Amenity Trap

How high-amenity communities can avoid being loved to death

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About Headwaters Economics

Headwaters Economics is an independent, nonprofit research group whose mission is to improve community development and land management decisions. https://headwaterseconomics.org/

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1. EXECUTIVE SUMMARY

More than ever, people are visiting and moving to places with inspiring natural amenities: forests, lakes, beaches, trails, and wildlife. The influx of tourists and new residents into these cities and small towns brings economic opportunities and can create a positive feedback loop whereby new businesses and services make a place even more attractive. It can also come with serious drawbacks.

More people and new development can put pressures on existing infrastructure and contribute to growing inequality, including dramatic increases in housing costs that force long-time residents out or into the crisis of homelessness. Fiscal health, public discourse, and community well-being can be overcome with challenges.

The paradox of a place with natural attractions that make it a great place to live but also threaten it with being "loved to death" is what is known as the **amenity trap**.

The amenity trap is confounding more communities across the United States than ever before. This report offers a detailed examination of the problem by highlighting the challenges of housing, infrastructure, fiscal policy, and natural disasters. It also explores proven solutions from amenity communities across the country that leaders can adopt as they try to circumvent the problems caused by rapid growth in population and tourism.

Solutions for amenity communities

This report separates the amenity trap problem confronted by these communities into several categories. Each category suggests approaches and potential solutions for local leaders, advocates, and state and federal officials wrestling with these problems.

Housing

Amenity destinations often find housing stock and affordability issues particularly challenging. Income disparity, limited buildable land, workforce limitations, and contentious public debate can make the housing issue a top priority.

The most promising solutions are those that bring together economic development and housing strategies. Many communities are pursuing both regulations and incentives that can increase the supply of residential housing for those at all income levels by promoting modular construction techniques, limiting vacation properties, and addressing local opposition to density.

Infrastructure and public services

In amenity communities the roads and water systems, as well as the education, childcare, public health, and emergency response systems can be stressed by an influx of visitors and new residents. The costs to maintain and improve these systems often disproportionately burden residents.

Many communities are investing in capacity, implementing community benefit agreements, and using scenario planning to overcome the uncertainties that often lead to cost overruns or under-investment in infrastructure. Financing mechanisms that share costs with visitors can ease the burden on residents, and creative solutions have been devised through spending tourism taxes, municipal budgeting, financing with bonds, public-private partnerships, and more.

Fiscal policy

Raising funds to support programs that can mitigate amenity trap issues requires unique considerations. Local governments can find their options limited in the face of relatively small numbers of tax-paying residents, equity imbalances, economies heavily dependent upon a single industry, and restrictive state or federal policies.

Communities and nonprofit organizations can advocate for state and federal policy that gives local authorities more flexibility to tailor solutions unique to the amenity trap challenge. Reinvesting tourism-related revenues into programs that offset the negative impacts of tourism and promote economic diversification can improve these communities' long-term fiscal health.

Natural disasters

As climate change increases the likelihood of disasters like wildfire, flooding, and hurricanes, many communities will have to prepare themselves or risk compounding the amenity trap far beyond the breaking point. For example, when disasters destroy homes, the lost housing stock pushes rents up and affordability declines, exacerbating the housing crunch that already exists in amenity communities.

Communities are working to diversify their economies and revenue streams to enable disaster risk-reduction investments. Many communities are emphasizing resilience in housing and infrastructure policies to ensure that residents, homes, and businesses can resist and recover from disasters. This can include encouraging durable housing that can survive disasters, innovations that can protect neighborhoods from flooding, and planning that can improve the effectiveness of first responders.

Proactive solutions can make amenity communities successful

Amenity communities around the country are applying creative solutions to the challenges they face in housing, infrastructure, fiscal policy, and disaster preparation. In many cases those solutions are successful because they leverage the economic engine that natural amenities bring to their community. In others, they work because a cross-section of the community is working together to balance growth with revenues or regulations that can be used to maintain quality of life.

There may not be a magic formula, and each community will have to navigate its own solutions, but the common themes of proactive action, regional support, and creative leadership can help avoid the amenity trap and make destination communities more livable, successful, and places of opportunity for everyone.

2. INTRODUCTION

In recent decades, many communities with access to trails, open space, and outdoor recreation have seen an influx of newcomers who bring economic growth and opportunity. Pandemic-related migration has amplified the trend in many places. But this growth is a double-edged sword.

What is an amenity?

Communities that are rich in natural amenities—lakes and rivers, mountains, oceans, forests, wildlife, and more have long attracted people who want to float, climb, fish, explore, paint, and otherwise enjoy them. These places are fortunate to have built-in attractions that can make them great places to visit and live, and that can support a thriving economy.[1]

Places people like to visit will grow

As the amenities become popular with recreationists, a feedback loop begins: more people hear about a destination, they visit and tell their friends about it, and word spreads. To support recreationists, businesses nearby, such as hotels, gear stores, and guiding services, open or expand. These businesses make it easier and more appealing for even more visitors to come, and the cycle continues.

Research shows that these amenities' economic power extends well past tourism by helping to keep current residents and attract new ones.[2] Many new residents to amenity destinations first visited as tourists.[3] Many people moving to amenity destinations bring their business or entrepreneurial idea,[4] their retirement nest-eggs,[5] or their remote work.[6] These new residents in turn support a host of other businesses in a community and contribute to a robust, resilient economy.

As communities recognize the economic opportunity potential from outdoor recreation, many are developing and marketing their natural amenities as part of a focused economic development strategy to diversify economies. This is particularly true in rural communities and places historically dependent on resource extraction like oil and gas, mining, and timber.

Amenity-driven growth can stress communities and natural resources

While the feedback loop described here can bring the economic diversification and prosperity to which many communities aspire, it can also bring unwanted changes and challenges. The natural resources that first attracted people, like clean water and abundant wildlife, can become impaired. Trails and waterways, and parking lots to access them, can become overcrowded. Housing becomes less affordable to more residents, leading to more residents living in substandard or crowded housing and increased homelessness. Long-time residents often find themselves forced to leave the community. Small, rural places are faced with the challenge of providing adequate public services, like drinking water and wastewater treatment, to millions of visitors. And the perennial question of how to pay for programs to mitigate these impacts looms over many amenity communities.

Communities have a choice

Communities can feel overwhelmed when faced with rapid growth, but they do have a choice as to how they respond. Communities can focus on issues over which they have agency—such as housing policies and infrastructure spending. They can also engage with state and federal policymakers to improve the choices available, change policies that affect their well-being, and advocate for assistance. Community responses often fall into three broad categories: **wait**, **plan**, or **react**.

When a community waits, it holds off on policymaking, often in hopes that problems will abate or resolve themselves, or there emerges sufficient political will to change current policies. Meanwhile, pressures continue unabated and the challenges compound over time.

Concerned about rapid growth, some communities take a more reactive path and enact policies to try to stop growth. These reactive strategies might include limiting building permits, water taps, or establishing strict growth boundaries or zoning restrictions. These approaches can have the immediate effect of slowing down growth. They do have medium- and long-term consequences, however, that can make a community less livable. The unintended consequences of reactive approaches can include unattainably expensive housing, long commutes for workers, wider income disparities, and a limited tax base.

It is when these problems begin to materialize that communities begin to feel trapped by the negative consequences that the popularity of their natural amenities has caused. It is a phenomenon known as the amenity trap.

Fortunately, communities that plan proactively can anticipate and direct growth rather than being subject to the pressures of the market. Proactive strategies include investing in local capacity, implementing a forward-looking housing program to address housing supply and demand, and making sure that tax policies capture and invest revenue to ensure the costs of growth management programs are funded appropriately and adequately.

In this report we focus on policy solutions to highlight ways amenity communities can proactively plan to take charge of the growth pressure and maintain their character and quality of life. Regardless of which path a community follows, there is always a chance to reset and adopt a new approach.

Solutions exist

The purpose of this report is to provide elected leaders, local government and agency staff, and advocates for conservation and recreation with policy tools and community examples so they can anticipate the challenges unique to amenity-rich destinations and incorporate policies and partnerships to mitigate the impacts of growth. The goal is to provide amenity communities with strategies to ensure that they can capitalize on the economic opportunities of outdoor recreation to build an inclusive, prosperous, and resilient community.

This report separates the amenity trap problem into several categories that often confront these communities: housing, infrastructure and public services, fiscal policy, and natural disasters.

Amenity-rich places

attract new residents, visitors, and business.

Growth changes the community.

Every community has a choice.

	PROBLEM	SOLUTION
HOUSING	Amenity communities are unable to supply sufficient housing for residents at a range of income levels.	Creative approaches can increase supply, such as regional coordination, limiting vacation rentals, or promoting modular construction.
INFRASTRUCTURE	Infrastructure in fast-growing communities can't keep up, and costs contribute to unaffordability.	Scenario planning and new data methods can better forecast tourism impacts and infrastructure needs.
FISCAL	Funding local budgets often over-burdens tax-paying residents in amenity communities.	Align revenues with local economic drivers, such as tourism. State policy should give local authorities maximum flexibility.
NATURAL DISASTERS	More frequent disasters are putting housing stock at risk, compounding the challenges faced by amenity communities.	Incentivize durable housing and disaster planning to prevent losses to housing, infrastructure, and revenue.

3. HOUSING

Amenity destinations, like any community, need sufficient housing at all income levels for those who live and work in the community. When adequate housing is scarce, living costs become more expensive for everyone, making it difficult for residents to afford homeownership, businesses to hire and keep employees, and renters to find any housing at all. While communities across the United States faced unprecedented increases in housing prices during the pandemic,[7] the limited housing stock in amenity destinations has been stretched particularly thin for reasons we describe in detail in this section.

Amenity communities have a unique set of geographic, economic, and cultural circumstances that make housing a particularly complex challenge to address. Amenity communities—often rural or remote—must deal with what feel like "big-city problems." Amenity communities may need to adapt urban strategies to their rural context.

Due to the complexity of housing questions, it helps to break the challenges into two types of constraints: demand and supply. Demand constraints relate to the pressures created on housing when housing demand skyrockets. Supply constraints include factors that limit a community's ability to provide enough housing for people who want to live there.

Each of these constraints is explored further in the following section. This section is not an exhaustive catalog of affordable housing strategies and policies, but instead highlights some approaches that can be used to address both housing demand and housing supply challenges that are particularly acute in amenity communities:

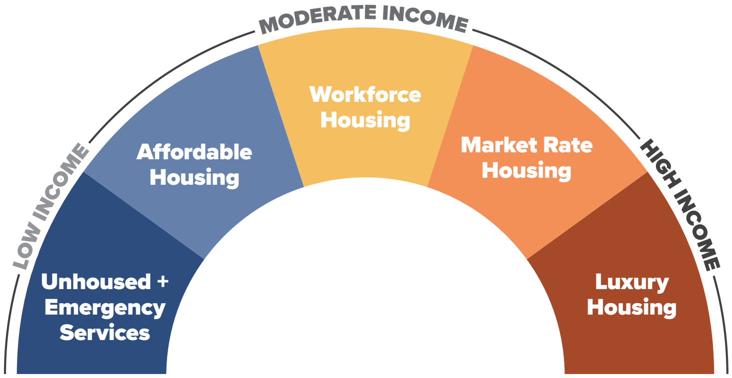
The table below summarizes the unique challenges and specific strategies amenity destinations are using to address housing affordability. The examples listed are described in more detail below.

CHALLENGE	SOLUTIONS	EXAMPLE
DEMAND CONSIDERATIONS		
Rapidly rising home prices due to rapid population growth and cash buyers	• Anticipate housing pressures early and develop a housing strategic plan alongside an economic development strategy	• Lafayette, Colorado, combined economic development and housing strategic plan
SUPPLY CONSIDERATIONS		
Limited buildable land	• Preserve existing affordable housing supply • Change zoning to increase density • Increase buildable land • Engage in regional housing planning to share resources across jurisdictions	• Cincinnati rental housing buy-back • Durango, Colorado, accessory dwelling unit policies and incentives • Summit County Housing Authority • Southern Nevada Public Lands Management Act • Boulder County Regional Housing Partnership
Limited labor supply	• Modular housing to use centralized labor force • Regional workforce development • Local workforce housing • Transportation planning	• Modular homes in western and central Colorado
Housing for residents and visitors	• Regulating short-term rentals via zoning, share of housing stock, permitting, etc. • Create incentives for long-term rentals • Deed restrictions to promote homeownership by local workers • Tradable permits for STR permits	• Short-Term Fix in Winter Park, Colorado • InDeed, deed restriction program in Vail, Colorado
Small town resistance to change	• Regional engagement • Streamline development process to reduce costs	• Summit County, Colorado, Combined Housing Authority

Demand for housing by wealthy homebuyers raises prices for all

Demand-related challenges mean that a community's popularity and desirability has grown considerably, and oftentimes are symptoms of a successful economic development strategy. In the case of an amenity destination, the community has capitalized on its assets, marketed itself to visitors, and proven to be a place with a high quality of life. Desirable communities attract new residents,[8] but when the supply of housing is limited, the price of housing rises. Amenity destinations also attract investors and second homeowners, further increasing prices. Oftentimes new residents, second homeowners, and investors bring with them greater wealth and can pay more for housing.[9] The challenges are compounded when home buyers pay cash: when a buyer is financing a house, lenders will only sell mortgages that are comparably priced to similar homes that recently sold. Cash buyers, however, do not have this limitation, subsequently freeing the purchase price from modest increases to exponential price increases.

Across all types of communities, the entire real estate market is connected, from the most- to the least-expensive, in what housing policy experts call a housing ladder or bridge. When the highest-priced housing gets even more expensive—as happens rapidly in hot markets like amenity destinations—some buyers will shift into the tier below. These buyers can out-bid people who were stretching to purchase homes in this tier, and they will shift into the tier below. This process will continue to the least expensive homes, and potential buyers of the least expensive homes will postpone homeownership and continue renting.



The housing bridge.
Housing at all price ranges are connected. Policies at any level will impact the entire housing bridge.

The challenges can become even more acute for renters, however. Renters will also be forced into lower-quality housing as housing stock gets more expensive, with outcomes that can be devastating for quality of life. Research has shown that renters are more likely to live in substandard or overcrowded housing in competitive real estate markets.[10] And those who struggled to afford the least expensive rentals can become homeless when prices rise. A 2020 study found that a $100 increase in median rent was associated with a 9% increase in homelessness.[11] This rental crunch is a noticeable trend in amenity places where seasonal and lower-wage workers are vying for rental housing.

The housing pressures in amenity destinations are created by high demand at the highest and lowest ends of this housing ladder, constraining the housing market for owners and renters of all incomes. The pandemic-era pressures on housing stretched the rungs on the housing ladder farther apart, making it more difficult for people to improve their housing situation.

Solutions to address high housing demand

Rapidly increasing housing demand is a side effect of a booming, prosperous community. When faced with rapid growth, some communities attempt to stop or slow down growth. They will limit building permits, cap the number of water taps, or establish a growth boundary. While these policies can stop the construction of new housing, they do not affect people's desire to live in these communities, or impact businesses' need to hire and house employees. Growth control policies often have the unintended consequence of driving up the cost of existing housing.[12]

While it is not possible to stop housing demand, communities can anticipate it. Historically many communities have first considered their economic development strategy, and housing needs second.[13] The crises many booming communities face today point to the need to develop an economic development and housing strategies simultaneously. Research suggests that states can use growth management laws to require or incentivize municipalities to incorporate housing with economic development plans.[14] The U.S. Economic Development Administration (EDA) and Department of Housing and Urban Development (HUD) are developing systems to help communities integrate their economic and housing strategic plans.[15] The City of Lafayette, Colorado, is currently developing a combined economic development and housing strategic plan.[16]

Housing supply is limited by available buildable land

One particularly acute supply constraint faced by amenity communities is their limited amount of buildable land due to the public lands, mountains, rivers, and canyons that make these places desirable in the first place. For example, Teton County, Wyoming, home of Jackson Hole and Teton National Park, is 97% public lands.

Solutions to a limited supply of buildable land

The solutions to a limited supply of buildable land are either:

1) optimize building on existing land, or
2) obtain new land.

Policies to optimize existing land for residential use

Communities can implement policies to use their existing buildable land more efficiently while retaining the small-town character and aesthetic of places. This includes programs to preserve affordable housing (including manufactured housing), increase housing density by allowing single-family housing on smaller lots, multi-family housing including duplexes and townhomes in more places, "accessory dwelling units" (ADUs) in backyards and above garages, and allowing residential construction in more areas.

The most important aspect of optimizing a community's use of land for housing is preserving its existing supply of affordable housing. In Cincinnati, Ohio, city leaders were concerned about the rapid increase in the share of the rental housing stock that was owned by institutional investors, who often increase rents rapidly and can easily outbid first-time home buyers. To address this concern, The Port of Greater Cincinnati Development Authority, a public agency, has begun buying back these properties. They then rent the properties or work with tenants interested in purchasing the homes.[17] While Cincinnati is a large city, smaller amenity communities may be able to adopt a similar model on a smaller scale.

The city of Durango, Colorado, used zoning changes and incentives for ADUs to increase density while retaining the community's character. In 2016, the city launched "ADU Amnesty" to legalize spaces that had been built but not permitted and increase the community's housing stock.[18] While the program legalized existing ADUs, it did not increase the supply of new ones. In 2022, the city launched an incentive program that reimburses homeowners $8,000 to construct new ADUs.[19] To receive the rebate, the ADU must be rented to someone who works at least 32 hours per week in the county. The program was accompanied by a zoning law change that expanded the locations where ADUs are allowed and reduced the number of required parking spaces.[20]

While many amenity destinations have limited land, neighboring communities may have more buildable land but fewer resources to fund construction of affordable housing. Coordinating regionally on housing can help to pool resources across jurisdictions and develop a regional goal for housing supply. The Boulder County Regional Housing Partnership, in Colorado, is a formal partnership across 10 jurisdictions. Together they have developed a goal of 12% affordable housing by 2035, shared staff resources between larger and smaller jurisdictions, and helped the region collectively advocate for housing policies at the state level.[21]

Zoning and permitting processes have developed gradually over time in most communities, eventually creating a cumbersome and time-consuming building process that adds substantially to the costs of new housing. Some communities are streamlining this process by taking a comprehensive look at the entire permitting and approval process to identify redundant, conflicting, or unnecessary requirements. Washington has taken a state-level approach, bringing consulting teams to support counties' efforts to streamline construction permitting by evaluating processes, application materials, and coordination across agencies.[22]

Policies to obtain new land for housing

Housing advocates have identified public lands, including city-, county-, state-, or federally owned properties, as one opportunity to increase the local supply of buildable land. These properties can include vacant land owned by entities such as school districts, vacant municipal buildings, or increasing development density on publicly owned parcels with structures. Best practices for these projects include prioritizing or requiring affordable housing projects and ensuring that these parcels have access to services like infrastructure, transportation, and schools.[23] California[24] has statewide legislation, and several counties or municipalities like King County, Washington,[25] and Raleigh, North Carolina,[26] have policies that prioritize affordable housing when disposing of public property.

Policies to sell federal lands for affordable housing are more controversial because these parcels are often on the outskirts of communities. In Nevada, where BLM owns land near fast-growing cities like Las Vegas and Reno, laws such as the Southern Nevada Public Lands Management Act of 1998 enable BLM to sell land within a specific boundary around Las Vegas, make land available to sell for affordable housing, and retain some revenue from these sales for local projects.[27] The Truckee Meadows Public Lands Management Act is an example of proposed federal legislation that would adopt a similar model in the Reno area.[28] At the national level, the proposed Helping Open Underutilized Space to Ensure Shelter (HOUSES) Act of 2022 would have allowed local governments to identify Department of the Interior parcels for housing, and require the agency to sell the land (with some limits for protected or sensitive lands).[29] At least 85% of the parcel sold would be required to be used for housing without specific provisions that this housing meets particular income requirements.

The details of these programs and proposals to allow the sale of federal public land are particularly important for amenity destinations. First, when the public parcels are on the outskirts of a community, building housing on them will cause developers and the community to incur steep infrastructure costs and exacerbate sprawl. Second, the federal public lands adjacent to amenity communities often are the very thing that drives the place's economy. Communities that develop these easy-to-access places for commercial or residential use may deteriorate their most valuable asset. Communities that consider purchasing federal land need to evaluate impacts on the economy, infrastructure costs, and whether the purchases realistically will improve housing affordability.

Housing supply is limited by labor force

The second house supply constraint faced by amenity communities is a relatively small local labor supply to build and maintain housing. This can slow the pace of construction and pressure much of the construction-related workforce to commute long distances to their jobs. In the expensive ski town of Telluride, Colorado, for example, much of the labor force commutes three hours from Montrose.[30]

Solutions to a limited local labor force

One approach to a limited local labor force is to reduce the number of people needed on-site to construct new homes. Modular or panelized construction involves building the components of a home in a centralized manufacturing facility where skilled tradespeople can build homes that ship across a region and are assembled on-site. These prefabricated and modular homes are typically not distinguishable from traditional stick-built houses and, importantly, must meet the same building code as stick-built homes.

Off-site construction can be particularly appealing in areas where builders are focused on the custom home market and housing for middle-income residents is not available. Faster construction times also can mean lower financing costs. Due to economies of scale, this approach can save buyers 10-20% compared to a house built on-site.[31]

A 24-unit development called Pinion Park in Norwood, Colorado, near Telluride, is underway using modular homes from Fading West, a modular home manufacturing facility in Buena Vista, about four hours away.[32] These homes are intended for county residents who work in the school district and earn less than 120% of the county's median income by household size. The county donated land and state programs and donors have enabled the project to keep housing costs between $225,000 and $426,400, while the median listing price of homes in the county exceeded $2 million in 2022.[33,34]

Communities can also develop a more localized workforce and related housing. For example, some communities incentivize offering short-term rentals to local workers (see section below). Transportation planning—including the development of transit—can also help offset the impact of a commuting workforce.

Housing supply is limited by competition with vacation properties

The third supply constraint is when a substantial portion of the housing stock is used for vacation rentals or second homes and is unavailable for residents, whether owners or long-term renters. For example, in Sedona, Arizona, 17% of the housing stock is short-term rentals (STR).[35]

Solutions to competition with vacation properties

Communities are pursuing both regulations and incentives to manage how much stock is used for short-term rentals.

Regulations include zoning that restricts where short-term rentals can operate. In Bozeman, Montana, for example, short-term rentals are differentiated between those that are owner-occupied during the rental period, such as renting out a room or garage apartment, and those that are not owner-occupied during the rental period but are otherwise the owner's primary residence. The latter are prohibited in less densely developed parts of the city. Short-term rentals that are not an owner's primary residence are not allowed in any residential areas.[36] This approach allows current residents to earn income from their properties and offset some of the rising costs of living in amenity communities.

Other communities have regulated short-term rentals by capping the share of total housing that can be short-term rentals. Durango, Colorado, anticipated the challenges associated with short-term rentals. In 2007, when the city was updating its land-use code, it capped the short-term rentals at 2-3% of a neighborhood's housing stock.[37] Other communities like Chelan County, Washington, have capped short-term rentals at 6% throughout the county, except for the most urban areas which are capped at 9%.[38]

Incentive programs can create financial incentives for property owners to rent or sell to residents. These programs recognize that property owners in resort communities can generally earn more by renting short-term compared to long-term rentals. Programs in communities like Big Sky, Montana,[39] Winter Park[40] and Summit County, Colorado, and Truckee, California,[41] provide cash payments to property owners when they lease to local workers. The payments vary depending on the size of the property and lease duration and range from $5,000 for a six-month lease on a one-bedroom unit to $22,000 for four-bedroom or larger units rented for at least 12 months. In Summit County, Colorado, 70 units of short-term housing were converted to long-term leases for the 2021/2022 ski season, housing 153 residents.[42] These programs can be funded with a combination of local tax revenue, employer contributions, and philanthropic dollars.

These programs to convert short-term to long-term rentals are advantageous because they are a quick way to house residents, especially a seasonal workforce, and they can be less costly than constructing new affordable housing units.[43] However, critics of the programs question whether these payments, particularly if they are going to relatively wealthy second homeowners, are only increasing inequality in amenity destinations. The Town of Breckenridge, Colorado, also learned of the need to place caps on the maximum rent property owners can charge, to ensure local workers can afford them.[44]

Communities also employ financial incentives to encourage property owners to sell to local residents by offering cash when the property owner places a deed restriction on the property. Deed restrictions dictate how the property can be used; in this case, they dictate that the owner (and renter, if the owner chooses to rent the property) work in the community. A homeowner places the restriction on the property's deed, and this restriction will follow the property in perpetuity much like a conservation easement. The programs compensate homeowners for the difference in selling price because restrictions limit the pool of possible buyers. McCall, Idaho; Breckenridge, Colorado; Big Sky, Montana; and Vail, Colorado, all have some version of this program. Vail's program, called InDEED, aims to enroll 1,000 deed-restricted properties by 2027.[45] InDEED pays owners 15-20% of the property's fair market value.[46]

Housing supply is limited by local opposition to density

Finally, amenity destinations often are small towns with a unique aesthetic that may be difficult to change. For example, denser, multi-family housing may look different than the existing neighborhoods. Rapid changes in housing styles and housing density can be confronted with local opposition, slowing the development process and the creation of new housing. For example, in Whitefish, Montana, successful opposition to a new affordable housing development was led by some of the town's wealthiest residents who live near the site. These residents threatened to withhold philanthropic support for other community causes if the project was built.[47]

Solutions to local opposition

Opposition from neighbors can cripple specific housing projects, but Americans increasingly recognize that unaffordable housing is a significant problem. A 2021 survey by the Pew Research Center found that 49% of Americans say that housing affordability is a problem in their community, up 10 points since 2018.[48] This points to an opportunity to build broader support among residents for policies and projects that improve housing affordability.

When strategic housing plans are developed and implemented at a regional level with input from a diverse set of constituents, individual projects are less likely to be derailed by vocal neighborhood opposition.[49] Regional housing authorities can play a role. For example, the Summit Combined Housing Authority in Summit County, Colorado, coordinates housing programs across the county and five towns including homebuyer education, financial support for homebuyers, and a hub for those looking to purchase deed-restricted housing.[50]

Local Housing Solutions, a housing policy clearinghouse, has many resources to help local leaders improve the affordability of housing, including an extensive set of resources to build public support for affordable housing.

4. INFRASTRUCTURE AND PUBLIC SERVICES

Amenity communities face unique considerations

Infrastructure and public services are the critical but often overlooked inner workings of any community. While these systems typically operate and exist without fanfare, they can become lightning rods of debate when they fail to keep up with the rapid population growth that often marks amenity destinations. Further, infrastructure costs are often paid for by residents, not visitors, and can contribute to a range of cost-of-living issues in amenity destinations.

Flathead County, Montana – an amenity destination and the fastest growing micropolitan area in the United States – provides a case at hand. Residents in Flathead County are grappling with the tradeoffs of building a new septage treatment facility. As the region's population has grown, land for dumping sewage from individual septic systems has become increasingly scarce, leading to concerns of illegal dumping. The proposed septage facility offers a regional solution, but residents have voiced concerns about its perceived negative impacts, ranging from siting issues and traffic to the price tag. The debate in Flathead County is indicative of the tough infrastructure decisions facing many amenity destinations.

Infrastructure decisions are both shapers and outcomes of political, socioeconomic, and environmental conditions. They can address or reinforce inequities, contribute to economic diversification, or lock communities into undesired trajectories. Inadequate or unmaintained infrastructure can lead to rippling problems within the community, eroding public health and safety, community wellbeing, economic development, and land conservation.[51] In some amenity communities new infrastructure planning may fail to address issues faced by lower income, older, or long-time residents. As such, infrastructure investments require strategic, coordinated, and long-term planning within the community and the region.

This section outlines the challenges associated with infrastructure and public services in amenity destinations while identifying strategies for proactive infrastructure planning and investments that enable people to live well together. For this report, we define infrastructure as the fixed capital assets that support critical community needs such as roads, water and wastewater systems, and electric supply. Public services include education, childcare, public health, public safety, emergency response, and other services that are funded by local governments and districts.

The table below summarizes challenges and solutions related to infrastructure and public services in amenity destinations.

CHALLENGE	SOLUTIONS	EXAMPLE
Planning infrastructure in places with rapid growth or seasonal population changes is complex, highly uncertain, and requires more coordination	• Use scenario planning and better data about visitation • Plan infrastructure holistically with other community goals	• Moab's focus on sustainable tourism
Large number of visitors requires more infrastructure and services than necessary for residents, but the cost is borne by residents	• Reinvest tourism taxes on infrastructure • Use priority-based municipal budgeting • Use innovative funding and financing	• Longmont, Colorado, uses priority-based budgeting
Infrastructure needs are regional, but decisions are local	• Coordinate regionally • Invest in creative partnerships	• Adirondack Community Recreation Alliance (part of Northern Forest Center) • Yosemite Area Regional Transportation System • Watford City partnership for affordable housing and daycare
Unaddressed infrastructure challenges create tension between locals and visitors	• Identify infrastructure solutions that address multiple community benefits • Invest in infrastructure that benefits locals • Measure and track community wellbeing, sense of place, happiness	• Northeast Kingdom • Moab, Utah • Bar Harbor, Maine

Planning infrastructure is challenging when costs and demand are uncertain

Local governments typically use growth and population projections to predict demand and then design infrastructure that will meet their long-term needs. However, in places experiencing rapid growth and/or seasonal swings in visitors these projections can be quite inaccurate. The uncertainties related to population projections make right-sizing infrastructure particularly challenging. Infrastructure investments tend to be expensive and long term, creating tradeoffs that stakeholders must weigh as their community grows and changes. Infrastructure that is under- or overbuilt can expose residents to unnecessary tax burdens and maintenance costs, inefficiencies within infrastructure systems, and even failures.

Unfortunately, the full costs of infrastructure and services are rarely accounted for in economic impact studies of tourism and amenity development. Costs to public services and infrastructure can be tricky to separate from routine costs, leading many communities to overestimate the economic value of tourism and/or fail to create systems to capture costs from visitors.[52]

For instance, the American Prairie Reserve, a large-scale conservation effort managed by a nonprofit in central Montana, has contributed nearly $39 million in economic development to the region since 2002.[53] However, this estimate does not account for the costs of gravel road maintenance and emergency services that local governments have had to absorb as a result of APR's activities. Cost-share or community benefit agreements could help address these gaps, but few assessments and tools are available to local governments to help them understand the full range of costs from tourism.

Solutions to planning with uncertainty

Use scenario planning and novel datasets

For amenity destinations trying to make infrastructure decisions despite uncertainty and varying population projections, scenario planning is a critical tool.[54] Scenario planning helps decision makers and residents imagine different futures and, consequently, different strategies for infrastructure.

In addition to scenario planning, investing in novel datasets can be useful. Amenity destinations need frequently updated data on how many people are visiting, when, and for how long to help them plan infrastructure improvements and maintenance. Novel datasets, such as cell phone data, can be useful for communities but can also be expensive. Nonetheless, accurate visitation data are critical for estimating the full costs and benefits of tourism. These data can then be leveraged for grant applications and/or can be used to justify the costs of capital improvements. In many cases the data can be used to proactively address inequity issues or the needs of vulnerable populations that were overlooked in older infrastructure and public service decisions.

Plan infrastructure holistically

Moab, Utah, is an example of a community that is tackling infrastructure challenges by planning holistically and long term. Water scarcity is a key concern for Moab residents given the area's desert ecosystem.[55] The city's water supply must service its 5,300 year-round residents, as well as a projected 2,500 new residents over the next 40 years and the 2 million visitors the region hosts annually. Tourists who stay overnight in Moab account for 16% of the city's commercial water use.[56]

To accommodate peak tourist season, the city invested in additional water storage capacity, including three tanks and several aquifers and wells, and is planning additional capacity projects in anticipation of more growth. Given the uncertainties of growth and expected climate impacts to its water supply, the city is rethinking its approach to water infrastructure. The city is using sustainable tourism principles to develop new initiatives to decrease overall demand, including incentivizing desert-compatible landscaping, water recycling, and other water conservation measures.

Infrastructure can reinforce inequities and limit future opportunities

Paradoxically, public infrastructure can become obsolete or overbuilt to the changing needs of rural communities.[i] When this occurs, the community can become locked into an undesired economic trajectory.[ii] Amenity destinations that are transitioning away from natural resource extraction may have legacy infrastructure that needs to be dismantled or transformed to meet new needs.

For example, Colstrip, Montana's economic dependence on coal has resulted in critical municipal infrastructure like water towers and streets that, due to their scale and operational costs, could limit the community's ability to diversify its economy beyond manufacturing.[iii] The expense of maintaining the older infrastructure simply overwhelms other community priorities.

Other amenity destinations may have derelict infrastructure or infrastructure that is widely seen as problematic – such as roads that divided neighborhoods – that exacerbate inequities. Addressing these legacy infrastructures is expensive and may take decades to realize. State and federal funding, such as the U.S. Department of Transportation's Reconnecting Communities program, can help offset costs. This work is key to creating more inclusive, diverse, and successful economies in amenity destinations.

i Smith KK & Haggerty JH. (2020). Exploitable ambiguities & the unruliness of natural resource dependence: Public infrastructure in North Dakota's Bakken shale formation. *Journal of Rural Studies*, 80, 13-22.

ii Freudenburg WR. (1992). Addictive economies: extractive industries and vulnerable localities in a changing world economy. *Rural Sociology*, 57(3), 305-332.

iii Roemer, KF & Haggerty JH. (2022). The energy transition as fiscal rupture: Public services and resilience pathways in a coal company town. *Energy Research & Social Science*, 91.

Infrastructure needs are driven by visitors, but costs are borne by residents

Amenity destinations must build and maintain infrastructure and services for capacities that are far higher than their year-round populations. There is often a mismatch between who benefits from the infrastructure and services and who pays the costs—typically locals.

Further, infrastructure costs can be uneven year-to-year, compounding planning and budgeting challenges. When a threshold in population or visitors is crossed, the new infrastructure that might be needed can costs tens of millions of dollars. With few residents to foot the bill, funding and financing these projects and services can create significant challenges. Moreover, most state and federal funding sources available to local governments for infrastructure are for upfront costs with little funding available for operations, maintenance, and services.

Local governments rely on a mix of funding and financing tools to plan, build, and maintain infrastructure. Debt financing – including private loans, general obligation bonds, and revenue bonds – are the most common strategy that local governments employ for capital improvements.[57] Many of these funding and finance tools rely on property taxes and fees that are paid for by local property owners. Fiscal tools such as local option sales taxes, room and board taxes, and short-term rental taxes can be leveraged to capture revenue from visitors. Aligning tax and fee structures to capture revenue equitably is a top challenge for local governments in amenity destinations.

Infrastructure funding and financing strategies can create or reinforce inequities when revenue structures are misaligned. State policies can drive these misalignments. For example, many states limit the ways that local governments can raise and spend revenue, including limiting total debt amounts.[58] These fiscal policies can constrain local government flexibility and create significant challenges for meeting the infrastructure demands of a rapidly growing population.

The following communities exemplify the types of misalignments between infrastructure benefits and costs that can occur in amenity destinations:

- Bozeman, Montana, hosts an estimated 1.4 million overnight visitors annually. However, state fiscal policies prevent the city from having a local option sales tax. While the influx of tourists has significant impacts on public infrastructure, including on the road, water, and wastewater systems, the costs of maintenance and upgrades is footed by the residents – largely through property taxes. In this case, tourists are not paying for their fair share of costs associated with tourist impacts to public infrastructure. If Gallatin County (Bozeman's parent county) was able to implement a 3% sales tax on nonessential goods, it would raise an estimated $30 million in revenue to help offset these costs while ensuring that infrastructure costs are spread between visitors and residents.[59]

- Sturgis, South Dakota – a small town of 7,000 people – swells with more than 500,000 visitors during its famed summer motorcycle rally. To accommodate the influx, the Sturgis Police Department hires 10-day officers, expanding its workforce to become the third-largest department in South Dakota during the week of the rally. [60] The city budgets an extra $300,000 for police expense related to the rally – an expense that is offset by revenue from state and local taxes, sponsorships, and permits and fees related to the rally.[61,62] Meade County also has increased costs to its sheriff office but does not benefit from sales tax revenue due to state fiscal policies. Instead, it relies on vendor fees to offset its costs.

- West Yellowstone, Montana, is a gateway community for Yellowstone National Park. While its year-round population is approximately 1,100 people, the community hosts over 4 million visitors annually. The region's tourism puts an enormous stress on the community's services and infrastructure, including roads and wastewater.[63] The community's medical and first responder services are particularly stressed as most of the calls are related to tourism, but the expenses are paid for from local budgets.[64]

Solutions to misaligned revenue structures

Reinvest tourism taxes on infrastructure

Local governments should think creatively about how to justify spending tourism taxes and impact fees on infrastructure investments benefit residents and visitors. In some cases, this may require policy changes. For instance, Utah counties are required to spend 47% of their tourism tax revenue on tourism promotion, even though many of tourism-impacted counties have significant infrastructure needs.[65] Other revenue strategies that amenity destinations can put in place are impact fees and government surcharges. Some of these ideas are explored in this report's Fiscal Policy section.

Use priority-based municipal budgeting

Another way to ensure that infrastructure needs and community goals are being met is to use priority-based budgeting, which shifts municipal budgeting from a line-item strategy to budgeting by priorities. The method can illuminate how effective a local budget is at achieving its goals. This strategy has successfully been used to identify funding infrastructure and climate resilience projects in larger cities and is also being used by Longmont, Colorado, to find funding for infrastructure.[66,67]

Use innovative funding and financing

Local and state governments are increasingly experimenting with new funding and financing tools for infrastructure, including green and social impact bonds, public-public or public-private partnerships, revolving loan funds, and state infrastructure banks. These tools provide needed options for amenity destinations.[68]

This report's Fiscal Policy section details other ways a community can creatively raise and deploy funding.

Infrastructure and service needs are regional, but decisions are local

Many of the infrastructure challenges facing amenity destinations, such as transportation, are regional in nature.[69] However, decisions about infrastructure tend to be made at the local government level. This can create fragmented responses to infrastructure challenges that could be better addressed with a regional strategy. Thus, infrastructure shortfalls can be indicative of interconnected problems of governance as much as budgeting constraints.[70]

Traffic congestion and impacts to road infrastructure are a telling example. Poor road conditions and traffic are common complaints in communities with significant population growth and tourism. From an engineering and cost-efficiency perspective, road systems are usually not designed to meet peak demands. For decades, urban governments have invested in active traffic management and transportation demand management to diversify options and spread out peak traffic hours. Many of these strategies, such as investments in public transit, bike paths, and pedestrian infrastructure, have also been adopted in rural amenity destinations.

While roads are key for regional connectivity, their funding and governance are highly fragmented and decentralized.[71] State departments of transportation are responsible for state roadways, but at the local level counties, cities, and townships build, fund, maintain, and/or de-commission roads.

For the smaller local governments, road construction and maintenance costs are typically the largest expenditures in their budgets. State and federal sources for transportation funding can be unpredictable, making it hard to plan and coordinate larger solutions. The fragmentation in governance and funding sources heightens the risk that local governments will absorb costs associated with regional economic drivers beyond their control.[72]

As noted previously, although amenity destinations are often rural, they can experience planning and development problems associated with more urbanized areas. Yet research demonstrates that many of these local governments are staffed very differently from urban governments, often due to budget constraints. They often lack critical government capacity and expertise, such as full-time city managers and planners.[73]

Solutions to local capacity limitations

Tackling infrastructure constraints in amenity destinations requires rethinking governance structures and investing in local capacity. Amenity destinations would benefit from regional collaborations, as well as increased partnerships between public and private stakeholders, including tourist associations, nonprofits, private companies, and local, state, and federal agencies.

Coordinate regionally

Regional collaborations can provide coordinated solutions to the interconnected issues of growth, economic transitions, and infrastructure needs. Regional collaborations can range from simple intergovernmental agreements and shared personnel across multiple local governments, to more coordinated responses.

For example, the Adirondack Community Recreation Alliance is a regional coordinating initiative in New York that seeks to manage impacts from recreation while promoting sustainable forestry, infrastructure investments, and economic diversification.[74] In 2020 the group launched an Innovation Fund to invest in community-based recreation initiatives, including increasing connectivity and emergency rescue planning.

The Yosemite Area Regional Transportation System (YARTS) provides another example of how local governments can work together to solve infrastructure problems.[75] Merced, Mariposa, and Mono counties created the regional system through a joint powers authority in 2000 in response to growing traffic concerns around Yosemite National Park in California. Tuolomne County recently joined the agreement, and the Merced County Association of Governments manages its operations. Today, YARTS provides bus services to Yosemite National Park from gateway communities in six counties to help decrease traffic. Bus service is increased during the height of the tourism season to accommodate influxes in passengers.

Invest in unexpected partnerships

Partnerships between local governments, school districts, and private entities can also lead to creative solutions to infrastructure and service problems. For instance, Watford City, North Dakota, is the gateway community to the North Unit of Theodore Roosevelt National Park. In addition to tourism, the community faced significant pressures on its infrastructure and services due to rapid oil and gas development in the 2010s, including a lack of affordable housing and childcare. In response, the city partnered with the county, the local school district, and a private company to fund and develop affordable housing that included a public daycare.[76]

Unaddressed infrastructure and service shortfalls can deepen tensions between locals and visitors

Infrastructure provides basic services to communities, and problems can severely detract from quality of life. When infrastructure problems are blamed on visitors, it can deepen tensions between locals and visitors. In Bar Harbor, Maine, planning documents identify tourism as a primary driver of the economy but then acknowledge that “tensions within the community are prompting questions around the level of economic impact provided, taxes paid, amount of municipal services required, and perceived transportation and infrastructure impacts."[77] Mismatches between perceived benefits and costs of tourism can lead to divisions amongst residents about the community's direction and vision for growth.

Vermont's Northeast Kingdom provides another case in point. The Northeast Kingdom is home to Kingdom Trails, an extensive mountain bike trail system located predominantly on private land. Kingdom Trails attracts $10 million annually in economic benefits to a rural region of fewer than 10,000 people.[78] However, the region has struggled to keep up with traffic and congestion, creating tensions between trail users and locals. The conflict came to a head in 2020 when multiple landowners prevented access to their private land for biking.[79] In response, local and state government agencies are working with the nonprofit that manages the trails to help solve the infrastructure issues by creating more parking, a welcome center, expanded pedestrian infrastructure, and additional trails to spread out users.

Infrastructure limits can also be used strategically by factions within the community to limit growth. In Big Sky, Montana, constraints on the water system prevented new hook-ups. Residents who were opposed to additional growth in the community also opposed investments in a new water treatment plant. An unfortunate consequence of the water constraint, however, is that it contributed to high prices in Big Sky, pricing out workers. Despite some disagreement, the community is moving forward with a new water treatment plan that is also enabling a new workforce housing development to help address the housing shortage.[80]

Solutions to community tensions

Proactive infrastructure planning can ensure the community functions for everyone, helping to alleviate tensions between locals and visitors. In fact, tourism can allow rural communities to have expanded services and infrastructure beyond the typical rural community. This can create win-win scenarios for both visitors and locals.

Ensuring that locals benefit from tourism needs to be an intentional process. For instance, Moab's "Tomorrow Together: Vision & Strategic Action Plan" identifies the need to develop dedicated community infrastructure for locals, such as meeting spaces and events.[81] Investments in schools, libraries, meeting places and community facilities, childcare, and public transportation can help mitigate some of the negative impacts that locals may associate with visitors.

Communities can also build strategies to measure and track community cohesion. Standard community and economic development metrics will likely fail to capture the nuances of how well locals in the community are handling the community's growth and change. Alternative metrics and processes have been developed that can help local governments assess community wellbeing, sense of belonging, and happiness.[82] For example, Santa Monica's Wellbeing Index includes nontraditional metrics such as strength of local networks, equitable access to community spaces, mental health status of residents, and business diversity.[83]

Further, identifying the many facets of infrastructure decisions can build support for projects and form alliances among stakeholders that may seem unlikely. They can also create benefits that align with the amenities that make these places attractive for residents and visitors in the first place. For instance, when Big Sky, Montana's wastewater system was overwhelmed by demand, it created not only a public health problem but a water quality issue for the Gallatin River watershed.[84] Identifying the conservation benefits of the solutions helped build support for the project. Similarly, in Bar Harbor, Maine, plans to significantly upgrade pedestrian infrastructure may also decrease the community's greenhouse gas emissions, helping the community reach its sustainability goals.[85]

5. FISCAL POLICY

Fiscal policy encompasses all the ways that governments generate revenue from economic activity, like taxes and fees, and how governments use these revenues to pay for services like roads, schools, public safety, and hospitals.

To accommodate the pressures of growth, amenity communities will have to invest in programs, incentives, enforcement measures, and government capacity, all of which cost money. It is possible for fiscal policy to raise sufficient revenue for these programs equitably, ensuring that the burden of paying for the costs of government services is not borne disproportionately by residents, visitors, or the business community.

Amenity communities face unique considerations

Like municipal governments everywhere, the governments in amenity destinations often struggle to pay for the infrastructure, policy programs, and other services they need. Unique among amenity communities is the need to provide services for visitors, who far outnumber residents, while also conserving the amenity that is supporting the community. Some local governments suffer from legacies of dependence on single sectors and mismatched revenue. In many places, state policies hamstring local government options. This section explores some of these distinct fiscal challenges and solutions.

Without carefully considered tax policies, local governments will be unable to raise sufficient revenue, leading to diminished quality of life and degraded resources. Residents can also be left paying disproportionately for programs that benefit residents and visitors alike. This disproportionate burden can lead to higher cost of living, driving out current residents.

Amenity communities face several particularly acute fiscal challenges, including:

- Volatile tax revenue that does not keep pace with growth and a changing economy;
- Tax policies that exacerbate rather than ameliorate inequality; and
- Unique local needs not reflected in state fiscal policies and federal programs.

The table below summarizes the fiscal challenges and solutions amenity destinations are using to generate sufficient tax revenue. Each is further described below.

CHALLENGE	SOLUTIONS	EXAMPLE
Volatile tax revenue that does not reflect a changing economy.		
• Revenue is dependent on a single industry, creating vulnerability to disruption.	• Diversify revenue sources.	• Utah's Urban Wealth Fund
• Mismatch between historical sources of revenue and today's economic drivers	• Link revenue streams to existing economic drivers.	• Montana's resort tax
Tax policies that exacerbate inequality		
• Rising real estate values increase property taxes, pricing out locals	• Create real estate transfer taxes that can be reinvested locally in housing and conservation.	• Vermont Housing and Conservation Board • Massachusetts Community Preservation Act
• Fees imposed universally on residents help pay for services used by visitors	• Create a tourism improvement district and use revenue to offset costs created by visitors.	• Huntington Beach Tourism Improvement District
Local needs not reflected in state fiscal policies		
• Tax and expenditure limits prevent local governments from having enough revenue	• Allow local governments more tax options and local control over spending.	• Vermont and New Hampshire have strong tourism sectors and do not impost local limitations on property taxes.
• Rules for tourism-related taxes require marketing for more tourism	• Change the rules or interpret the rules more broadly so revenue can be used to support development and maintenance of tourism-related needs	• Utah Transient Room Tax • Bend, Oregon Sustainability Fund
• Federal funding tied to capital improvements	• Create federal resources for stewardship of resources	• SHRED Act

Revenue can be volatile and not keep pace with changes, creating long-term challenges

Amenity destinations often have a rapidly changing and growing economy. Rapid growth and a shifting economic foundation create two specific fiscal challenges.

First, communities that rely heavily on any one industry to support their economy are more likely to experience volatile tax revenue, making long-term planning difficult. When economic shocks or other disruptions like recessions, pandemics, or natural disasters occur, fewer people visit amenity communities. Decreased visitation will affect local businesses that rely on visitors, directly and indirectly.

For example, if a guiding service's clients cancel a trip, the guide is likely to postpone hiring a contractor for home repairs, the contractor will not purchase materials from a building supply store, and so on. Depending on the state's tax policies, these businesses will pay less in sales taxes, lodging taxes, income taxes and, if the community's real estate market dips, property taxes. Thus, the decrease in visitation reduces the tax revenue streams that rely on visitors, directly and indirectly. Decreased revenue will affect local government's ability to provide essential services to residents.

Communities with the most dependence on a particular industry and the fewest resources to weather revenue volatility are the most vulnerable to severe disruptions to local services. For example, the many Native American tribes whose tax base depends heavily on tourism to fund essential services like public safety were disproportionately affected when the COVID-19 pandemic drove tribes to close their lands to visitors to protect residents' health.[86] The Havasupai Tribe, in Arizona near the Grand Canyon, has been closed to visitors since the pandemic began and revenues from visitors dropped to zero. As the tribe developed plans to reopen in 2022, floods wiped out critical infrastructure.[87] The Havasupai Tribe's experience exemplifies the challenges that accompany dependence on a single economic sector.

The second challenge faced by quickly changing amenity economies is a mismatch between historic sources of tax revenue and today's economic drivers. States whose primary source of wealth historically has been commodity production can struggle when wealth is generated today from amenities or other sectors. Many amenity destinations have developed gradually as local leaders sought ways to diversify the historical economy that was dependent on the cyclical nature of commodity production. While the economies of these places have diversified, oftentimes the tax structure has not. Consequently, the bulk of state revenue oftentimes is reliant on commodity production, like severance taxes, royalties, and revenue sharing, and does not effectively capture revenue from today's sources of wealth, like real estate sales, visitor spending, and investment income.

When revenue is not aligned with how states generate wealth today, state and local governments will be underfunded. States provide revenue transfers to local governments to support critical services like education, public safety, and health services. Distribution formulas vary by state and by revenue types, but on average these transfers amount to nearly half of what local governments generate independently.[88]

Misaligned fiscal policy can also hinder economic diversification. For example, Wyoming's tax structure depends so heavily on fossil fuel revenues that new jobs created outside the energy industry, such as in recreation, technology, or health care, will not generate enough revenue to cover the costs of roads, public safety, or water infrastructure needed to support the growth. In other words, new non-energy jobs come at a net cost to state government.[89]

Solutions to address volatility and mismatch between economy and revenue sources

States and communities are pursuing fiscal solutions to promote economic diversification and tax revenue diversification and align revenue generation with wealth generation. Aligning state tax structure with today's sources of wealth better positions state and local governments alike.

In Montana, to improve the alignment between today's economy and sources of tax revenue and allow incentives for economic diversification, tourism-dependent communities can enact a resort tax. Incorporated towns with a population of less than 5,500 that the Department of Commerce has deemed "tourism-dependent" can levy a sales tax on lodging, restaurants, bars, and destination ski or recreation facilities. Voters in these communities both choose whether to enact the tax, the rate to set (capped at 3% of revenue, plus an additional 1% possible for infrastructure-specific projects[90]), and how to spend the revenue it generates. At least 5% of revenue must be used to offset local property taxes.[91] Currently 11 communities in the state have a resort tax and they use it for a range of needs, including property tax abatement, drinking water source protection, water treatment, trail maintenance, affordable housing funds, and local matches for loans and grants.[92]

Several aspects of Montana's resort tax system are ideal for amenity destinations. First, the revenue raised locally gets reinvested locally in a manner determined by voters. Second, the revenue is raised largely by tourist spending, ensuring that visitors fund programs that conserve the amenities and offset the impacts of visitors on the community. However, the benefits of this mechanism are limited to the places narrowly identified as resort communities. This means that the counties surrounding these communities, which provide public safety services like search and rescue, cannot levy a tax on visitor spending. It also prevents cities above the population threshold of 5,500, which are gateways to the resort towns and host many visitors each year, from generating revenue and offsetting local impacts from visitors. Additionally, the 3% cap may be too low for communities to raise sufficient funds to meet their needs. Finally, communities that use resort tax revenue to offset property taxes today without investing in other means of fiscal diversification can create an excessive dependence on tourism.

In Salt Lake County, Utah, leaders are evaluating a novel approach called an Urban Wealth Fund to diversify and increase public revenue that can keep pace with rapidly growing communities. In this approach, the local government identifies unused municipal properties, like parking lots or inholdings. Rather than selling these properties for market value, local governments retain ownership, partner with development entities, and retain an investment in these properties as a new revenue source.[93] Several U.S. cities are taking initial steps to evaluate the potential for an Urban Wealth Fund.[94] While current practices have focused on mid- to large-sized cities, the high property values in amenity communities could provide an untapped revenue opportunity in smaller towns.

The New Mexico State Land Office has undertaken projects in a similar vein on its state trust lands, retaining ownership of the lands but leasing the land to businesses and community organizations.[95] The State Land Office auctioned off a lease to a parcel in central Albuquerque for an affordable housing project for seniors. The project will generate revenue for the State Land Office and help meet the community's needs.[96]

Fiscal policies can exacerbate inequality

When residents bear a disproportionate share of the costs of growth, such as funding expanded infrastructure and public services through property taxes, a community's long-term residents can be displaced and economically excluded. Research has demonstrated how newcomers in rapidly changing communities are often better positioned due to education and social connections to take advantage of economic shifts, while many long-term residents are left behind.[97]

In amenity destinations, community leaders may be unable to capture sufficient revenue from the activities generating economic activity like retail purchases, guided trips, and hospitality. With insufficient revenues, services to support residents and visitors are cut, or their cost is borne through rising property taxes or fees.[98] Fees, such as water treatment, parks, or street improvement fees, often are regressive, as they are generally implemented as a flat fee rather than based on a person's ability to pay or use of the service or resource.[99] When amenity destinations implement fees on residents for services enjoyed by all (including visitors), the cost of living increases for residents.

As amenity destinations prosper, real estate and businesses attract outside investors, oftentimes leading to the consolidated ownership of local businesses and long- and short-term rental stock. For example, in Big Sky, Montana, two development companies own the vast majority of real estate and hospitality venues. When the ownership of businesses and properties is consolidated into a small number of companies there often are fewer opportunities for local business ownership and wealth building, and more competition to purchase properties. [100]

Solutions to improve equality using fiscal policies

Fiscal policies can be used to invest in residents' needs and help alleviate the inequality associated with rapidly growing amenity communities.

To help support home-grown entrepreneurs and small businesses, communities are establishing programs like business incubators and loan programs. For example, the Williston, North Dakota, STAR Fund provides funding for technical assistance to start-ups and small businesses, including funds to buy down interest rates for loans on property or equipment, renovate buildings, create quality-of-life enhancements in the community, or obtain licenses. The STAR Fund is funded by a 1% city sales tax and has supported 250 businesses since 2010.[101]

While an influx of wealth contributes to unaffordable housing, some states have targeted policies like real estate transfer taxes or deed recording fees that generate revenue to offset the negative impacts. Several states direct a portion these funds toward outdoor recreation-related infrastructure. For example, the Vermont Housing and Conservation Trust Fund, administered by the Vermont Housing and Conservation Board (Board), is unique in its coordinated focus on economic development, land conservation, and housing affordability. The state's real estate transfer tax rate, applied to all property sales, varies depending on property value and whether the property will be used as a primary or nonprimary residence. Buyers of primary residences pay 0.5% for the first $100,000 and 1.25% for any amount greater than $100,000. Buyers of nonprimary residences pay 1.25% of the sale price. The revenue is used to support grants or loans for municipalities and housing or conservation nonprofits, and the Board prioritizes projects that include elements of land conservation and housing affordability. By prioritizing projects that meet multiple goals, the Board has supported creative collaborations between housing and conservation advocates.

Statewide policies can incentivize local investments. In Massachusetts, the Community Preservation Act (CPA) was designed to create incentives for communities to prioritize their quality of life through investments in preserving open space and historic sites, investing in outdoor recreation facilities, and creating or maintaining affordable housing. Communities that participate in the program add a surcharge to their own property taxes, which then makes them eligible to receive matching funds from the state. Communities can also issue bonds against future revenue streams to fund large projects.

For example, Provincetown, Massachusetts, is an amenity destination at the far end of Cape Cod, an area dominated by second homes and vacation rentals where permanent residents struggle to find housing. The city used CPA funds to purchase and remediate a property downtown to create 50 housing units to serve year-round residents primarily earning low to moderate incomes.

Businesses that benefit from tourism also can lead the way in creating revenue streams that reduce tourism's impact. Tourism Improvement Districts (TIDs), modeled after Business Improvement Districts, allow hospitality businesses to assess themselves to raise revenue from their industry. The fees are passed on to visitors, appearing as "destination fees." While these largely have been

The Role of Property Tax Relief

Communities with rapidly increasing property values also face rapidly increasing property tax bills that can overburden residents.

To alleviate growing expenses for property owners, some communities look to property tax relief measures. For example, in Montana's communities that levy a resort tax, at least 5% of the resort tax revenue must be applied to reduce the property tax levy for the following year. Columbia Falls, the most recent community to pass a resort tax levy, uses 25% of its revenue to offset resort tax revenue.

While property tax relief can help alleviate rising housing costs, communities need to consider three important shortcomings.

First, reducing property tax rates does not increase housing supply, which is the primary driver behind rising housing costs. Communities that enact property tax relief without also developing a robust policy to increase the supply of housing limit the improvements they can make in the housing cost burden.

Second, the benefits of property tax relief are likely to go mostly to property owners, not renters. Because rents generally are fixed, with property tax expenses rolled into total rent, few landlords are likely to adjust rents up and down annually as property taxes fluctuate.

Finally, communities need diversified tax revenue streams. Places that rely on tourism revenue to offset property taxes that fund essential services will face fluctuating property tax bills and budget shortfalls when tourism drops, such as during a recession or after a natural disaster.

While property tax relief is an important tool to address housing costs, it must be used judiciously.

used to fund additional destination marketing, TIDs could be structured to create a revenue stream to subsidize employee housing, transportation, or otherwise offset the high cost of living and working in amenity destinations.[102] The city of Huntington Beach, California, is using some of the revenue from its TID to fund electric shuttles in the downtown area to alleviate congestion.[103]

States and federal fiscal policies can limit local flexibility

States play a critical role by enabling or limiting municipalities' ability to creatively raise and save revenue. Many states limit the ways in which municipalities can raise and spend revenue, known as tax and expenditure limits (TELs). Some limit property tax rates or their growth rate;[104] others prohibit sales taxes entirely, or the goods and services that qualify for sales taxes;[105] and many states prohibit or otherwise limit local income taxes. These restrictions, intended to protect taxpayers from excessive or unjust tax burdens, can leave municipalities with insufficient revenue or the inability to adapt to a changing economy.[106]

Many states with lodging taxes limit spending of that revenue to only those activities that promote additional tourism. Many states restrict how revenue from tourism-related taxes can be spent, and often the requirements do not reflect current economic conditions. For example, in Colorado, many tourism destinations were inundated with visitors during the COVID-19 pandemic, and these communities did not have the hotel rooms, restaurant employees, or parking spaces to absorb new visitors. Despite the fact that communities were already exceeding visitor capacity, state regulations dictate that lodging tax revenue must be spent on tourism marketing and promotion.

Finally, federal policy and grantmaking often support one-time capital projects, such as expanding water treatment, rather than ongoing programs like operation and maintenance for the capital investments, or social services.[107]

The Role of Philanthropy

Many amenity destinations are fortunate to have residents who donate generously to local charitable causes. Funding through individual donations or private foundations can be particularly powerful in places where state policies limit municipalities' ability to raise and spend revenue.

While philanthropic dollars support a wide range of activities, the amount of funding reflects donors' greatest interests, not necessarily the community's greatest needs. In wealthy communities like Jackson Hole, Wyoming, for example, organizations that address the environment and the arts are far better funded than social service organizations.[i]

Communities that can channel philanthropic dollars toward the community's greatest needs will be better positioned to leverage philanthropic opportunities.

One mechanism is via community foundations, grantmaking organizations that pool donations from individuals, private foundations, and businesses. Community foundations take a more holistic perspective of a community's charitable needs and allocate grants to local organizations in a manner that reflects the values of the community rather than individual donors. The success of these organizations, particularly in rapidly growing communities, depends on a well-balanced board comprised of long-time and newer residents reflecting a range of perspectives.

Philanthropic dollars are also well-suited to finance revolving loan funds (RLFs). These funds can be used to finance the construction of affordable housing, preserving foundation endowments while lowering borrowing costs for builders. RLFs also can be used for upfront costs on projects that are funded by grants that reimburse expenses.

i Farrell, J. (2021). Billionaire wilderness: The ultra-wealthy and the remaking of the American West (Vol. 24). Princeton University Press.

Solutions that allow communities to creatively raise and spend revenue

Amenity communities can advocate at the state and federal level for greater flexibility in how they can raise and spend revenue locally, expanding their ability to reinvest revenue to address local needs.[108]

Amenity communities have been working to find more flexibility with how they can spend tourism-related revenues by both changing the enabling legislation for the tourism-related taxes and by interpreting the regulations around those taxes more expansively.

Municipalities must have the flexibility to spend revenue in a manner that reflects the community's needs in its amenity-based economy. For communities early in developing their amenity economy, this could include developing facilities like trailheads and wayfinding, or promoting the area's attractions. For communities that are established amenity destinations, the revenue may best be used by expanding infrastructure like wastewater treatment facilities, supporting affordable housing programs, or increasing funding for public transportation or public safety like search and rescue.

Leaders in Grand County, Utah, home of Moab, were able to advocate to change state law governing the allocation of the transient room tax to shift a greater share of revenue toward mitigating the impacts of tourism in gateway communities and supporting economic diversification activities.[109] Revenue used to mitigate the impacts of tourism primarily is spent on law enforcement and search and rescue. Economic diversification activities include a grant program for small businesses, a small business resource center run through Utah State University, free business planning classes, and a revolving loan fund.[110]

Leaders in Colorado resort communities have been working to change state legislation and enable local voters to direct how lodging tax funds are allocated.[111] Though legislation has not yet passed, resort communities continue to elevate the need to change state policy and make it easier for communities to apply this revenue where it is most needed.

Bend, Oregon, allocates a portion of its lodging taxes to the Bend Sustainability Fund. Any community organization is eligible to apply for grants to "protect, steward or create a tourism-related facility with an impactful life of greater than 10 years." While the facility must have substantial use from visitors, the term "tourism-related facility" is interpreted broadly to include constructing new trails, improving the quality of beginner cross-country skiing trails, and improving trailheads and signage to better disperse visitors. As of 2022, the program awarded $2.3 million to 17 projects.[112]

In Taos, New Mexico, where wildfire risk is severe and growing, the city is using funds from lodging tax revenue, which dictates that revenue must be spent on tourism promotion, to restore nearby forests.[113]

As recreational use of public lands has increased, recreational budgets have not kept pace. This mismatch has led to resource degradation, poorly maintained trails and trailheads, and lax enforcement of rules for recreation facilities. For communities that depend on outdoor recreation attractions on nearby public lands, insufficient budgets to manage recreation on public lands poses a threat to their economic well-being.

Some communities, like Eagle County, Colorado, where Vail is located, have recognized the threat this poses to their amenity-based economy and have used local tax dollars to pay for U.S. Forest Service staff to monitor trails and campgrounds.[114]

Lawmakers also have proposed legislation that would retain more revenues at the Forest Service units where recreational permit fees are generated. Currently revenue from recreational fees, such as those paid by ski areas, go to the U.S. Treasury. The Ski Hill Resources for Economic Development (SHRED) Act,[115] in committee as of late 2022, would keep 75% of those fees on Forest Service units that generate $15 million or less, or 60% for those units that generate more than $15 million. These funds could be used by the Forest Service unit to support activities related to visitor experience and administration of ski areas, wildfire preparedness, avalanche information and safety, and general recreation management. Legislation like the SHRED Act could provide units with sufficient funds to manage recreation well, reducing the burden on local governments to support management on public lands.

Recently the Census Bureau redefined "urban" communities to consider housing units as well as population. This change could bump resort communities with low population but a high number of second homes into the urban category. Reclassified as "metropolitan," these places will have access to federal funding sources only available to urban areas such as transportation planning.[116]

6. NATURAL DISASTERS

As disasters like wildfires and floods become increasingly common, the underlying amenity trap challenges intensify and the need for solutions becomes more urgent. While much of the world is increasingly exposed to natural disasters like flooding and wildfire, amenity communities face severe hazards because of their inherent proximity to natural areas. Because the economies of amenity destinations depend on their natural environment, disasters are particularly disruptive. Natural disasters affect many aspects of life in amenity destinations, including the three other focal areas for this report: housing, infrastructure, and fiscal security.

In places where affordable housing is already difficult to come by, a severe natural disaster can further wipe out housing stock and increase the cost to insure the housing that remains. The impacted communities, along with nearby communities, see a significant rise in rental costs as people seek temporary housing while they rebuild. Mobile and manufactured homes, an important component of many communities' affordable housing stock, are more likely to be damaged during floods and wildfires, and residents are less likely to have insurance or other funds to rebuild. The effects are felt well beyond the immediate communities impacted by fires and floods as communities throughout the region experience rapid growth from displaced residents, placing unanticipated demands on schools, roads, and wastewater treatment.

Natural disasters often damage other critical infrastructure as well, and the uncertainty and intensity of climate-related disasters make planning and funding more challenging. Commonly, amenity communities have smaller populations and limited tax revenue to pay for the maintenance and upgrades needed to withstand disasters. For communities that depend on tourism, disrupted services such as providing drinking water and wastewater treatment will limit their ability to host visitors. In Gardiner, Montana, for example, visitors and residents were unable to consume municipal water when floods damaged the town's water main.[117]

Communities with overly specialized economies are more vulnerable to disruption. This is true of amenity communities whose tax base depends largely on tourism-related activities to fund essential services. For example, in the aftermath of the Yellowstone River floods in 2022, lodging tax revenue declined by 92% in Gardiner, Montana, compared to July-September in 2021.[118]

Solutions to reduce disruption from natural disasters

The increased frequency and severity of natural disasters adds urgency to the solutions highlighted elsewhere in this report. Amenity destinations must anticipate that a changing climate will affect their ability to house residents and visitors, infrastructure needs, and fiscal health. Five critical solutions are highlighted here.

Build homes less vulnerable to disasters.

As amenity destinations increase their housing supply, they must seek ways to minimize risk from natural disasters. Towns can avoid new construction in areas of highest risk and build structures that are resilient to disasters. This might include requiring wildfire-resistant construction[119] and elevating housing in areas of flood risk.[120] For example, Chelan County, Washington, is at the forefront of communities developing a comprehensive policy to make housing less susceptible to wildfire through detailed risk assessment, zoning, regulations, and voluntary measures.[121]

Invest in infrastructure to reduce risk

Communities across the country are investing in projects that reduce natural disaster risks and build climate resilience. From increasing water storage to building microgrids to reducing wildfire fuels, climate adaptation infrastructure projects are growing in popularity because they improve safety and reduce the impacts of future disasters. Many mitigation solutions create additional community benefits such as improving water quality and access to nature trails, making them especially smart investments for amenity communities.

Create plans that improve resilience and address equity.

Communities experiencing amenity-related growth have an urgent need for proactive and inclusive planning, including for land use changes, economic development, and emergency management. Given the inequities that can exist in amenity communities, local government should prioritize efforts to protect vulnerable residents. Development, hazard mitigation, and emergency management planning documents can address not only where natural hazards are likely, but where vulnerable populations may experience disproportionate impacts. Inclusive engagement is especially important, but amenity communities often have populations that are hard to reach, including second homeowners and visitors, older residents, migrant laborers, and mobile home residents. Creating engagement processes that include these voices is challenging but key for directing the community's future growth in ways that benefit everyone. Many tools are available to communities to help identify vulnerable populations, including Wildfire Risk to Communities, Neighborhoods at Risk, and FEMA's Resilience Analysis & Planning Tool.

Invest in capacity

Amenity communities experiencing rapid growth can become overwhelmed and forced into a reactive mode. Communities often need to hire additional staff or even create new departments within local governments to respond to changing demands and enable proactive decision making. Communities with limited resources may need to think creatively about how to expand local capacity without adding large expenses. For example, multiple communities may invest in a shared staff position such as a grant writer or a resilience coordinator. Joining a regional project or initiative to address hazards, such as flood or wildfire risk, is another way to add capacity at the local level.

Diversify revenue

Communities that can diversify their revenue streams and save for a rainy day will be better able to withstand disruptions from natural disasters. Disaster aid often is based on population; reforms to state and federal programs that recognize the unique challenges faced by amenity destinations with a high number of visitors and second homeowners can help these communities fund infrastructure to meet their needs.[122]

7. CONCLUSION

Amenity destinations can benefit greatly from tourism and economic growth, but those benefits can also lead to painful challenges, particularly in housing, infrastructure, fiscal policy, and disaster resiliency. To address these negative impacts local leaders need latitude to experiment with new policies and partnerships. It is vital that state and federal policy recognize this need for local flexibility. There is ample evidence from around the country that local leaders can bring solutions to their communities when they can be creative.

The benefits of amenity communities are enjoyed by both residents and visitors, but all too often, it is residents who bear the costs of amenity-related growth. When these costs are borne equitably by residents and visitors, a community is more likely to avoid the negative consequences of rapid growth or overbearing waves of tourism.

In fact, aligning solutions with the very forces behind the challenges can be one of the most successful strategies for amenity communities. Just as spreading costs across visitors *and* residents can better preserve infrastructure and affordable housing, so too can land use policies alleviate the impacts of sprawl and enhance public land access. Business incubators and loan programs can encourage homegrown entrepreneurship, alleviating inequality as well as workforce challenges. Aligning revenue generation with wealth generation can give communities the resources they need to adapt to growth.

Above all, proactive action is required for amenity communities to maintain the qualities that make them great. These places have a vibrancy that depends on protecting the very things that attract people to live and play there. Once amenities begin to erode, it can be very difficult to get them back.

Each community will need to build its own set of solutions, applying strategies that work for its population size, culture, and urban or rural setting, as well as leveraging regional and state resources. Communities across the nation are using dozens of approaches to reap the benefits of amenity-rich locations without sacrificing fiscal health and community well-being. We have a tremendous opportunity now to share solutions and avoid the amenity trap.

Endnotes

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