LOCAL OPTION TAX

HOUSING ACTION PLAN

City Council
March 14, 2022

ProjectKetchum.org
HOUSING ACTION PLAN

1. CONTEXT
   November - January
   - Needs & Preferences
     - Survey
     - Stakeholder Sessions
     - Data Analysis
   - Best Practices
     - Strategy/Policies
     - Programs
     - Projects
   Output: Findings Summary

2. DEVELOP
   January - February
   - Action Plan
     - Vision/Goals
     - Focus Areas
     - Actions
   Output: Housing Action Plan
   - Funding Options
     - LOT & in-lieu
     - Philanthropic
     - Business
     - Federal/state
     - Tax credits
   Output: Funding Scenarios
   Action: Implement Plan

3. ACTION
   March +
   - Implement Plan
     - Policies
     - Programs
     - Projects
   OUTPUT: Funding Scenarios
   - L.O.T. on Ballot
     - Ballot language
     - Measure (March)
     - Election (May)
   Output: Funding for housing initiatives

STAKEHOLDERS + IMPLEMENTATION PARTNERS
- Task Force
- Ketchum City Council, Planning & Zoning Commission,
  Ketchum Urban Renewal Agency (KURA)
- Neighboring governments, Blaine County Housing Authority
- Community
Increase access to, create and preserve enough homes for residents at varying income levels and life stages to keep Ketchum a thriving local community.

**Housing Matters**

The City of Ketchum is developing a Housing Action Plan in collaboration with a Housing Task Force comprised of a cross-section of community members. Actions being analysed include rental assistance, incentives for converting to long-term rentals, preserving existing affordable housing, homeownership assistance, new housing development, and zoning changes. To ensure adequate funding for these actions, the City Council is considering putting the Local Option Tax (LOT) on the May ballot.

We have completed the first stage and have set the context through determining needs, preferences, and best practices. The next stage will be to develop the plan, based on which mechanisms identified in the previous stage best meet needs and preferences. If the plan is approved, we will begin implementation; the extent of which depends on funding availability.

**Upcoming Events**
- March Virtual and in-person self-guided open house tours available online and at City Hall (8:30am-5pm) – take the survey after participating!
- March 7 – First public hearing regarding potential LOT changes
- March TBD – Second & third public hearing

**Community Conversations**
- Open House Posters
- Feb 1 – BCHA, County Commissioners, City Mayors and Administrators Meeting
- Housing Matters Task Force Quotes
- Email participate@ketchumidaho.org for additional meeting specific slide decks (Task Force, Focus Groups, etc.)

[Learn more!](ProjectKetchum.org)
1. Decision items
2. General feedback
3. Refinement to collection areas
   • Retail
   • Lodging (hotels and short-term rentals)
   • Liquor-by-the-drink
   • Building materials
4. Next steps
Tonight’s decisions:

- Changes from last week?
- Proposed collection date of July 1st

Future guidance:

- Spending inside vs. outside of municipality (%?)
- Direction on definition of workforce housing
1. Decision items
2. **General feedback**
3. Refinement to collection areas
4. Next steps
WHAT PEOPLE ARE SAYING

County-wide survey – 1,117 responses
- ~480 Ketchum respondents (statistically significant)

Open houses
- 3 in-person
- 1 virtual
- 4 ‘self-guided’ locations + on-line
- 6 business listening sessions
- 1 voter focus group (9 attendees)

LOT survey
- 85 Ketchum residents
- 39 business owners
Increase fees on development to support community housing

Allow the use of Local Option Tax funds to provide for community housing

Increase the Local Option Tax to provide for community housing

Increase the Local Option Tax on short term rentals and other lodging options

Source: Ketchum Housing Matters Survey; November 15, 2021 to January 3, 2022; ~500 responses
### LOT SCENARIO – MARCH 7th COUNCIL MEETING

**Scenario #1**

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<th>Current %</th>
<th>Potential Housing LOT Revenue</th>
<th>New Total Ketchum City LOT</th>
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<td>3%</td>
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<td>2%</td>
<td>13% (+2%)**</td>
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<tr>
<td>Building ***</td>
<td>2%</td>
<td>$440,723</td>
<td>1%</td>
<td>9%</td>
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*excluding groceries and automobile purchases

**additional 2% state tax

***rebate on workforce housing

Original LOT set to expire December 31, 2027

$3,302,231
SUPPORT FOR SCENARIO FROM LAST COUNCIL MEETING

51% Ketchum respondents that support current proposal

Ketchum Residents

All Engagement

Businesses

Support LOT increase

Support scenario from last Council meeting

Support higher LOT than last Council meeting
1. Why not let the market take care of it?
2. Why not incentivize more development?
3. Why not get money elsewhere?
4. What about the 1% for Air?
5. Will this increase locals’ cost of living?
6. Support depends on
   • Where housing is developed
   • Who is housed
1. “WHY NOT LET THE MARKET TAKE CARE OF IT?”

**Response:** The market has not been meeting our housing needs.

• Older high-density developments have been demolished and replaced with less dense developments, reducing the number of available units to the community. Ketchum has also lost residential units to the consolidation of lots, consolidation of units, and conversion of long-term rentals into short-term rentals.

• Market conditions and land prices are driving the development of low density, large luxury single-family residences, penthouse units and low-density townhouses throughout the city.
  • From 1990 to 2009 an average of 15 units per year were produced.
  • From 2010 to 2020 that dropped to 9 units per year.
1. “WHY NOT LET THE MARKET TAKE CARE OF IT?”

**Response:** Residential development has slowed over the last 30 years.

- Nearly half of the existing housing stock was built between 1970 and 1989.
Response: Long-term rentals and owner-occupied has decreased.

- The proportion of long-term rentals decreased from 31% in 1970 to 10% in 2019.
- About 335 long-term rental units were “lost” in Ketchum since 2010, with a significant proportion likely converted to seasonal or short-term use.


1. “WHY NOT LET THE MARKET TAKE CARE OF IT?”

Response: The government cannot stop people from moving in.

Historic Annual Growth Rate ~1%

Pandemic Growth Rates (2019-2020) ~25%

Or, on the flip side, “Why not control growth?”

Response: The government cannot stop people from moving in.
Market rent in 2021 required earning $54/hour or $107,000 per year to afford.

- Median is the middle value: 50% of industry workers earn below and 50% earn above the median, shown here.
- Earnings are per full-time, civilian worker, not by household. Household income includes interest and passive income.
- People are taking on more roommates to afford living here: Average Household Size for renters increased from 1.74 to 2.92 between 2010-2019.

| 50% AMI | $28,347 |
| 80% AMI | $45,355 |
| 100% AMI | $56,694 |
| 120% AMI | $68,032 |
| 120% AMI | **$76,033** |
| 120% AMI | *$81,070* |

- **$189% AMI**

*Blaine County School District’s 2019 median earnings for all worker categories was $59,777 ($63,418 in 2021).*  
*- County AMI is used to align with state and federal subsidies.*  
*- Only showing industries with 250+ workers countywide.*  

SOURCE: U.S. Census Bureau, American Community Survey 5-Year Estimates, 2019 FOR Blaine County, Idaho. Industry by median earnings in the past 12 months for full-time, year-round civilian employed population.

**Updated 2/8/2022 from Blaine County Housing Authority, Fiscal year 2021. Based on Idaho Mountain Express Advertisements.
2. “WHY NOT INCENTIVIZE MORE DEVELOPMENT?”

Response:

• More development is not solving the housing crisis (see previous slides).

• We already:
  • Reimburse fees for community housing
  • Provide parking, height, and density bonuses for community housing
  • Provide a local homeowners’ tax exemption

• To incentivize development of housing that fits our community’s needs, we need
  • Funding
  • Projects that provide a mix of housing units.
    • Planning & Zoning is analyzing an interim ordinance. A full code overhaul will take several years, during which we as a community would lose limited available land.
    • Without additional financial support, it is extremely difficult (if not impossible) to ensure that there is housing for workers who earn under $23 an hour.
3. “WHY NOT GET MONEY ELSEWHERE?”

Response: The Housing Action Plan needs consistent annual funding in order to implement.

One-time funds
- ARPA
  - County
  - City
- Philanthropic and employers

Reoccurring
- In-Lieu
- Local Option Tax
Response:
Idaho’s cities are the only cities in the U.S. without authority to implement any of these common strategies.

Community housing definition:
Residential housing that is restricted (through a deed restriction) to being a rental or a for-sale unit to eligible persons and households, based on applicable income and residency requirements.

Response: We need both LOT and private funding.
3. “WHY NOT GET MONEY ELSEWHERE?”

- LOT revenue cannot currently be used for housing.

- Funds are already allocated and needed elsewhere

**LOT uses currently include:**

- capital improvements,
- emergency services,
- public transportation,
- open space acquisition and recreation,
- city promotion,
- *visitor information and special events.

**Allocating LOT funds:**

- All LOT funds are allocated to these categories
- If we wanted funds allocated to housing, we would have to decrease funding in one of these categories
- Extra funds have been applied to deferred capital, mainly streets projects which were underfunded
### Examples From the Draft Housing Action Plan

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Estimated Cost Per Year</th>
<th>Estimated # of Units or People Served Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental Assistance</td>
<td>$500K</td>
<td>150 households served</td>
</tr>
<tr>
<td>Lease to Locals program / Employee housing strategy</td>
<td>$1M</td>
<td>100 units converted to long-term rentals</td>
</tr>
<tr>
<td>Construct new multifamily rentals</td>
<td>$2-3M</td>
<td>30 -100 new homes built</td>
</tr>
<tr>
<td>Pathway to ownership program</td>
<td>$1-2M</td>
<td>10 homes purchased</td>
</tr>
<tr>
<td>Multifamily preservation program</td>
<td>$1M</td>
<td>16-20 existing homes preserved</td>
</tr>
<tr>
<td><strong>Estimated Total Per YR</strong></td>
<td><strong>$5.5M - 7.5M</strong></td>
<td><strong>YR1: 26-30 permanently affordable 100 long-term rentals 150 other households served/stabilized</strong></td>
</tr>
<tr>
<td>Proposed LOT scenarios</td>
<td><strong>$2.1-3.3M</strong></td>
<td></td>
</tr>
<tr>
<td>In-Lieu fees (5-year historical)</td>
<td><strong>$325K</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Response:** We need both LOT and private funding. Having LOT would help leverage other funding.

3. “Why not get money elsewhere?”
3. “WHY NOT GET MONEY ELSEWHERE?”

Response: The in-lieu fee has historically only brought in $325,000 annually.

The in-lieu fee was increased, with the goal to have more units built rather than go into the fund. So, we can’t predict future revenue.

<table>
<thead>
<tr>
<th>Average annual revenue, 5-year</th>
<th>$ 325,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current fund balance (FY21 audit)</td>
<td>$ 2,848,405</td>
</tr>
<tr>
<td>Planned expenses</td>
<td>$ 2,000,000 – 2,500,000 +</td>
</tr>
<tr>
<td>Bluebird</td>
<td>$ 1,000,000</td>
</tr>
<tr>
<td>Washington Street parking lot (local match)</td>
<td>$ 1,000,000 – 1,500,000</td>
</tr>
<tr>
<td>Other city property local match, e.g. Leadville parking lot</td>
<td>TBD</td>
</tr>
<tr>
<td>Historical uses</td>
<td>$ 2,181,053</td>
</tr>
<tr>
<td>Blaine County Housing Authority (annual contract $75,000)</td>
<td>$ 1,013,646 (2005 – current)</td>
</tr>
<tr>
<td>Washington Avenue property</td>
<td>$ 393,866 (2005 - 2007)</td>
</tr>
<tr>
<td>Affordable Housing (development, title, architecture)</td>
<td>$ 570,728 (2007 - 2020)</td>
</tr>
<tr>
<td>Professional Services (legal, appraisal)</td>
<td>$ 7,812 (2008 - 2010)</td>
</tr>
<tr>
<td>ARCH Community Housing</td>
<td>$ 195,000 (2010)</td>
</tr>
</tbody>
</table>
4. “WHAT ABOUT THE 1% for AIR?”

- Voter approved in 2017 for 5 years
- Revenue dedicated to air service development and marketing efforts
- Expires December 31, 2023
- Vote planned for May of 2023
5. “WILL THIS INCREASE LOCALS’ COST OF LIVING?”

Respondents voiced concerns with each of these categories, in that increasing tax in these areas would affect locals’ cost of living:

- Retail
- Liquor-by-the-drink
- Building materials

Resident spending

<table>
<thead>
<tr>
<th>Ketchum</th>
<th>resident</th>
<th>visitor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27.73%</td>
<td>72.27%</td>
</tr>
</tbody>
</table>

Source: Visit Sun Valley
Visitor is defined as a cardholder from outside the zip codes of 83353, 83340, 83333 and 83313. Spend Source: Affinity- Data is from domestic only cardholders and is at the transaction level. Transactions reflect roughly 25% of overall volume. Affinity processes 10 billion transactions annually and trough 34M cards including Visa, Mastercard and some American Express. Spend is direct spend only and does not include purchases such as Online Travel Agencies or airline tickets purchased online.
6. SUPPORT DEPENDS ON...

Where housing is developed?

Response:
- The Housing Action Plan, with Council approval and annual updates, will determine what proportion of funding goes to housing outside of Ketchum.
- The needs assessment identified that each municipality and the county needs to do its part to solve the housing crisis.

Who is housed?

Response:
The Housing Action Plan identified that we need more occupied housing at every income level. The Housing Action Plan will identify actions to create, preserve, and increase access to housing at every income level – including for workers.
1. Decision items
2. General feedback
3. **Refinement to collection areas**
4. Next steps
# CURRENT LOT COLLECTIONS

<table>
<thead>
<tr>
<th>FY21 Sales</th>
<th>Original LOT</th>
<th>SV ASB (1% for Air)</th>
<th>Total Collections (Original + SVASB)</th>
</tr>
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<tbody>
<tr>
<td>Retail</td>
<td>$1,957,602</td>
<td>$1,957,602</td>
<td>$3,915,204</td>
</tr>
<tr>
<td>Lodging</td>
<td>$620,356</td>
<td>$310,178</td>
<td>$930,534</td>
</tr>
<tr>
<td>Liquor</td>
<td>$283,549</td>
<td>$141,775</td>
<td>$425,324</td>
</tr>
<tr>
<td>Building materials</td>
<td>$440,723</td>
<td>$440,723</td>
<td>$881,446</td>
</tr>
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| Total               | $3,302,230   | $2,850,278          | $6,152,508                           |
# POTENTIAL LOT SCENARIOS

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<td>Retail*</td>
<td>2%</td>
<td>$1,957,602</td>
<td>1% 3% 9%</td>
<td>$0</td>
<td>2% 8%</td>
<td>$978,801</td>
<td>0.5% 2.5% 8.5%</td>
<td>$3,302,231</td>
<td>$1,344,629</td>
<td>$2,323,430</td>
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<td>Lodging</td>
<td>3%</td>
<td>$620,356</td>
<td>2% 5% 13% (+2%)**</td>
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<td>$620,356</td>
<td>2% 5% 13% (+2%)**</td>
<td>$883,666</td>
<td>3% 11%</td>
<td>4% 15%</td>
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*excluding groceries and automobile purchases
** additional 2% state tax
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<th>Ketchum Housing Model</th>
<th>Historic Growth</th>
<th>High Growth</th>
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<tr>
<td>Projected units needed annually – new, preserved, converted</td>
<td>66</td>
<td>98</td>
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Public input:
- Increasing taxes on locals increases cost of living here, which is counterproductive
- Affects locals more than buildings

Businesses:
- Some lodgers and bar owners want retail to be involved for fairness
- Some retailers concerned about the Amazon effect and passing costs to locals
RETAIL: SUPPORTED LOT CHANGES

Assumed that those that support a specific percentage would also support lower percentage increases
*likely includes responses from people who engaged more than once
Public input:
  • Increase higher on short-term rentals (we legally can’t)
  • Increase higher – one person wants 20%, another 10%

Business owners:
  • Concern of being priced out of the market
• Tax % on lodging paid by guests are mid-range in comp set in SV & Hailey

• But Ketchum is lower due to a smaller Original LOT
Assumed that support a specific percentage would also support lower percentage increases
*likely includes responses from people who engaged more than once
Some concerns of

- increasing locals’ cost of living
- that locals won’t shop local with additional taxes
LIQUOR: SURVEY RESPONSES

Assumed that support for a specific percentage would also support lower percentage increases
*likely includes responses from people who engaged more than once
Public input:
  • Some concern of increasing housing costs*
  • *workforce housing projects would be exempt

Business owners
  • One builder concerned about pushing building costs up for everyone, which will get passed on to buyers
  • 2 support current proposal of 1%
  • 1 supports no change
  • 1 supports 0.5%
Assumed that support for a specific percentage would also support lower percentage increases
*likely includes responses from people who engaged more than once
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- Neighboring governments, Blaine County Housing Authority
- Community

IMPLEMENT PLAN
- Implement actions up to approval
- Ballot language
  (March) Election (May)
Output: Policies, Programs, Projects

L.O.T. ON BALLOT
Output: Funding for housing initiatives

STAKEHOLDER REVIEW
- 80%
- 50%
ITERATIVE PLAN ADMINISTRATION

Annually

• Report out to community on work accomplished.
• Public engagement and hearing – source feedback on programs from the community and partners.
• Update Housing Action Plan & budget based on lessons learned, feedback, and updated needs.
• City Council review and finalize updated Plan and budget.

Quarterly

• Meet with implementation partners to share progress towards goals, explore synergies and tensions, and educate on hot topics.
• Report out to community on progress via newsletter/report.
LOT next steps:

- TODAY – Proposed public hearing/second and third reading
- March 18th – Final ballot language due to County Clerk
- May 17th – Election day
- July 1st – New rate collections begin (?)

Housing Action Plan next steps:

March
- Drafting of Housing Action Plan
- Meet with implementation partners: one-on-ones and focus groups

April
- Develop Housing Action Plan outreach materials
- Final Task Force meeting
- Public engagement
- Draft to City Council

May
- Public engagement (continued)
- Final to City Council – May 16
Tonight’s decisions:
  • Changes from last week?
  • Proposed collection date of July 1st

Future guidance:
  • Spending inside vs. outside of municipality (%?)
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PUBLIC HEARING
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