

1% FOR HOUSING/AIR

HAILEY LOCAL OPTION TAX FACT SHEET

1. WHAT IS THE 1% LOCAL OPTION TAX FOR HOUSING/AIR?

Local Option Tax is a tax allowed in Idaho for resort cities. It is not a property tax, but a type of sales tax, on tourist retail transactions. The cities of Hailey, Ketchum and Sun Valley each have two Local Option Taxes: the “Original LOT”, described in Question #2, below and the 1% for Air LOT.

The cities of Hailey, Ketchum and Sun Valley voters passed ballot measures in 2014 (Sun Valley 2013) which added a second local option tax, generally referred to as “1% for Air”, which, in Hailey, taxes only rental cars and short-term/hotel room rentals. (Ketchum and Sun Valley tax additional items). All three cities renewed the ballot measure in 2017. (83% in Sun Valley; 74% in Ketchum and 76% in Hailey).

The Hailey City Council has prepared a ballot measure which will ask voters if they wish to split the existing “1% for Air” tax, with 0.5% of the tax dedicated to housing for Hailey citizens and workers who are housing-burdened and 0.5% of the tax dedicated to maintaining and increasing commercial air service and related marketing. No new tax would be imposed.



1% FOR HOUSING/AIR

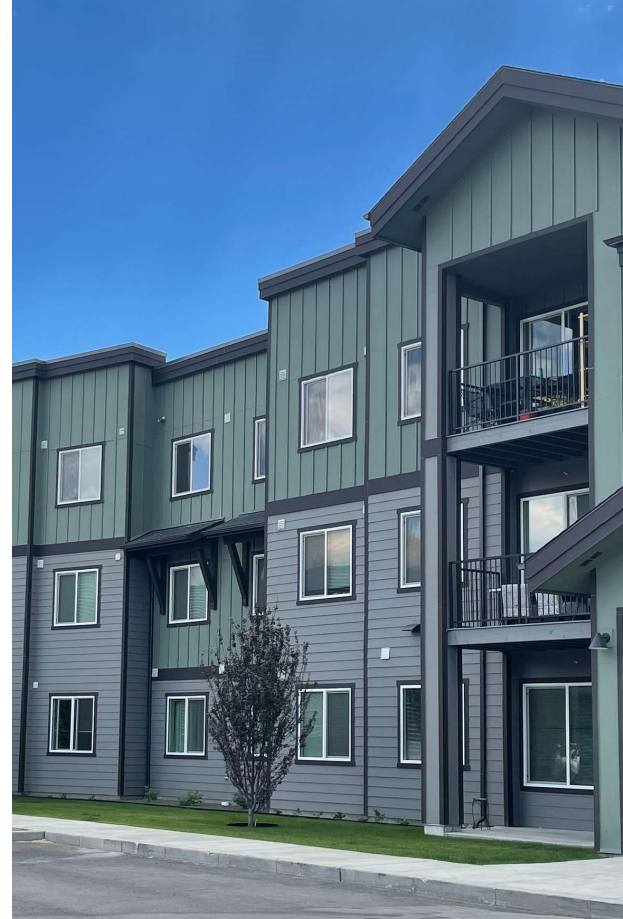
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2. WHAT IS TAXED UNDER THE CURRENT “1% FOR AIR” TAX?

In Hailey, this 1% tax was imposed on lodging and car rentals for:

- Maintaining and increasing commercial air service to Friedman Memorial Airport through the use of Minimum Revenue Guarantees or other inducements to providers;
- Promoting and marketing the existing service and any future service to increase passengers;
- For all ancillary costs which are associated with the ongoing effort to maintain and increase commercial air service, including reasonable program management costs and busing due to flight diversion(s); and
- Direct costs to collect and enforce the tax, including administrative and legal fees.

In Hailey, 1% for Air LOT is placed **ONLY** on hotel/motel/short term occupancy and rental cars, as compared to Hailey’s “Original LOT” which also includes a tax on restaurants and liquor by the drink (See Question #3 below). Both measures were passed by Hailey voters in 2020 by an 80% majority and are in place until 2050.



1% FOR AIR LOT COLLECTIONS 2014 AND 2021

Year	Hailey	Sun Valley	Ketchum	Total
2014	\$49,627 (3% of total)	\$336,085	\$1,191,437	\$1,577,149
2021	\$165,255 (3.73% of total)*	\$1,091,012	\$3,171,173	\$4,427,440

*Approx. 5% of these funds are retained for administration of the fund



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3. WHAT IS LOCAL OPTION TAX?

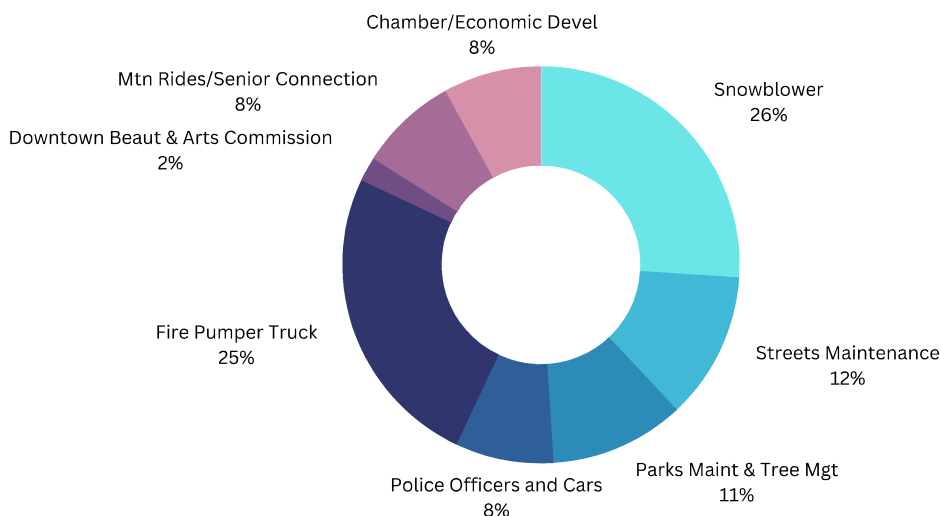
Local Option Taxes (LOT) are allowed by Idaho statute in resort cities with a population under 10,000. The purpose of the statute is to mitigate tourist impacts that would otherwise be paid for by property tax payers. Hailey began the process of instituting a Local Option Tax over 15 years ago. A four-year “trial” term was requested when the city brought forth its first LOT ordinance in 2006. Voters approved the measure with a 67% margin. The products that could be taxed in 2006 were voted in as: 1% on restaurant food, 2% on alcohol by-the-drink, 3% on lodging and 3% on car rentals. Hailey refers to this first Local Option Tax as the “Original LOT”.

The “Original LOT” tax was approved again by Hailey voters in 2009, 2013, 2017 and 2020.

The purpose of the tax was clearly defined and has been used in all of the allowed categories:

- Emergency services (rapid response, life-safety, traffic enforcement, training, staffing, equipment, vehicles, etc.)
- Maintenance, improvement and acquisition of parks
- Road repair, transportation enhancements, snow removal
- Public transit and related improvements
- City promotion, visitor information, special events and economic development
- Town improvements (library modernization, sidewalks, town square, etc.)
- Direct cost to administer and enforce the tax

HAILEY “ORIGINAL LOCAL OPTION TAX” FY 23 BUDGETED EXPENDITURES



Question #1 explains the “1% for Air” LOT adopted in 2014, 2017 and 2020, and the proposed reallocation of the tax, 1% for Housing/Air.

4. IS THIS A TAX INCREASE?

There is no new tax proposed. The ballot measure asks voters if they wish to re-apportion the existing 1% for Air LOT as follows: 0.5% for community housing (dedicated to housing for Hailey citizens and workers who are housing-burdened and 0.5% dedicated to maintaining and increasing commercial air service and related marketing. The tax, if passed will be called “1% for Housing/Air”.

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5. WHAT HAPPENS IF THE BALLOT QUESTION DOES NOT PASS?

If the ballot measure does not pass, Hailey will continue to collect 1% for Air until 2050, as approved by Hailey voters in 2020.

6. WHAT WILL THE 0.5% FOR HOUSING FUNDS BE USED FOR?

The ballot measure asks Hailey voters if they wish to spend the 0.5% LOT funds to develop community housing for families living and working in Hailey. The Hailey City Council plans to conduct a robust public process to ask the Hailey community what types of community housing projects they wish to fund. As of 2023, Hailey City Council has taken the following steps:

- Adoption of an Interim Housing Policy, and preparation of a semi-annual Hailey Housing Report. You can read the report here: tinyurl.com/haileyhousingreportjan23;
- Consultant contract to prepare a Housing Needs Assessment, which will look at demographics, economic indicators, housing inventory and housing needs in Hailey.
- Approval of a Scope of Work for the 2023 Hailey Comprehensive Plan Update, which will include a detailed Housing Chapter to guide housing policy and funding in Hailey.
- Allocation of \$500,000 to a Housing Capital Fund;
- Allocation of \$50,000 towards an employee housing stipend for housing-burdened Hailey employees.

If the ballot measure is passed, Hailey will have approximately \$78, 578 in the first year to spend on housing initiatives.

7. WHAT WILL THE 0.5% FOR AIR SERVICE FUNDS BE USED FOR?

The uses of the Air Service Funds (0.5% for Air) will not change. They include the items listed in Question #1 above.

