 1: LOCAL-OPTION NONPROPERTY TAX

A. The Council hereby finds, determines, and declares that the City of Ketchum has a population not in excess of 10,000 according to the most recent census and is a city that derives

the major portion of its economic well-being from people catering to recreational needs and meeting needs of people traveling to the destination City for an extended period of time; that the City has a significant economic dependence upon visitors and travelers passing through or staying in the community and the City; and, that said visitors and travelers require services of the City which place an undue burden upon the taxpayers of the City.

B. Subject to the approval of the local option non-property tax by the qualified electors voting at the election for which provision is hereinafter made, Ordinance No. 1235 adopted on _____ pursuant to the provisions of Sections 50-1046 to 50-1047, Idaho Code, as amended, shall take effect June 1, 2022, after the canvass of the returns of the regular election and compliance by the City with Section 50-1047, Idaho Code. Said Ordinance is attached hereto as Exhibit "A" and provides as follows:

- (A) The local option non-property tax revenue derived from and collected under the City Local Option Tax Ordinance, Ordinance 712 as extended by Ordinance 1090, shall be further amended to add the following purpose to Section 5: Workforce Housing Provision and Support.
- (B) The local option non-property sales taxes shall be increased by an additional one percent (1%) on retail sales, an additional two percent (2%) on lodging including short-term rentals (30 days or less), an additional two percent (2%) on liquor-by-the-drink sales, and an additional one percent (1%) on building materials, excluding such supplies for workforce housing projects.
- (C) The new revenues generated from the above-listed additions will solely be used for the purposes of Workforce Housing Provision and Support.

Section 2: SPECIAL ELECTION

A special election is hereby called within the City to be held on Tuesday, May 17, 2022, for the purpose of enabling the qualified electors of the City to vote upon the proposition set forth in Section 4 hereof. The ballot proposition for the special election shall be separate from any other ballot measure being submitted to the electors on the date of the election. Only those qualified electors of the City casting valid ballots upon the proposition set forth in Section 4 of this Resolution shall be counted in determining the number of qualified electors voting at or participating in the election.

Section 3: ADMINISTRATION OF ELECTION

The administration of the election shall be conducted in accordance with Chapter 4 of Title 50 of Idaho Code, Chapter 14 of Title 34 of Idaho Code, and in accordance with this Resolution. The supervision and administration of the election and election laws shall be by the County Clerk as chief elections officer, in accordance with Idaho Code §50-403.

Section 4: BALLOT PROPOSITION

The ballot proposition for the election shall be in substantially the following form:

INSTRUCTIONS: Vote on the following question by placing an X in the square according to the way you desire to vote on that question. If you, by mistake or accident, tear, deface, wrongly mark or otherwise mutilate this ballot, return it to the election judge and get another.

Local Option Tax

Shall the City of Ketchum support workforce housing by adopting proposed Ordinance No. 1235 to:

1. add “Workforce Housing Provision and Support” to the list of authorized purposes for which local option tax revenues may be used, and
2. increase the local option tax rates in the City of Ketchum by an additional one percent (1%) on retail sales tax, an additional two percent (2%) on hotel-motel room occupancy sales tax including on short-term rentals (30 days or less); an additional two percent (2%) on liquor-by-the-drink sales tax; and an additional one percent (1%) on building materials sales tax, excluding materials for workforce housing projects.

The new revenues generated from such additions will solely be used for the purposes of Workforce Housing Provision and Support.

IN FAVOR	→	<input type="checkbox"/>
AGAINST	→	<input type="checkbox"/>

Ordinance No. 1235 was adopted by the Ketchum City Council on _____, 2022, but will only be effective upon approval of sixty percent (60%) of the registered voters that vote on this ballot.

Section 5: QUALIFIED ELECTORS

Every person eighteen (18) years of age or older, who at the time of the specified election is a United States citizen who has been a legal and bona fide resident of the City for at least 30 days immediately preceding the date of the election, if properly registered as required by law, shall be qualified to vote at said election.

Section 6: REGISTRATION

All electors must be registered to vote at said election. Voter registration shall be conducted pursuant to the provisions of Section 34-1402, Idaho Code.

No qualified elector who is duly registered as a voter, and who continues to reside at the same address or within the same precinct in which he or she is registered, shall be required to re-register.

Persons who are eligible to vote may register for the election at the office of the Blaine County Clerk. Any elector who will complete his or her residence requirement or attain the requisite voting age during the period when the register of electors is closed may register prior to the closing of the register.

Any person who is eligible to vote may register on election day by appearing in person at the polling place established for the election, by completing a registration card, making an oath on the form prescribed by law, and providing proof of residence in the manner provided by Section 34-408A, Idaho Code, as amended.

Section 7: OFFICERS AUTHORIZED

The officers of the City are hereby authorized and directed to take all action necessary or appropriate to effectuate the provisions of this Resolution.

Section 8: RATIFICATION

All actions heretofore taken, not inconsistent with the provisions of this Resolution, by the Mayor and Council directed toward the holding of the election called for herein, are hereby ratified, approved, and confirmed.

DATED this ____ day of _____ 2022.

CITY OF KETCHUM

By

Neil Bradshaw, Mayor

ATTEST:

Tara Fenwick, City Clerk