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Ketchum boosts hotel impact fees

City expects hotel before end of 2008

by *GREG STAHL*

Processing the hotel applications arriving at Ketchum City Hall is costing money and time, but the city is continuing to search for new ways to pay for it.

At its Monday, Nov. 19, meeting, the City Council voted unanimously to implement additional fees the city will potential hotel developers for the staffing and expertise required to process their applications.

"Because of the size, importance and number of proposed hotel developments in the community, it has become necessary for the city staff and city's hotel consultant team to spend a considerable amount of time and resources to respond to these proposals in a comprehensive and professional manner," states a Nov. 14 memo from Rich Caplan, the Ketchum City Council's hotel team financial consultant, to city officials.

Last May, the council took a temporary measure to establish a fee structure to partially offset costs, including adoption of a resolution that established a pre-application fee for design review for hotels of \$5,000, plus the cost of application, notices and postage. Also required was a design application fee of \$1,000, plus 25 cents per square foot of hotel space and 12.5 cents per square foot of residential space, plus the cost of notices and postage for public hearings.

The measure had no expiration date, but at the time of its passage the council anticipated revisiting the issue.

Since then, the staff recognized that the interim measure did not cover the costs of all existing and anticipated planning efforts for the proposed projects.

The amended fees will retain the \$5,000 pre-application design review fee and 25 cents per square foot, but will raise the per-square-foot fee for design review of a planned-unit development from 25 cents to 65 cents per square foot.

Caplan estimated that related city support services over the next three years would total approximately \$975,000. He stated that consideration of the three hotel projects under review would require an annual average of \$325,000, while the city's average revenue from an application for a proposed 100,000-square-foot hotel would generate only about a third of that cost under the fee schedule then in effect.

The new fees would bring the city closer to breaking even. For the three hotels under consideration—the Ketchum Hotel at Trail Creek Village, Warm Springs Ranch Resort and the Ketchum Lodge at the Simplot lot—the new fee schedule would generate \$977,656, or a net increase of \$724,244 over the



Ron LeBlanc

former fee schedule.

In his memo, Caplan highlighted five areas where the city's costs are not being recovered:



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- Introductory discussions with potential new developers that may or may not have acquired or secured property.
- Coordination and guidance for hotel developers regarding pre-application design review, as well as analysis of projects and preparation of staff reports.
- Contracting for massing studies.
- Analysis of different revenue and economic impacts of hotel ownership models and/or projects.
- Preparation of hotel use agreements (legal support).

The city's efforts to court and critique hotel applications "are realistically expected to be ongoing over a three-year period until one or more projects are through the review and design process," Caplan wrote.

Ketchum City Administrator Ron LeBlanc said the purpose of a hotel impact fee is to put the financial burden of additional staff on the hotel projects.

"And in return, the hotel developer gets staff that's available," he said. "Otherwise that project would compete with the hundreds of other projects, from lot-line adjustments to permits."

The Ketchum planning department is, in fact, in the midst of a transition, and the result will be a new department-head-level position specializing in hotel development and economic development. A senior-level planning position will assume management of other proposed development.

The increased fees will help offset the salary of the hotel and economic development position, as well as another planner, LeBlanc said. The fees will also continue to offset Caplan's contract with the city.

"We expect that a hotel will be under construction before the end of 2008," LeBlanc said. "In fact our budget projects it."

He said the city is banking on increased local option tax collections in the form of building materials for a hotel, as well as from building permits and development impact fees. The current city budget is based on projections that include those fees, he said.

"To put this in perspective," LeBlanc said, "Warm Springs Ranch is a 750,000-square-foot development. The whole core of Ketchum has 1.1 million square feet. It's three quarters the size of the existing core."

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