



City of Ketchum

CITY COUNCIL MEETING AGENDA MEMO

Meeting Date:	August 5, 2024	Staff Member/Dept:	Jade Riley, Administration & Carissa Connelly, Housing
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Agenda Item:	Request for policy direction regarding potential adjustment to short-term lodging Local Option Tax rate to support the Housing budget.
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Recommended Motion:

Staff is seeking policy direction of whether to proceed with the creation of ballot language and associated ordinance for the November 5 th election.
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Reasons for Recommendation:

- | |
|--|
| <ul style="list-style-type: none"> • The 2022 Local Option Tax housing proposal presented to residents and business owners included a 2% adjustment to short-term lodging. Currently, Ketchum is 1% lower than Sun Valley for lodging. • The city council recently identified the need for additional funding for the deed restriction program. • Staff held a resident/business focus group on July 31 to solicit feedback. Staff will provide an overview during the meeting. |
|--|

Policy Analysis and Background:

The Housing Action Plan calls for investments in ten key areas, ranging from an ownership/preservation program to new construction/acquisition of units (see attached presentation). The current budget assumes full utilization of the existing Local Option Tax funds and In-Lieu Development funds. The city council requested staff engage the community to explore the concept of a 2% increase in short-term lodging to bolster the effectiveness of the initiatives within the plan such as Ownership & Preservation Program.
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Sustainability Impact:

An increase in local housing decreases daily worker commute trips from outside of Ketchum.
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Financial Impact:

None OR Adequate funds exist in account:	A 2% increase in the short-term lodging tax would yield approx. \$745,549 based on current collection trends.
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Attachments:

- | |
|--|
| 1. Presentation from resident/business focus group |
|--|



2% ADDITIONAL LOCAL OPTION TAX FOR HOUSING

August 5, 2024



Ketchum's Housing Action Plan

Adopted May 9, 2022

PLAN GOALS

1. Produce + preserve housing
2. Update policy to promote housing
3. Expand + improve services to create housing stability
4. Expand + leverage resources
5. Inform, engage + collaborate



ProjectKetchum.org/housing-matters



WHAT IS THE COMMUNITY HOUSING NEED IN KETCHUM & COUNTYWIDE?



Projected Need

Ketchum	Historic Growth <i>1% annually</i>	High Growth <i>3% annually</i>
New Households	+224	+546
*Existing Ketchum Households <i>cost-burdened &/or housing unstable</i>	436	436
Estimated Need	660	980

4,700 to 6,400 community homes needed in Blaine County by 2032 through new, converted, or preserved

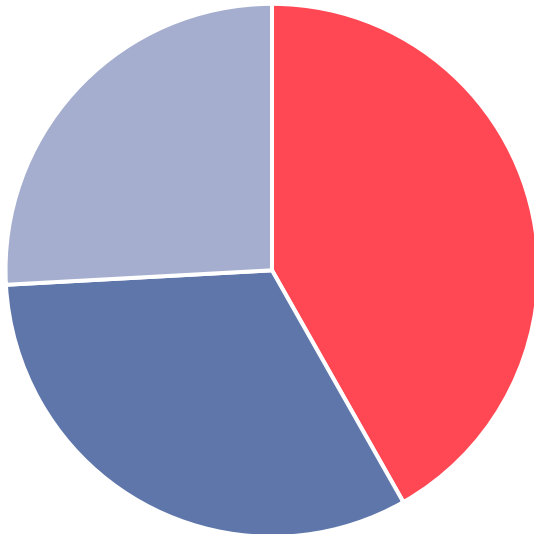
**does not include the 335 lost renter households*



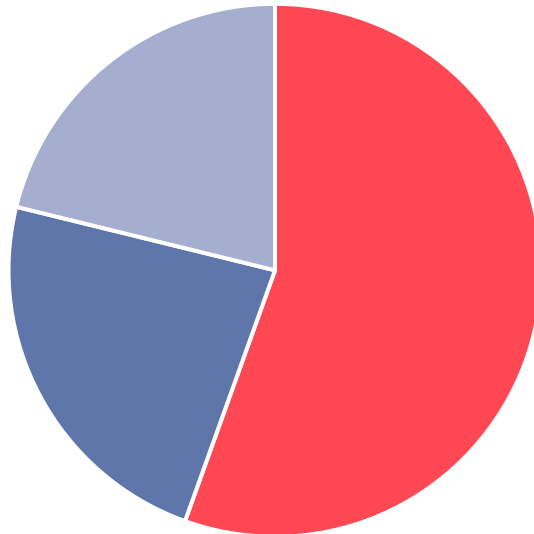
Ketchum's Housing Breakdown

Ketchum lost 330+ renter households from 2010-2019, becoming a “rental desert.”

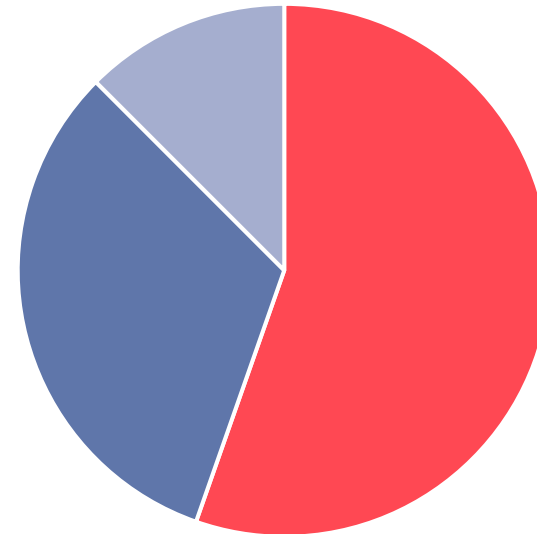
2000



2010



2022



Long-term renters

Owners occupied

Seasonal/STR



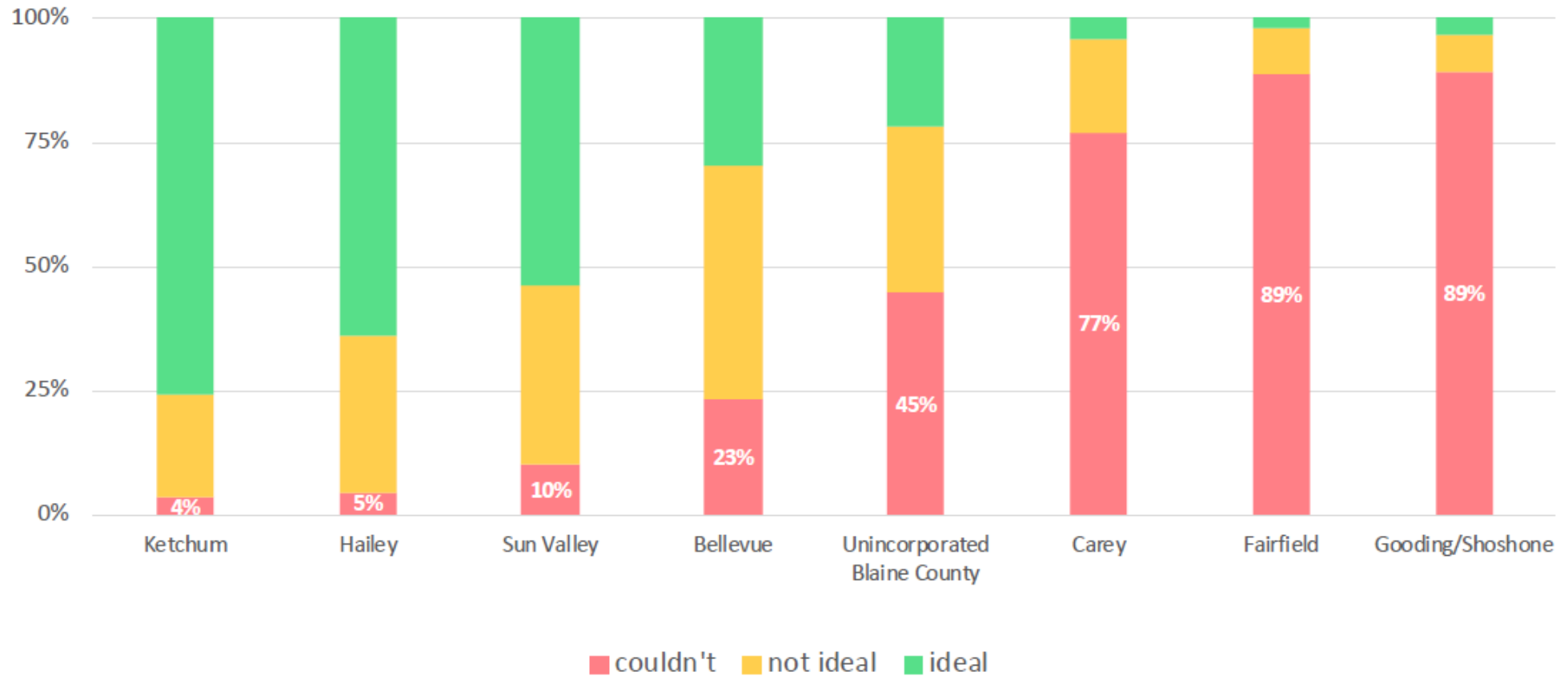
**DO PEOPLE EVEN CARE TO LIVE
IN KETCHUM?**



Needs & Preferences | Location

Among people seeking housing,

- Most would leave the community if their only housing option were farther than Bellevue.
- Nearly half would leave if their only housing option were outside the cities.
- Among BCHA's applicants, 30% would not live in south valley.

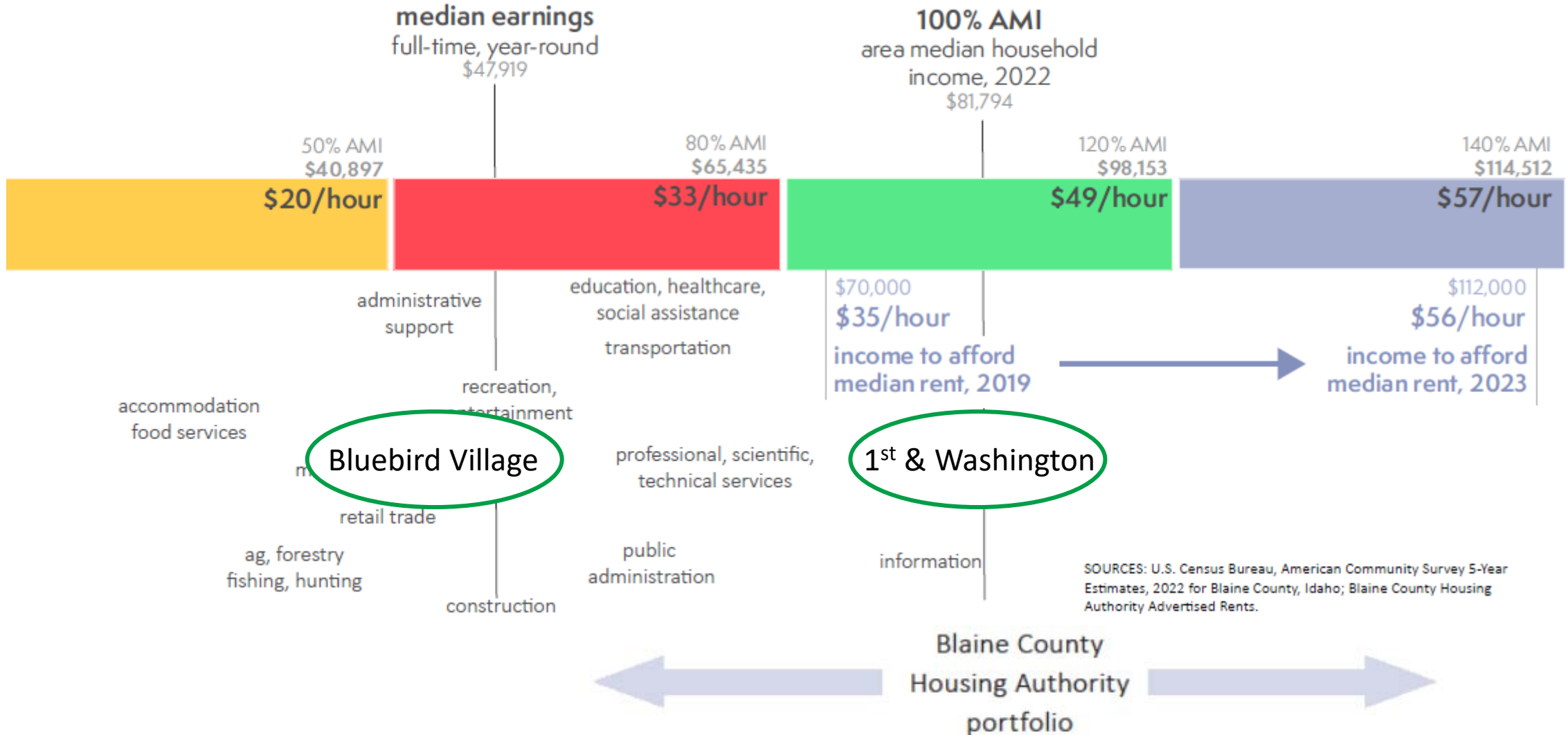




WHO ARE WE CREATING HOUSING FOR?



Needs & Preferences | Income





Prequalified Bluebird Resident Employers

CRITICAL SERVICES, PUBLIC WORKERS, ESSENTIALS

- **Blaine County School District**
- **USPS**
- **St. Luke's Wood River**
- **City of Ketchum**
- Sun Valley Community School
- Wood River YMCA
- Sun Valley Playschool
- Higher Ground
- Habitat Veterinary Hospital
- Sun Valley Animal Center
- Atkinson's Market
- Chateau Drug
- Oasis Stop 'n' Go

SERVICES, RESTAURANTS

- Sawtooth Club
- Apples Bar and Grill
- Sawtooth Brewery
- Ketchum Grill
- Scout Wine and Cheese
- Johnny G's Subshack
- Magic Lantern
- Zenergy
- Visit Sun Valley
- Whiskey's on Main
- Wood River Taxi
- Tacos 208
- WaFd Bank
- Housekeepers
- The Tanning Co
- Ketchum Chiropractic

CONSTRUCTION, MAINTENANCE

- Hydronics heating, plumbing
- Conrad Brothers Construction
- Interior Contractors, Inc.
- Renovatio Construction
- Idaho Mountain Builders
- MLD appliances
- Four Seasons Pool & Spa
- In Living Color Painting

TOURISM

- The Limelight Hotel
- Sun Valley Company
- Hotel Ketchum
- Tamarack Lodge
- Kentwood Lodge
- Moment Luxury Vehicle Rental
- Sun Valley Stables



WHAT ARE WE DOING WITH THE CURRENT BUDGET?

- .5% for Housing
- In-lieu fees
- HUD grant



Housing Department/BCHA Programs

**Ownership +
Preservation Program**



\$1m/ year

**Lease to Locals
(LTR incentive)**



\$300k / year

**Landlord-Tenant
Mediation + trainings**



\$50k / year

**New Construction +
Acquisition/Rehab**



\$1.5m / year

**Compliance +
Enforcement**



\$60k / year

**Waitlist Management,
Application Review + Placement**



\$150k/ year

**Data Analysis +
Education**



\$100k/ year

**Emergency Housing
Assistance**



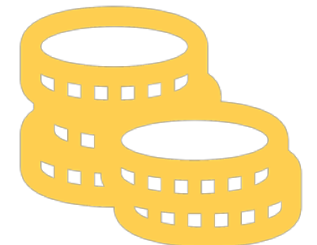
\$350k/ year

**Program Development +
Policy Recommendations**



\$80k/ year

**Grant Writing +
Compliance**



\$40k/ year



What would an additional 2% LOT on lodging generate and how would we spend it?



Potential New LOT Scenarios

Category	Original	Additional 1%	FY 2023 Total*	Current Total %	Proposal	
					2.00%	New Total %
Other Retail	\$ 2,238,618	\$ 2,230,388	\$ 4,469,006	2%		
Room	\$ 425,929	\$ 212,964	\$ 638,893	3%	\$ 425,929	5%
Condo	\$ 319,621	\$ 159,810	\$ 479,431	3%	\$ 319,621	5%
Liquor	\$ 362,809	\$ 181,405	\$ 544,214	3%		
Building	\$ 530,875	\$ 530,875	\$ 1,061,749	2%		
Total	\$ 3,877,851	\$ 3,315,442	\$ 7,193,293		\$ 745,549	

*FY 2023 Actuals shown based on remittance month

Burden	Retail	62%
	Lodging	16%
	Liquor	8%
	Building	15%



Potential New LOT Program Funding

**Ownership +
Preservation Program**



\$1m/ year

**Lease to Locals
(LTR incentive)**



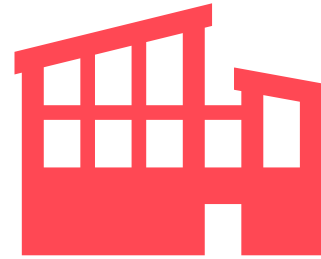
\$300k / year

**Landlord-Tenant
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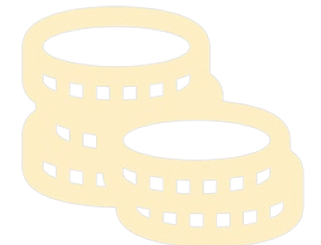
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**Program Development +
Policy Recommendations**



\$80k/ year

**Grant Writing +
Compliance**



\$40k/ year



**WOULDN'T THIS HURT OUR LODGING
PROPERTIES' COMPETITIVE EDGE?**



Tax Rates by Municipality (2022)

	Idaho						Wyoming
	Driggs	Hailey	Ketchum	McCall	Sun Valley	Victor	Jackson
Lodging	14%	12.0%	11.0%	13.0%	12.0%	14%	8.0%
Restaurant	7%	7.0%	8.0%	7.0%	10.0%	7%	6.0%
Alcohol	8%	8.0%	9.0%	7.0%	10.0%	7%	6.0%
Retail	6.5%	6.0%	8.0%	7.0%	9.0%	7%	6.0%

	Colorado					
	Aspen	Crested Butte	Snowmass Village	Steamboat	Telluride/Mt. Village	Vail
Lodging	11.3%	12.4%	12.8%	11.4%	12.7%	9.8%
Restaurant	9.3%	9.4%	10.4%	8.4%	10.65%	8.4%
Alcohol	9.3%	9.4%	10.4%	8.4%	10.65%	8.4%
Retail	9.3%	9.4%	10.4%	8.4%	8.65%	8.4%

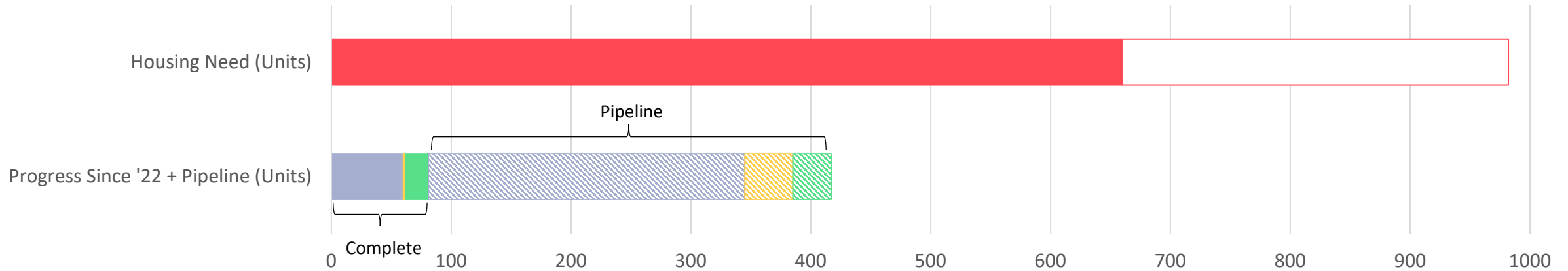


AREN'T WE ALREADY GETTING CLOSE TO CLOSING THE 'NEED' GAP?

- So much development...



Project Tracker



New Construction Public Lots

- Bluebird- 51
- 1st + Wash- 66
- South Y- 33
- Lift Tower Lodge- 27
- Trail Creek- 108

Ownership + Preservation (OPP)

- 2 complete
- Estimate 5/year

Zoning Incentives (FAR Exceedance +)

- 19 since '22
- Estimate 4/year

*ADU Incentives

- Not currently shown/funded



WHAT IS THE OWNERSHIP & PRESERVATION PROGRAM?



Ownership Preservation Program



■ Deed-Restriction

- Long-term covenant that runs with the land that can restrict occupancy, ownership, and resale
- Explicit or de facto affordability + local occupancy
- 70-year term, with renewal at sale

■ Goals

- Support community character
- Prevent housing leakage + preserve supply of housing for locals
- Homeownership assistance for new buyers
- Financial assistance for existing homeowners



Ownership Preservation Program

Current pipeline - without marketing or prime sale season - ranges from \$530,000 to \$1,350,000 investment, additional \$730k would cover high conversion estimate beyond FY24 budgetted amount



OPP to Date (~4 months)

16	TOTAL APPLICATIONS WITHOUT MARKETING	
2	Properties Closed	Total Invested: \$382,650, Average \$191k, \$620k remaining in current budget
12	Applications complete or in progress	Investment Range accounting for conversion rate: \$530,000 to \$1,350,000
8	<i>Pre-qualified to participate 3 for 30% restriction, 5 unsure</i>	<i>Potential Investment Range: \$417k to \$810k</i>
4	<i>Applications in Progress</i>	<i>Potential Investment Range: \$112k to \$540k</i>



Funding request per year \$1,000,000
Est. Public Investment / unit \$200,000
Est. Staff Time, % of FTE 6%

Impact

- expanded restricted portfolio
- Cat Local, ownership
- ~4 units / year
- housing now

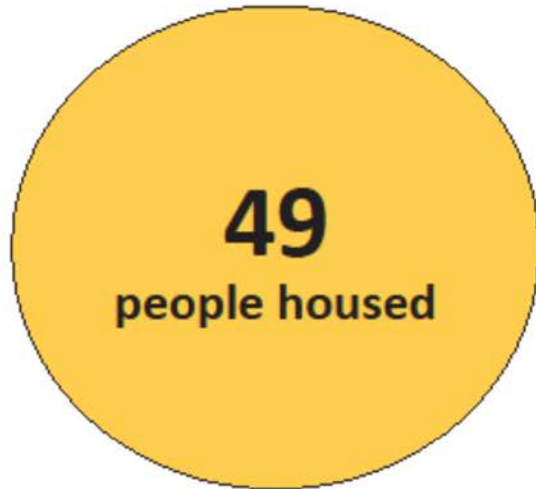




Lease to Locals

IN BUDGET

- Expanded geographic boundaries
- Increased incentive amounts
- stop-gap, no permanent restrictions applied



Funding request per year \$300,000
Est. Public Investment / unit \$13,000
Est. Staff Time, % of FTE 3%

Impact

- moderate income housing
- rental
- ~20 people per year stay housed
- housing now



Draft Ballot Language

“Shall the City of Ketchum support community housing by adopting Ordinance ##### to increase the local option tax rate by 2% on hotel/motel rooms and short-term rentals (30 days or less) to be dedicated solely for community housing.”

“Community housing” – legally restricted for local use and occupancy



What We've Heard

- Why is Ketchum solving a county problem?
 - What are other jurisdictions doing?
- What *else* are we doing?
 - Looking at other properties
 - Staffing BCHA (cofunded by Blaine County)
 - 20% of funds can go outside