

Lisa Enourato

From: Perry Boyle <perryb@ahcketchum.com>
Sent: Thursday, March 31, 2022 7:24 PM
To: Participate
Cc: Greg Foley; Mark Dee
Subject: Public Comment for April 4th City Council Meeting Item 18: increased taxpayer funding for Bluebird

To the City Council:

We respectfully request that you:

1. deny GMD's latest request for yet more money from Ketchum taxpayers,
2. kill this project, and
3. pursue a higher and better use for the former City Hall site that could benefit far more people, in a shorter period of time.

As we have said for over a year, **the economics of Bluebird don't work** for GMD without excessive Ketchum resident subsidies. Even if the City accedes to the latest request for more money, it will likely not be enough (see below), and **GMD could come back for even more.**

Any other developer would not be able to secure a building permit from the City under these circumstances,

We do not need another hole in the ground in the center of Ketchum. We need real housing solutions for working people in Ketchum. The proceeds from a sale of this site could go to work in a matter of months to provide workforce housing.

As you, the member of the Council, have repeatedly stated, we are in a housing crisis. Now is the time to act like we are in a crisis.

1. The City could bring some long-term rentals out of the AirBNB market with a Truckee type program.
 2. Tiny homes could go up on this site immediately, at 20% the cost of a Bluebird unit, with the ability to move them to another location as warranted, like has been done at the Meadows (or in Seattle, or SF, and other locales).
 3. The money could kickstart an InDEED type program like Vail's for permanent working residents of Ketchum.
- None of these are as complicated, as expensive, nor as destructive of Ketchum's retail core as Bluebird is.

Let's recap what GMD is asking of the taxpayers of Ketchum: \$10mm.

1. \$900K from KURA, a City agency: \$454k approved in 2020, plus the \$200k for demolition of the site, plus another \$256k from the latest request
2. \$3.3mm from the City of Ketchum. \$1.4mm previously approved, plus the latest request of \$1.9mm. Some of this will come from the in lieu fund. That is money that could have gone to more cost-effective opportunities at a much earlier date. It is unclear how the City can approve almost \$2mm more out of the previously approved 2022 taxpayer budget for Bluebird.
3. \$6mm in what the Mayor has called "free land".
4. \$135K reimbursement of GMD's costs for tax credit application

That's roughly \$10mm, so far, from a town of only 3,800 residents in an average household of less than 3 people. **That's about \$8750 per resident household.** That's like two years of property taxes going to just Bluebird.

This will probably not be GMD's last attempt to come to the taxpayer well. **They do not have the financing in place for this project,** and their assumptions are...optimistic. If just one thing goes wrong, they will either lose their lender or

come back to the City for more. How do we know this? Mr. Dunfield said so at the P&Z Commission meeting last May, as he just did today.

1. GMD has not successfully negotiated an off-market term with the lender
2. GMD has not sold all of the tax credits required for equity in the project. Its assumption that it will get \$3.17mm more from this source is optimistic, and the market continues to move away from them.
3. GMD will not put up \$1 in equity. They have not reduced their \$1.8mm development fee by even \$20. Indeed, **the cash GMD will be taking out has gone up by over \$100k.** They have put up a guarantee for only 3mo of the 6mo required operating reserve. That may not be enough. But this is hardly a “tremendous risk exposure” relative to their \$1.9mm development fee.
4. There is an increased estimate for the retail space of over \$400k. Yet that space was preciously marketed for the developer at a lower price, with no known takers. Give the unique layout of that space (it is only a narrow facade), it could be hard to get a buyer.
5. Mr. Dunfield refers in his letter to cost savings from downgrading some of the materials. These lower costs substitutions have not been run by the P&Z Commission for approval.

Bluebird is held together with string and bailing wire. One bad slip and the costs could go up yet again.

We now have clear evidence that **Mr. Dunfield lied to the community** in March of 2021 when he he took out an ad in the IME claiming he was doing this as a “charity” (his word). Per his letter of March 31, he knew at that time that GMD will take a \$1.8mm developer fee on Bluebird. This reinforces the point that Bluebird is a FOR PROFIT project, unlike the non-profit developer options that Ketchum chose not to pursue.

Mr. Dunfield’s letter is also misleading in that it claims 51 units. He leaves out that two of those units will go to GMD workers who would not qualify for the units under the tax credit terms.

While the estimated cost of Bluebird is now \$25.7mm (\$525K per unit vs \$125K per unit for the tiny homes down valley), the full cost is far higher than that. That number does not include:

1. What the Mayor has repeatedly called “free land” from the Ketchum taxpayer with a value of over \$6mm per latest comparables.
2. Foregone property taxes of as much as \$10mm over the life of the project (Bluebird will pay property taxes, but at a much lower valuation than what the property is truly worth).
3. The impact on retail parking in the downtown core. The City Planner can’t have it both ways—either everyone walks to work and leaves their car parked in the retail core, or they drive to work so that the project doesn’t need to be in the retail core. Which is it? We know from other affordable housing in Ketchum that there are 1.4 cars per unit. This would put over 30 cars in the retail core. The City Administrator has said the cost of a covered parking spot is \$70,000. At half that for a prime downtown location, this is a \$1mm parking subsidy for Bluebird.

Thus, in addition to the \$25.7mm estimate, there are potentially another \$20mm in economic loses to the Ketchum taxpayer. **That’s a full costing of \$930K per unit.**

And we haven’t even begun to address that Bluebird cannot guarantee tenancy to working people, and that, once in place, a tenant need never leave a prime downtown location, regardless how high their income climbs. **Bluebird is a handout, not a hand up.** It will benefit a FOR PROFIT developer and a small number of people at a massive cost to the people and of Ketchum and the character of its retail core.

You have an opportunity to put an end to Bluebird and redirect our resources to far better workforce housing solutions.

Respectfully,

Perry Boyle, President
Affordable Housing Coalition of Ketchum

Lisa Enourato

From: HP Boyle <boylehp@yahoo.com>
Sent: Thursday, March 31, 2022 7:57 PM
To: Participate
Cc: Greg Foley; Mark Dee
Subject: Public Comment on LOT Referendum

If it is not too late, I ask the Council to consider postponing the LOT referendum to November.

It is unlikely that a fully informed electorate will vote for it. Unfortunately, the Council has compounded the original sin of Ketchum's LOT, that it taxes the locals to subsidize tourism.

The legislative intent of the LOT is for a tourist city of under 10,000 residents to tax tourists to offset their impact on the townspeople. It was never intended as a general sales tax on local residents. Given Ketchum's approach, it leaves the city open to litigation should this referendum pass.

By largely mirroring Sun Valley's LOT, the Council may not understand how it works there versus how it works in Ketchum. Given the demographics and minimal town core for SV, Sun Valley residents pay very little of the LOT to SV.

But when Ketchum mirrors the Sun Valley LOT approach, it creates a massive, and regressive, and anti-local, tax burden on Ketchum residents and retailers.

Last year, locals paid \$1.75mm in LOT taxes. That was already too much. But the Council will increase that to \$2.5mm by mirroring Sun Valley's LOT structure—and makes it worse with a locals-only sales tax on building materials (aka "the AC Houston tax").

The City staff says that 73% of the LOT is paid by tourists. That is irrelevant. It should be close to 100% and every percentage point off of 100% should require justification.

The relevant number to voters is how much we pay. The City is now proposing to raise the total sales tax on retail in Ketchum to over 8%. This will not sit well.

The whole LOT debacle is compound by the intensely unpopular and misleadingly-named "1% for Air". A significant portion of that is allocated not to air service, but to marketing Sun Valley as a tourist destination. That's like taxing the victim to pay the mugger.

By structuring the LOT to increase the tax burden on locals, the Council has set up the referendum to fail, and to set back the cause of using the LOT for workforce housing by at least another year.

The Council has set up the referendum such that I, and many others, cannot support it. I am put in an awkward position of being against it, as it is so anti-local. This has no little irony, given my push to significantly raise the LOT—on LODGING, as a mayoral candidate.

If it's not too late, take the six months to fix this. Wait until the housing strategy is completed and digested by the community so they know what they are voting for. Fix the LOT structure so that it is tourists, not locals, who are taxed.

Respectfully,

Perry Boyle

Ketchum

Lisa Enourato

From: H Boyle <Boylehp@yahoo.com>
Sent: Saturday, April 02, 2022 6:44 PM
To: Participate
Cc: Greg Foley; Mark Dee; Carissa Connelly
Subject: Structural problem with Ketchum's approach to LOT

To the Council:

In a previous email I described the negative externalities in the current approach to the LOT structure. In sum, it is too great a tax burden on locals, contrary to legislative intent.

But there is another problem with the path the LOT is on. Price elasticity of demand.

There was a lot of discussion amongst the Council on the impact of a sales tax on retail sales. None of that discussion was based on math or economics. The economics of a sales tax are well-established—I would be happy to send you numerous academic papers on the topic. Or you could just call up local resident Michael Boskin, one of the nation's experts in microeconomics, and get a tutorial so you are educated on the topic before you vote on it.

Sales taxes have a high elasticity of demand, especially when there are alternative markets with low substitution costs (e.g., Amazon). What that means is, that when you raise the sales tax on local retailers, their sales will decline by more than the revenues raised by Ketchum with the sales tax. This is Microeconomics 101.

In contrast, lodging, particularly in resort locations, has a low elasticity of demand. That means when you raise the tax on lodging, the revenues to the renters fall less than the tax raised. This also has been well-documented empirically.

The approach you are taking to the LOT is economically bad for the community. If you were representing the interests of your community, what you should have done is raise the lodging tax significantly and lower the sales tax. What Sun Valley or Hailey does is not particularly relevant to the situation. They are not frictionless substitutes for lodging.

I know only Ms Hamilton on the council has taken an economics class, and she probably doesn't use much math professionally. But the Mayor has an MBA and was a Wall Street analyst. This basic economic concept has to be known to him.

Please rethink this referendum. Take it off the ballot now so we can do it right in November. In November we will have the housing strategy done and digested so people know what they are voting for. You can fix the LOT to raise the same amount of money in a better structure that is less harmful to the residents and businesses in Ketchum.

Please don't gamble a referendum on something this important.

Thank you,

Perry Boyle
Ketchum

Lisa Enourato

From: Lisa Enourato
Sent: Sunday, April 03, 2022 9:06 PM
To: Participate
Subject: FW: City of Ketchum | Word on the Street

LISA ENOURATO | CITY OF KETCHUM

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From: Amanda Breen <ABreen@ketchumidaho.org>
Sent: Sunday, April 03, 2022 4:26 PM
To: Lisa Enourato <LEnourato@ketchumidaho.org>
Cc: Neil Bradshaw <NBradshaw@ketchumidaho.org>; Jade Riley <jriley@ketchumidaho.org>
Subject: Fw: City of Ketchum | Word on the Street

Public comment.

Regards,

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From: HP Boyle <boylehp@yahoo.com>
Sent: Sunday, April 3, 2022 3:32 PM
To: Amanda Breen <ABreen@ketchumidaho.org>; Jim Slanetz <jslanetz@ketchumidaho.org>; Michael David <mdavid@ketchumidaho.org>; Courtney Hamilton <CHamilton@ketchumidaho.org>
Subject: Fwd: City of Ketchum | Word on the Street

I urge you to do your own independent work on Bluebird (e.g., talk to Glacier Bank and the other funding sources), as my read of GMD's letter is that he does not have his financing in place, even with the City increased taxpayer contribution.

I am happy to talk to any of you about this at any time, and the much better, and faster, alternatives for workforce housing the town could get for its \$10mm.

Perry Boyle
Ketchum