

City of Sandpoint – Council Discussion Memo

To: Sandpoint City Council

From: Mayor Jeremy Grimm

Date: February 4, 2026

Re: Discussion Item – Local Option Tax (LOT) – May 2026 Ballot Consideration

Councilmembers,

I'm bringing this item forward for discussion only, with the goal of working through whether the City should place a Local Option Sales Tax (LOT) on the May 2026 ballot and, if so, what that measure should look like.

At its core, this conversation is about one thing: how Sandpoint pays for critical infrastructure in a way that is fair, sustainable, and affordable for residents.

Roads and Streets – The Immediate Need

Our streets are in rough shape, and the data is clear. More than 65% of Sandpoint's streets are currently rated in poor or very poor condition. Our annual spending on street maintenance and reconstruction is only a fraction of what is required just to maintain current conditions, let alone improve them. Each year we defer maintenance, costs compound and the problem grows.

Absent a new funding source, we will continue to fall behind, resulting in higher long-term costs, declining service levels, and increasing frustration from residents and businesses alike.

Why a Local Option Tax

A Local Option Sales Tax is one of the few remaining tools available to cities under Idaho law that does not rely on property taxes. Based on historic LOT collection data more than 40% of these revenues are typically paid by non-residents—visitors and Bonner County residents who regularly use Sandpoint streets, utilities, and services but do not pay city property taxes.

In other words, a LOT allows us to better align who pays with who benefits.

Additional Uses Worth Considering

While streets and roads are the primary driver for this discussion, there are several other considerations that I believe are appropriate for Council to weigh.

Wastewater Treatment Plant Rate Relief

Sandpoint is facing a \$130 million wastewater treatment plant replacement. Despite significant effort, current funding includes only about \$3 million in grant funding, meaning the project will be financed almost entirely through loans.

As currently modeled, this will drive sewer rates up by approximately 100%, pushing the average residential bill to over \$200 per month. That equates to close to 5% of average household income in Sandpoint—well beyond commonly accepted affordability thresholds.

During the wastewater bond election, which passed with 89% voter approval, many residents expressed frustration that visitors were not helping to pay for this essential infrastructure. Dedicating a portion of LOT revenue to debt reduction or rate stabilization could materially reduce future rate increases and make living in Sandpoint more affordable.

Public Transportation – SPOT Bus

The SPOT bus system is currently funded entirely through lodging tax revenues. Bed tax collections have declined following the mothballing of the Edgewater Hotel, and future hotel redevelopment remains uncertain. LOT revenue could provide a more stable and diversified funding source for public transportation that serves residents, workers, and visitors.

Affordable Housing

Some members of Council have expressed interest in establishing a dedicated local funding source to support affordable housing initiatives. Potential uses could include down-payment assistance or other locally tailored strategies to support workforce housing.

Framework for Discussion

For purposes of discussion, I am recommending a 1% Local Option Sales Tax with a 20-year duration. I am open to alternative rates or terms, but believe this provides a reasonable balance between impact and effectiveness.

Timing and Legal Constraints

Under current state law, Sandpoint may only present a Local Option Tax to voters while our population remains under 10,000, as measured by the next census. This creates a narrowing window of opportunity.

We attempted to pass a LOT in the fall of 2024. Support exceeded 50%, but the measure failed to achieve the required supermajority. One clear lesson from that effort is the importance of independent, third-party advocacy, as the City is prohibited from promoting ballot measures. Early indications suggest that downtown businesses and other local employers may be willing to support and advocate for a renewed effort.

Closing

No action is requested tonight. My intent is to begin a thoughtful discussion, work through potential ballot language, and determine whether there is Council interest in moving forward with a May 2026 ballot measure.

I look forward to your questions, perspectives, and ideas as we consider how best to fund the infrastructure that keeps Sandpoint functioning.