

IMPACT OF STRS ON HOUSING AFFORDABILITY & STR LINKAGE FEES

Prepared for: Colorado Association of Ski Towns

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BALANCING COMMUNITY HOUSING NEEDS WITH STRS

- **Housing affordability: long-standing challenge in Telluride**
- **STRs: major part of economy & lodging base**
- **Goal: Align STR policy with housing solutions**



“As ski towns, we all wrestle with the tension between supporting tourism and sustaining housing for our workforce. Telluride’s journey with STRs shows the pitfalls of caps and the promise of linkage fees.”

PRESENTATION TITLE

HISTORY OF AFFORDABLE HOUSING IN TELLURIDE

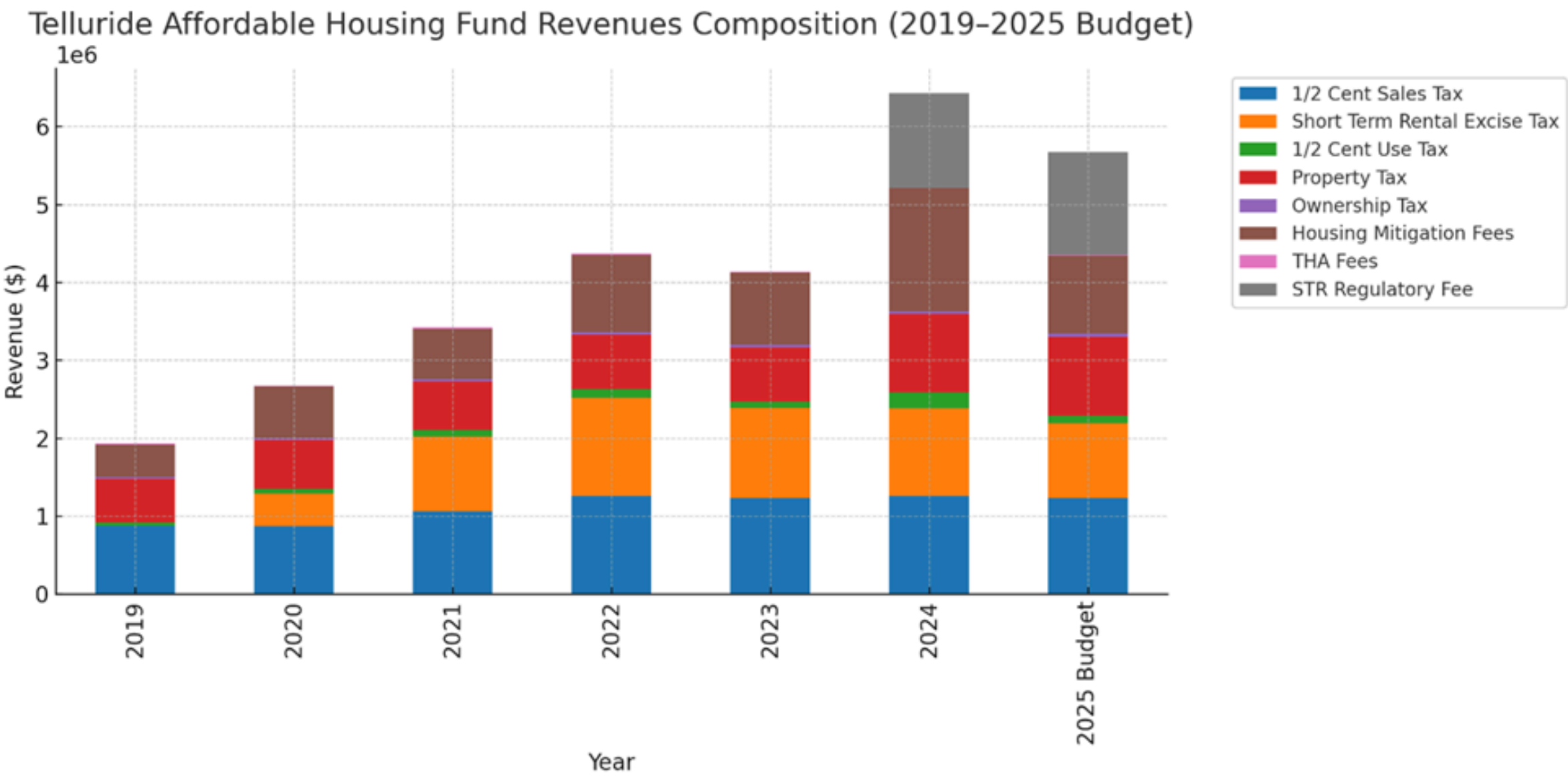
Deed Restrictions Overview

- **First Adopted:** 1990s; now 470+ deed-restricted units townwide
- **Purpose:** Preserve housing affordability in perpetuity
- **Regional Impact:**
 - ~**50%** of all residents in the Telluride Region live in deed-restricted housing
 - ~**38%** of the Town’s population lives in deed-restricted housing
 - ~**40%** of all dwelling units built since 2000 in Telluride are deed-restricted



We’ve built a strong toolkit: deed restrictions, voter-approved taxes, and major projects. But rising prices continue to outpace wages — meaning we need ongoing, sustainable revenues.

Dedicated Funds Overview

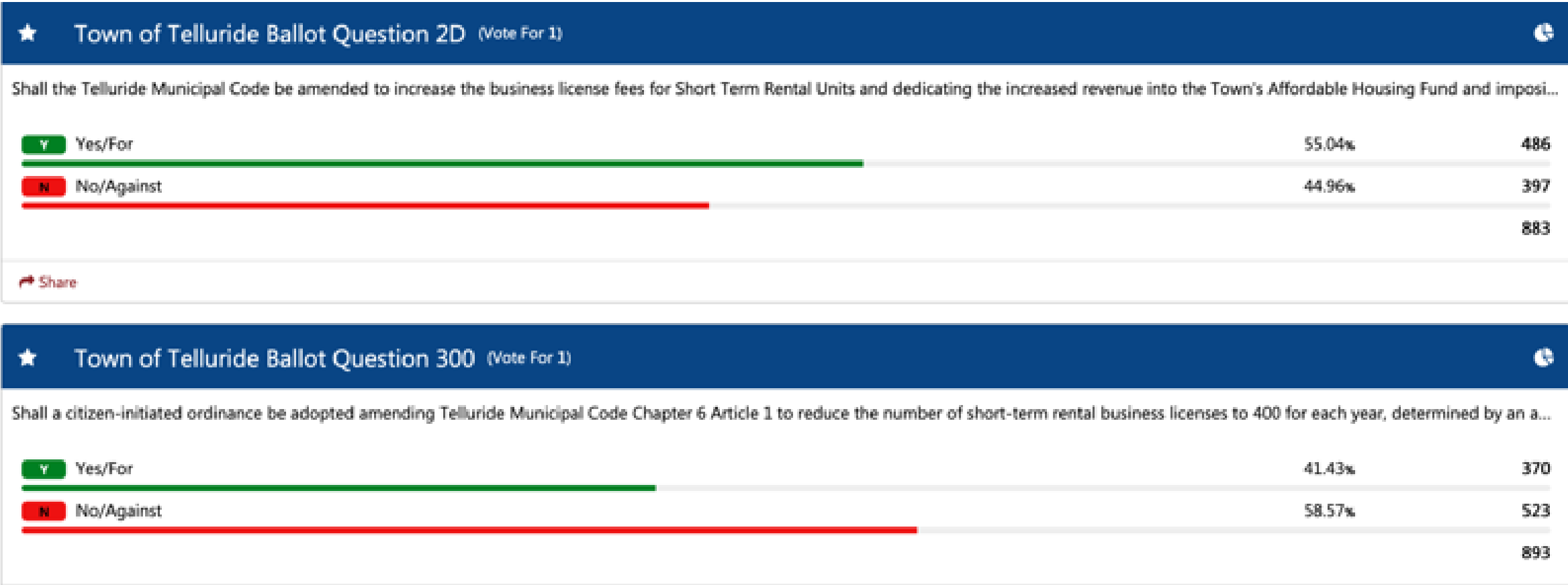


PRESENTATION TITLE

HISTORY OF STRS IN TELLURIDE

STRs historically allowed broadly (accommodation + residential zones)

- 2021: Citizens’ Initiative 2D (2021): capped STR licenses for 2 years
 - Emergency moratorium & cap (Ord. 1537)
- 2022: Exceptions, penalties, waitlist & lottery (Ord. 1544, 1547)



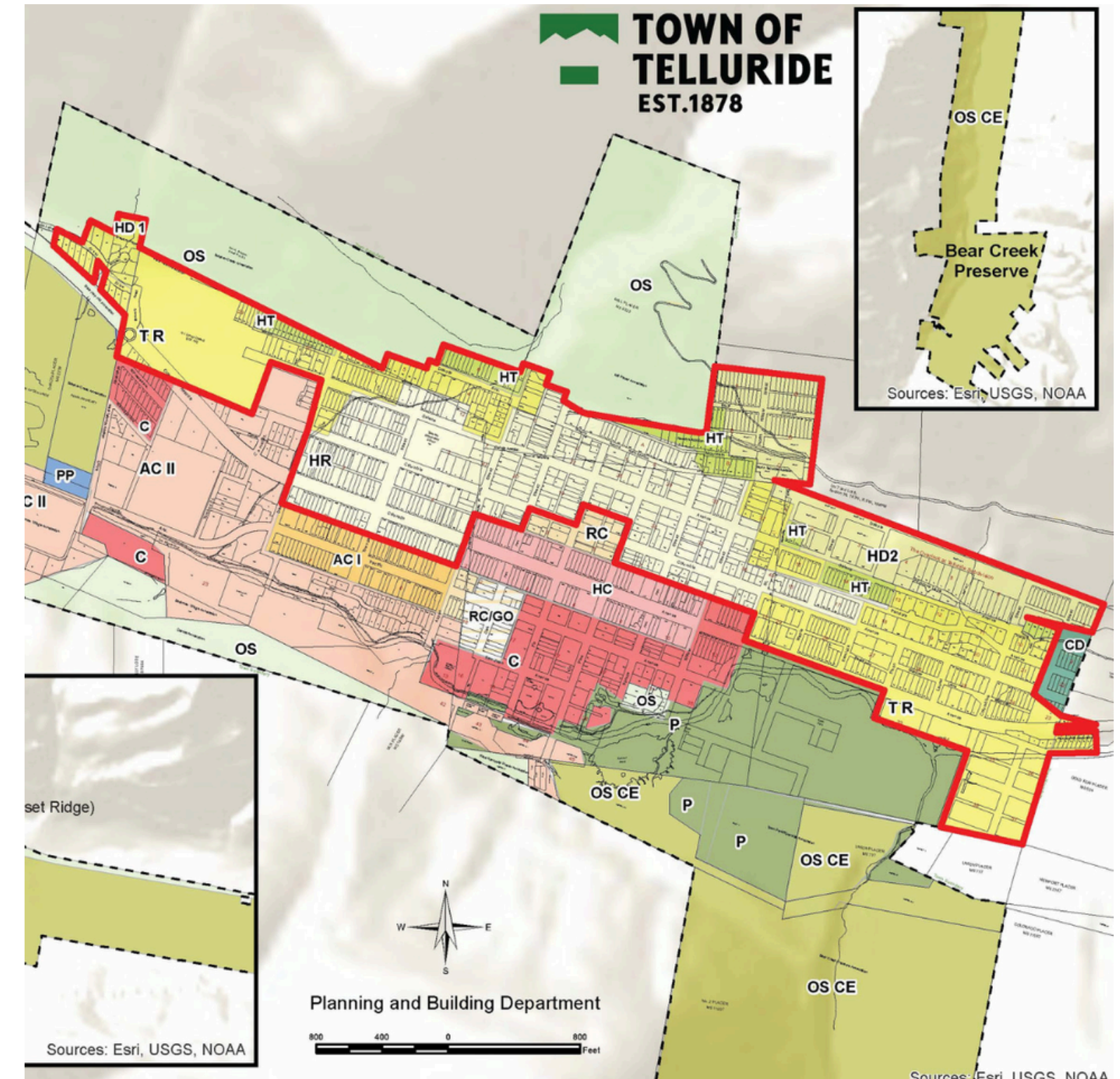
STRs have always been part of our lodging economy. But in 2021, community frustration led to Ballot Question 2D — a citizen initiative capping STR licenses. That changed the conversation and set the stage for the study to formalize either extending the 2D cap or letting this measure expire while exploring other options, like a nexus-based fee model.

STR STUDY (EPS, 2023)

Scope: STR role in economy, housing impacts, peer policies.

Key Data:

- ~770 STRs = 78% bed base, 80% lodging tax
- Only 10% priced <\$840/sf (affordable stock extremely limited)
- Surveys, open houses, stakeholder meetings informed findings
- Peer towns: most rely on fees, not caps



The study confirmed STRs are vital to our economy. But it also showed STRs are not the root cause of our affordability crisis — Telluride has been unaffordable for decades. The key takeaway was that caps don't create housing, but fees can.

NEXUS / REGULATORY FEE

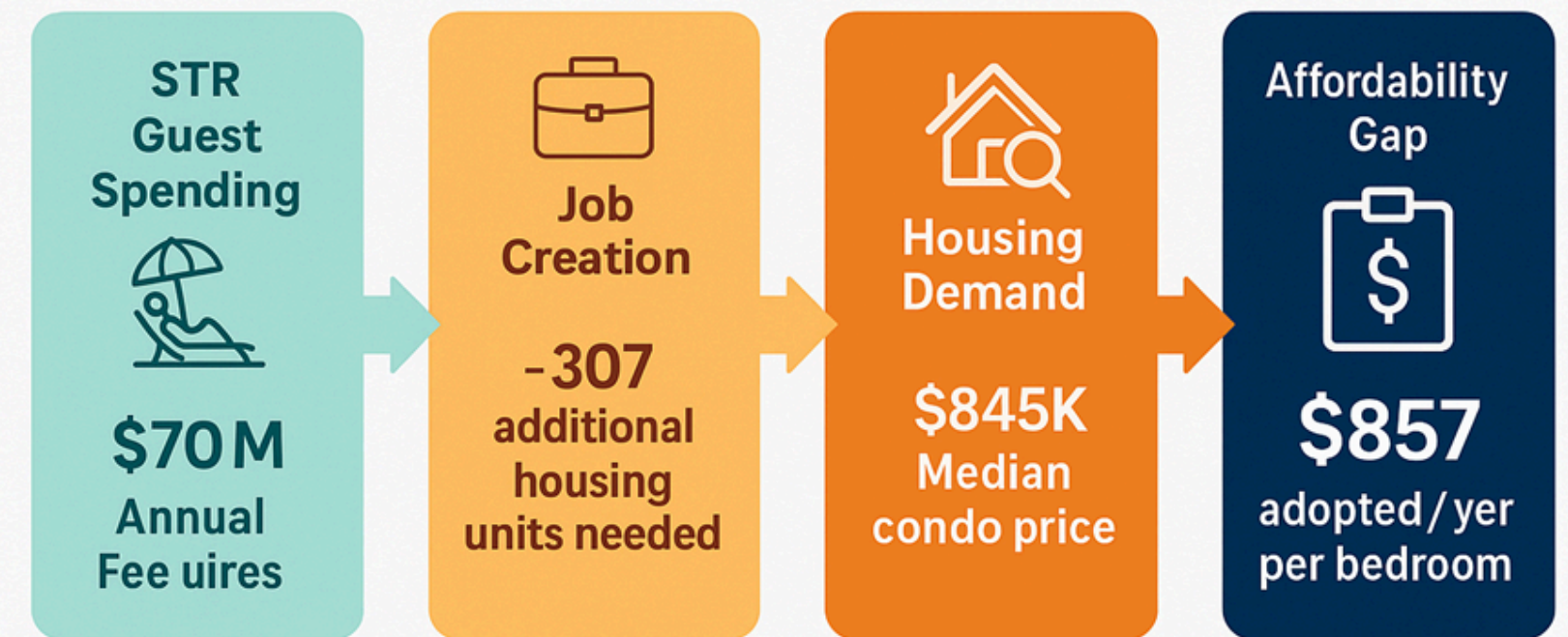
Study Approach: Gap Analysis — fee based on the difference between:

- What local workers earn
- What housing costs in Telluride

Key Methodology:

1. STR guests spend ~\$180 per person/day → ~\$70M annually
2. Spending modeled through local economy (food, retail, recreation, services)
3. Guest spending supports 491 employees
4. ~307 housing units needed to house these workers
5. Housing affordability gap \approx \$528K per unit
6. Maximum justifiable fee: \$2,608 per bedroom/year

How the STR Regulatory Fee Was Calculated



Council adopted 40% → \$857 per bedroom/year — balancing revenue needs and operator sustainability.

STR REGULATION UPDATES (2023–2024)

- Allowed STR cap to expire
- New license categories: Classic, Limited, Residential, Mid-term, Long-term
- Reduced business license fee (\$165 + \$22/room)
- Added admin fee (\$288/license) + regulatory fee (\$857/bedroom)
- Ownership limit: 2 licenses per owner/entity
- Rentalscape software improved compliance + enforcement



LEGAL CHALLENGES & RESOLUTION

Telluride STR Lawsuit

- Filed: Late 2023 in State District Court, later removed to Federal District Court
- Focus: Challenged the Town's 2023 STR ordinance (Ordinance 1578)

Key Claims by Plaintiff

- Exceeded Authority – Alleged Town abused discretion under C.R.C.P. 106(a)(4)
- TABOR Violation – Claimed STR fee was a tax requiring voter approval
- Dormant Commerce Clause – Asserted ordinance burdened interstate commerce
- Equal Protection Clause – Alleged unequal treatment of property owners
- Contracts Clause – Claimed ordinance impaired existing contracts

Resolution & Outcome

- Lawsuit Dismissed via Compromise
- Regulatory Fee Upheld – No changes to STR fee structure
- Cumulative Ownership Cap – Limit of two STR units per owner, applies prospectively
- Exceptions Carved Out – Units required to be STRs by zoning or private covenants exempt from the cap



POLICY OUTCOMES

- Regulatory fee upheld
- Rentalscape streamlined enforcement
- STR fees + excise tax deliver stable funding for affordable housing

NEXT STEPS

- November 2025 ballot measure: increase bonding cap \$18M → \$64M
- Leverage STR revenues into housing construction
- Annual monitoring of STR/housing trends

Telluride's path wasn't easy — from moratoriums to lawsuits — but we've landed on a nexus-based fee system that is fair, defensible, and sustainable. STRs are here to stay, and now they're part of the housing solution.



QUESTIONS?

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