

**MINUTES OF THE SPECIAL MEETING OF THE
HAILEY CITY COUNCIL
HELD THURSDAY, APRIL 7, 2005
IN THE HAILEY TOWN CENTER MEETING ROOM**

The special meeting of the Hailey City Council was called to order at 5:30 p.m. by Mayor Susan McBryant. Present were Council members Rick Davis, Martha Burke, and Carol Brown. Don Keirn was absent. Staff present included City Attorney Ned Williamson, Public Works Manager Ray Hyde, City Engineer Tom Hellen, and City Clerk Heather Dawson.

Mayor McBryant said the idea of a local option tax was (LOT) was first brought to the city council one and a half to two years ago, when the Hailey Chamber of Commerce said there was reported interest from the Chamber in establishing a LOT. She said Rick Davis is the Hailey Chamber of Commerce's liaison to the council, and turned the workshop over to him to chair.

Davis said Hailey experiences impacts from the airport and other tourism influences. The airport brings a lot of economic activity to the area, but Hailey has no way to recover the effects of this activity on police department and other emergency services.

Dawson introduced a staff report to the council, which outlined five areas of discussion areas precedent to a LOT ordinance. Brown asked what Idaho law entails in terms of findings regarding a local tourist based economy. Williamson read from the law, saying in order to adopt a LOT, and city must be a resort City under 10,000 population, which derives the major portion of its wellbeing from businesses catering to recreational needs and general needs of travelers who travel to the city for an extended period of time. Hailey will soon have a new hotel, which helps. We need some empirical data to see what our economy is based upon. There is no case law in Idaho. The best data will come from hotels, rental car businesses, and tourist based businesses. Brown noted that data could be collected from special events that come to town.

Chris Simms said it is broader than that, because of the second home economy that exists. How many residential units are occupied by people who don't work in the county. Davis added that industries catering to tourism are moving from north valley to Hailey.

Jim Spinelli, Hailey Chamber of Commerce Executive Director, added that the recreation component is a big part of the law. Al Lindley said the airport is the gate to Hailey, and because that is in Hailey, that alone qualifies us as a destination spot. He said he learned that in a review of this matter 5 years ago.

Davis said he can find out the 2nd home information. Lindley said the Gem Community produced some information relative to that, and he would research his records from that time.

McBryant said the State Liquor Dispensary will have empirical data. She asked if this community is a resort community based on this definition.

Craig Bates said he felt this area is surely a tourist area. Simms said the words “traveling to a destination” makes it qualify. Williamson said the term in the code is destination city.

Ray Hyde said our parks are becoming destination points. The skatepark draws people from all over the world. He named all the events that occur in the parks, saying that combined they bring a lot of people to a destination in Hailey.

Davis said we have enough leakage to the bigger southern cities in terms of shopping. Some services are competitive here, and he didn't want to see more shoppers pushed south.

Davis said although a target date of November election has been held up, he did not want to rush this matter. Brown agreed, saying that we should do it slowly, do it right, and only do it once.

Burke said room taxes may impact our visiting parents, but they don't impact the local resident. She would rather get a little bit and have this go, than get greedy and take from the locals.

Bates suggested taxing all retail, including groceries. He said that spreads the tax out over a broad base. Tom Hellen said he does not mind paying an extra tax on restaurant food or drink.

Lindley asked about additional taxes after the airline ticket is paid. Burke said those taxes are assessed and taken for the operation of the airport. Airport revenue cannot be used for anything other than the airport.

Brown asked about businesses catering to recreational needs, saying those may be the kinds of product upon which to assess a tax. Dawson said although we are not limited to those taxable sources, it may make the tax more amenable to the voters.

McBryant said there are considerable for-profit events in Hailey, and activities related to entertainment establishments such as the Mint Bar and Liberty Theater. Eating out in Twin Falls is not the same recreational experience as eating out in Hailey. She urged development of a chart that calls out specifically what these taxes will mean to people.

Burke said the owner of the Featherbed Inn said the majority of her guests come to Hailey to have dinner and go to the theater, not to go skiing. She also suggested talking to Bill Abide of the Ellsworth Inn. Hyde said he could document that our parks are used for weddings and family reunions. Location data could be obtained from hotels, showing zip codes and length of stay.

Spinelli said if local voters know that the tax they pay is going to a good source, they may be far more willing to support it. He said when we were working on this some time ago, there was a unanimous vote of confidence from the Chamber board. The board represents a membership of 275 businesses, some of whom don't care about the parks when they are doing the books. Because there are two different audiences, the Chamber is in a difficult position to spearhead this drive, and we are obligated to represent our membership.

Gary Stivers said when consumers choose where to travel, they don't consider where the taxes are lowest. He said the businesses don't pay the tax, they simply collect it and pass it on.

McBryant said we have an affluent community that expects a high level of service. Bates said if we do a broad base on everything, including food, how much would we get. Dawson said a 2% lodging tax will bring in \$20,000 per year revenue.

Davis said without knowing whether we meet the findings, he is hesitant to go on. He said he would look at homeowner's exemptions and any other assessor's office information. Burke was assigned to obtaining information on taxis and rental car businesses. The office of state tourism was to be contacted by Spinelli. Lindley said the state has estimates on the Lewis and Clark anniversary events, and to create these estimates, they have some data. State Tax Commission zip code information was assigned to Spinelli. Lodging data was assigned to Davis, including bed and breakfast businesses. Stivers said the Ketchum Chamber of Commerce has data on lodging. Hyde was assigned obtaining data on city parks and Quigley Trails. Davis directed that information be given to Dawson by April 14th, and prepared for the council on April 25th.

Lindley suggested a true ad hoc committee be formed to help put this together and get community consensus.

McBryant said the maximum population limitation should be addressed by the city attorney. Spinelli said once this is enacted in a city below 10,000, it is good for the full duration even if the population exceeds 10,000 during that term. Simms said the County LOT laws have a sunset of 2009. There is no sunset in municipal law.

McBryant said it is important to find a mechanism to find revenue, and an LOT may be a better source than growth. The property tax revenue from growth will be less than LOT revenue, and once Hailey is built out, the property tax revenue will remain stable while LOT revenue may continue to increase. These are philosophical decisions.

A discussion then ensued about how the term of an LOT ordinance can be extended, during which it was noted that 2010 is the year Hailey is likely to reach 10,000.

Mayor McBryant asked if a November election date is preferred. Several people in the room were in favor of a November date. The council said if it is not well presented, they would rather wait until 2006. Mayor said information about this matter can be presented

by actively talking about it in the community from this well informed group, and by setting up information booths in the parks during events.

Becki Keefer said Idaho tourism tax, Idaho sales tax, Ketchum sales tax, and Sun Valley sales tax, are all collected by a business for which she does bookkeeping work. Handling all those tax matters is not complicated. McBryant said the finding about Hailey's impacts from tourists is useful information in applying for matching grants.

McBryant scheduled the matter for further workshop discussion at 5:30 on April 25, 2005. There being no further business, she adjourned the meeting at 6:20 p.m.