



City Council Staff Report

REPORT DATE: August 18, 2021

MEETING DATE: August 25, 2021

SUBJECT	Consideration of a Proposed Ballot Question Seeking Voter Approval of an Ordinance Amending Sections of the Victor City Code to Increase the Percentage Imposition of the City's Lodging Tax to 6% and Make Other Modifications to the City's Local Option Tax
ITEM TYPE	<input type="checkbox"/> Public Hearing <input type="checkbox"/> Work Session <input checked="" type="checkbox"/> Action Item
PRESENTER	Troy L. Butzlaff, ICMA-CM, Interim City Administrator Herb Heimerl, City Attorney Joanna Burkhardt, City Treasurer

APPLICABLE VICTOR VALUES

- | | | |
|--|---|---|
| <input type="checkbox"/> Culturally Historic | <input checked="" type="checkbox"/> Sustainable | <input type="checkbox"/> Connected to Nature |
| <input type="checkbox"/> Small Town Feel | <input type="checkbox"/> Family Friendly | <input checked="" type="checkbox"/> Administrative Need |

PURPOSE & PROCESS

The purpose of this item is to seek legislative action on a proposed resolution establishing November 2, 2021 as the date for a municipal election on a proposed Ballot Question and on a proposed ordinance amending Victor City Code Title 3, Chapter 1C increasing the percentage imposition of the three percent (3%) room occupancy charge on receipts from all short-term rental (30 days or less) charges for hotel-motel rooms, condominium units, tourist homes, vacation rentals or other sleeping accommodations to six percent (6%); modifying the purposes for which the revenues derived from said non-property taxes shall be used; and, extending the effective date for the collection of non-property taxes through July 1, 2036.

BACKGROUND/ALTERNATIVES

Idaho law allows voters of resort cities with a population of less than 10,000 to adopt, implement and collect one or more "local-option non-property taxes" with a 60 percent majority vote.

In 2009, voters in Victor approved Ordinance 09-0826-1, which established the City's Local Option Tax. The City's Local Option Tax consists of three tax components:

- A Sales Tax
- A Lodging Tax
- A Liquor Tax

The City's Lodging Tax, which is charged to travelers when they rent accommodations (i.e., a room, rooms, entire home, or other living space) in a hotel, inn, tourist home / house, motel, or other lodging for a period of less than 30 days, was initially set at 0.5%. In 2018, voters approved an ordinance to increase the City's Lodging Tax by 2.5% from the then applicable rate up to the current 3% rate. The ordinance also extends the term of the City's Local Option Tax to July 1, 2028.

As a destination resort, the City of Victor experiences a fluctuation in visitors throughout the year but during winter and summer, visitor traffic increases substantially. These visitors create an accelerated strain on City services and its infrastructure. Currently, the City generates approximately \$272,000 in revenue from the Lodging Tax.

Increasing the City’s Lodging Tax by 3% would not impact the residents, but, rather, would charge the visitors that cause the additional strain on City services and infrastructure. In addition, raising the Lodging Tax will help align the City with what many of our resort cities are charging. Lodging Tax amounts vary significantly, with more frequented tourist destinations charging higher rates. The chart below shows the Lodging Tax rate charged by other resort cities in Idaho:

Idaho Resort City	City Lodging tax	STATE OF IDAHO		Total Tax
		Sales Tax 6%	Travel Tax 2%	
Ponderay	7%	6%	2%	15%
Sandpoint	7%	6%	2%	15%
McCall	6%	6%	2%	14%
Hailey	4%	6%	2%	12%
Ketchum	4%	6%	2%	12%
Salmon	4%	6%	2%	12%
Sun Valley	4%	6%	2%	12%
Kellogg	3.50%	6%	2%	12%
Donnelly	3%	6%	2%	11%
Driggs	3%	6%	2%	11%
Lava Hot Springs	3%	6%	2%	11%
MacKay	3%	6%	2%	11%
Victor	3%	6%	2%	11%
Stanley	2.50%	6%	2%	11%
Riggins	2%	6%	2%	10%

Outside of Idaho, Lodging Tax rates vary even more, as illustrated below:

Destination	State	Lodging tax rate	
Teton County & Jackson	WY	7%	
Winter Park	CO	11.20%	
Breckenridge	CO	12.28%	
Lake Tahoe	CA	14%	<i>Plus \$5 per night</i>
Big Sky	MT	12%	
West Yellowstone	MT	12%	
Moab	UT	8.85%	
Park City	UT	15.45%	
Bend	OR	11.90%	

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On July 28th the City Council held a Work Session and received a presentation from staff on increasing the Lodging Tax component of the Local Option Tax from 3% to 6%. In addition, the City Council discussed extending the term of the Local Option Tax, which currently expires in 2028, to 2036. After some discussion, the City Council directed staff to prepare a ballot question for submission to the voters at the November 2, 2021 General Election that, if approved by a 60% majority vote, would increase the City’s Lodging Tax to 6% and extend the term of the Local Option Tax to July 1, 2036.

At the August 11th City Council meeting, staff sought additional direction from the City Council on whether to expand the eligible uses of the Local Option Tax. Currently, Local Option Tax funds may be used for the following purposes: Capital projects; improvement, maintenance, and beautification of public infrastructure including but not limited to streets and associated infrastructure, pathways, parks, water, and sewer; snow removal for streets, downtown sidewalks, pathways, and safe routes to school; transportation; associated land acquisition; associated equipment; visitor services and promotion; law enforcement and public safety; and the Property Tax Relief Fund. Staff recommended that the eligible uses be expanded to include **affordable and workforce housing and to implement the goals and objectives of the City’s Comprehensive and Transportation Plans**. The City Council concurred and directed staff to include these categories as additional eligible uses in the ballot question to be presented to voters.

Next Steps/Timeline

September 13, 2021

Last day for City Clerk to certify the wording on the ballot question and submit it to the County Clerk for the November 2, 2021 election.

Early October 2021

City to send an election reminder mailer to all registered voters in the City. Mailer to include public education information on ballot question and the date of proposed community meeting to discuss and answer questions from the public about the ballot question.

Wednesday, October 20, 2021	Proposed date of community meeting to inform and answer questions from the public on the ballot question. Time and location of community meeting to be determined.
Tuesday, November 2, 2021	Election Day

ATTACHMENTS

Resolution R538
Ordinance O586

FISCAL IMPACT

A non-property sales tax ballot measure requires a 60% majority vote to pass. If approved, increasing the City's Lodging Tax rate from 3% to 6% will generate an estimated \$272,000 / year in additional lodging tax revenues for the City.

STAFF IMPACT

Although the staff impact is minimal, staff time will be required to process the resolution, ordinance and any public information or educational material that may be produced for the public about the Ballot Question.

LEGAL REVIEW

The City Attorney has reviewed the attached resolution and ordinance and is in concurrence

RECOMMENDATION

Staff recommends that the City Council take the following actions: 1) approve Resolution R538 calling for an election regarding the passage of Ordinance O586 entitled "**Amendment to Municipal Non-Property Sales Tax**" on November 2, 2021; and, 2) adopt Ordinance O586.

SUGGESTED MOTIONS

MOTION #1-- I move to approve Resolution R538 calling for an election of the voters of the City of Victor regarding the passage of Ordinance O586 entitled "Amendment to Municipal Non-Property Sales Tax" on November 2, 2021.

MOTION #2 -- I move to waive the first reading in full of the Ordinance O586 and read it by title only, and to waive the second and third Ordinance reading and to direct the City Clerk to publish in full.

[Roll Call Vote]

RESOLUTION R538

By the Mayor and Council of the City of Victor, Teton County, Idaho

Amendment to Municipal Non-Property Sales Tax
ORDINANCE O586

WHEREAS, Idaho Code Section 50-1044 authorizes resort cities with a population of less than 10,000 to adopt, implement and collect certain city non-property taxes, and

WHEREAS, the City Council of the City of Victor hereby finds that the City has a population of less than 10,000 according to the most recent census, and

WHEREAS, the City has a significant economic dependence upon visitors and travelers passing through or staying in the City, and

WHEREAS, said visitors and travelers requires services of the City that place an undue burden on the City taxpayers,

NOW THEREFORE, IT IS RESOLVED BY THE MAYOR AND THE COUNCIL OF THE CITY OF VICTOR:

To hold an election regarding the passage of Ordinance O586 entitled “**Amendment to Municipal Non-Property Sales Tax**” on November 2, 2021, in which the ballot will read as follows.

“Shall the City of Victor, Idaho adopt Ordinance O586 (**Amendment to Municipal Non-Property Sales Tax**), which amends Victor City Code Title 3, Chapter 1C, by increasing the tax rate for room occupancy charge from 3% to 6% on all short-term rental (30 days or less) charges for hotel-motel rooms, condominium units, tourist homes, vacation rentals or other sleeping accommodation; extends the duration of the tax, which is scheduled to expire on July 1, 2028, to July 1, 2036; and adds affordable and work force housing and the implementation City’s Comprehensive and Transportation Plan to the purposes for which non-property tax revenue can be used?”

This Resolution shall be effective this 25th day of August 2021.

Dated this 25th day of August 2021.

ATTEST:

Mayor, Will Frohlich

City Clerk, Michelle Smith

Amendment to Municipal Non-Property Sales Tax

Ordinance No. O586

AN ORDINANCE OF THE CITY OF VICTOR AMENDING THE MUNICIPAL NON-PROPERTY SALES TAX TITLE 3, CHAPTER 1C BY INCREASING THE PERCENTAGE IMPOSITION OF THE THREE PERCENT (3%) ROOM OCCUPANCY CHARGE ON RECEIPTS FROM ALL SHORT-TERM RENTAL (30 DAYS OR LESS) CHARGES FOR HOTEL-MOTEL ROOMS, CONDOMINIUM UNITS, TOURIST HOMES, VACATION RENTALS OR OTHER SLEEPING ACCOMMODATIONS TO SIX PERCENT (6%); PROVIDING FOR A PERIOD OF LIMITATION ON ASSESSMENT AND COLLECTION; AND PROVIDING FOR AN EFFECTIVE DATE OF THIS ORDINANCE.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF VICTOR, IDAHO:

SECTION 1. FINDING.

The City Council of the City of Victor hereby finds that said City continues to have a population not in excess of 10,000 according to the most recent census within the state of Idaho, and continues to be a City that derives the major portion of its economic well-being from businesses catering to recreational needs and meeting needs of people traveling to the City for an extended period of time; and that said visitors and travelers require services of the City and place an undue burden upon city taxpayers.

SECTION 2. INCREASE TO IMPOSITION AND RATE OF CERTAIN NON-PROPERTY TAXES:

The City of Victor hereby amends Victor City Code Title 3, Chapter 1C, Section 3(A) as follows:

- A. A ~~three-six~~ percent (36%) room occupancy charge on receipts from all short-term rental (30 days or less) charges for hotel-motel rooms, condominium units, tourist homes, vacation rentals or other sleeping accommodations;

SECTION 3. EXTENSION TO DURATION OF TAXES.

The City of Victor hereby amends Victor City Code Title 3, Chapter 1C, Section 4 as follows:

3-1C-4: DURATION OF TAXES: The non-property sales taxes authorized and collected under this Ordinance are hereby imposed until July 1, 2036 ~~for a duration of ten (10) years from the effective date of this Ordinance.~~

SECTION 4. AMENDMENT TO PURPOSES OF TAX.

The City of Victor hereby amends Victor City Code Title 3, Chapter 1C, Section 5 as follows:

3-1C-5: PURPOSES FOR WHICH THE REVENUES DERIVED FROM

SAID NON-PROPERTY TAXES SHALL BE USED: The non-property tax revenue derived from and collected under this Ordinance shall be used for the following purposes: Capital projects;

improvement, maintenance and beautification of public infrastructure including but not limited to streets and associated infrastructure, pathways, parks, water, and sewer; snow removal for streets, downtown sidewalks, pathways, and safe routes to school; transportation; associated land acquisition; associated equipment; visitor services and promotion; law enforcement and public safety; affordable and work force housing; to implement the goals and objectives of the City's Comprehensive and Transportation Plans as adopted by the City Council; and the Property Tax Relief Fund created herein; all of which are to be used within the City limits.

SECTION 5. SEVERABILITY. It is hereby declared to be the legislative intent of the Victor City Council that the provisions, and parts thereof, of this Ordinance shall be severable. Should any section, subsection, paragraph, clause or phrase of this Ordinance, or any particular application thereof, be declared invalid or unconstitutional for any reason by a court of competent jurisdiction, such decision shall not affect the remaining portions of said section, subsection, paragraph, clause or phrase of this Ordinance.

SECTION 6. RATIFICATION CLAUSE. All other provisions of Victor City Code Title 3, Chapter 1C shall remain unchanged and in full force and effect.

SECTION 7. EFFECTIVE DATE OF THIS ORDINANCE. This Ordinance shall be in full force and effect on _____, 2021, after voter approval, passage by the City Council and approval by Mayor, and publication according to law prior to _____, 2021.

APPROVED BY THE VOTERS OF THE CITY OF VICTOR ON THE 2nd DAY OF NOVEMBER 2021.

PASSED BY THE CITY COUNCIL OF THE CITY OF VICTOR, IDAHO THIS 25th DAY OF AUGUST, 2021.

APPROVED BY THE MAYOR OF THE CITY OF VICTOR, IDAHO THIS 25th DAY OF AUGUST 2021.

Will Frohlich, Mayor

ATTEST: _____
Michelle Smith City Clerk