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# The Housing Crisis in U.S. Mountain Towns

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ABSTRACT: There are more than a hundred mountain towns across the United States, each with its own unique town culture, history, and natural amenities. Still, they share distinct economic dynamics like seasonal revenues and reliance on the tourism industry. Tourism drives business revenues, job opportunities, and overall economic prosperity, but it also has its drawbacks, especially when demand outstrips supply. A particular challenge is the housing shortage and rising prices, which threaten the accessibility and affordability of mountain towns. The development is primarily driven by the towns' growing popularity and a housing supply constricted by environmental, financial, and regulatory constraints, pressuring prices upward. The housing development threatens affordability and the displacement of long-standing community members, essential workers like teachers, firefighters, and medical workers, and the service workers who support the tourism industry that attracts economic revenues in the first place. These potential consequences highlight the delicate balance between economic growth and long-term sustainability in mountain towns. In response to the affordable housing concerns, many mountain towns have adopted or emphasized policies across the spectrum of command-and-control to market-based solutions. Examples of such public policies include more lenient regulations, deed restrictions, and financial incentives through tax credits, rebates, or direct subsidies.

KEYWORDS: Behavioral and Social Sciences, Sociology and Social Psychology, Tourism Economics, Affordable Housing, Sustainable Development.

## Introduction

Mountain towns are distinctive landmarks to the U.S.'s terrain; nestled within various mountain ranges like the Appalachians, Sierra Nevada, and Rocky Mountains, mountain towns offer scenic landscapes, natural beauty, adventurous opportunities, and often culturally charming towns with deep history.[1] Their beauty does not go unnoticed, and yearly, mountain towns in the United States attract millions of visitors through their enticing outdoor recreation activities; the United Nations Environmental Programme estimates mountain towns make up about 15-20 percent of all tourism worldwide.[2] In 2023 alone, outdoor recreation generated $1.2 trillion in economic revenue and provided five million jobs.[3] These towns play a vital role in the U.S. economy, providing memorable and exciting experiences for many and driving the tourism industry, which supports local businesses, service jobs, and brings life to many longstanding and charming communities. Yet, all great things come with a cost, and beneath the idyllic exteriors lie economic and social complexities that threaten the towns' long-term sustainability and accessibility.

The cultural and economic importance of mountain towns extends beyond their tourism appeal. Their long-term success depends on maintaining a balance between fostering economic growth, supporting tourism, preserving attractive environmental quality, and protecting the needs of existing communities. The local economies depend greatly on their natural amenities and service workers. A prime example of this reliance is the popular skiing and snowboarding industry, which hinges greatly on ideal climate and environmental preservation. In the 2022-2023 season, ski resorts experienced a record 65.4 million visitors.[4] However, unchecked growth in these areas presents a tradeoff. As the popularity of outdoor recreation and mountain towns increases, more visitors can strain local infrastructure, cause housing affordability to fall, and even promote environmental degradation.[5] Without proper management and vigilance, these potential consequences threaten a prosperous future for mountain towns.

This paper is a policy review, examining the intersection between environmental economics in U.S. mountain towns and the challenges they face. It begins by defining mountain towns based on geographic, environmental, and economic criteria, particularly the prominent tourism industry. The paper then delves into the benefits and drawbacks of a tourism-centric economy, focusing on the tension between growth and social equity. The primary focus of this paper is the challenge of housing affordability in mountain towns and the various policies intended to address the negative impact on local workers and the long-term accessibility of mountain towns. Policy analysis covers market-based, command-and-control, and hybrid policies, exploring how mountain towns approach a balance between economic growth and social goals. By presenting this information and analysis, this paper intends to offer readers a detailed understanding of the importance of mountain towns, the challenges they face, and current policies to guide constructive steps forward.

## Result and Discussion

### *Defining Mountain Towns in the United States:*

Mountain towns are renowned for their natural wonders and seeming escape from urban society and bustling cities. They are often romanticized for providing a quieter lifestyle marked by awe-inspiring scenery, abundant wildlife, and outdoor rec-



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reation across grand mountains, through deep forests, and by pristine rivers and lakes. Mountain towns are hubs of environmental and cultural elements that cultivate their popularity among many. No two mountain towns are the same; each provides diverse natural landscapes, opportunities, and beauty.[6] However, mountain towns do share some similarities across the United States, and this paper will seek to define mountain towns in the United States by drawing parallels between their geographical, population, and economic qualities.

Geographic elements define mountain towns in the United States. The most obvious is that a mountain town must be situated near or within a mountain or mountainous region.[7] To qualify as a mountain, the United Nations Environment Programme and its work with the World Conservation Monitoring Centre use elevation to classify mountain-town regions between 300 and 2500 meters. To account for some highland plateaus or tablelands, mountain towns are further defined as having access to mountains and their region marked by steep slopes and a high variance in elevation within a small area.[8] Mountain towns are also identified by being near natural amenities that provide both visual contentment and the possibility for outdoor recreation. Amenities like rivers, lakes, bodies of water, forests, mountains, and wildlife are primary drivers for mountain towns' popularity.[9]

Many U.S. mountain towns experience unique population dynamics. Research done in Colorado's major mountain towns suggests the populations of mountain towns are made up of permanent residents, second homeowners and part-time residents, and tourists.[10] These observations are not isolated to Colorado's towns but apply to mountain towns all across the United States. Recent changes in population and economic dynamics are largely attributed to the COVID-19 pandemic accelerating the adoption of remote working for many and shifting preferences toward second homes in mountain towns. In Colorado's Routt, Grand, Eagle, Summit, and Pitkin counties, a 2021 study reported that about 50% of households in these mountain towns have at least one person working from home; that statistic rose to 58% in a 2023 survey.[11] Although the number has dropped since the peak of the pandemic, 37% of Colorado residents report a remote working schedule for at least one day a week.[12] Consequently, second homeowners, part-time residents, and visitors have become a growing population in mountain towns, exacerbating the influx of visitors experiencing mountain towns. Mountain towns face distinct seasonality, driving visitor trends; colder seasons attract visitors for winter sports like skiing and snowboarding, while warmer seasons attract hikers and mountain bikers. The population dynamics in mountain towns are uncommon and changing, but they also strongly influence the economic activity, trends, and culture in mountain towns.

A notable attribute of mountain towns is their distinct economic drivers and activities. Economic growth in mountain towns is spearheaded by tourism and other part-time visitors, most of whom participate in the outdoor recreation industry, which contributes to economic revenue and supports jobs.[13] The growing number of visitors in recent years has brought unprecedented growth and development to mountain towns, generating a large proportion of their revenue through outdoor recreation and related activities.[14] However, economic growth does not come without growing pains, and in many towns, more visitors result in overstressed public infrastructure, environmental degradation, rising prices, and public frustration. A leading concern is the skyrocketing housing and living prices that are making the lives of the local workforce unsustainable. The duality between rapid development and a sustainable way of life prompts a need for review. This paper intends to unpack the economics of mountain towns to assess current and potential threats and evaluate and propose constructive steps forward.

Social and population dynamics work together closely to produce economic development in mountain towns. A recent development is the introduction of more visitors and residents from urban areas and cities, who have jobs outside the mountain regions and are of a higher socio-economic class than the local workforce. The introduction of wealthier people has paradoxical effects. Their growing presence fuels economic growth but also brings various developmental challenges, as these new visitors have higher incomes than most locals.

***The General Economics and Challenges of Mountain Towns:***

The economics of mountain towns are complex and concern geographical, social, and environmental constraints. Notably, tourism and related activities surrounding outdoor recreation are the chief economic engines for mountain towns and their development. Tourism has many drivers, like family, business, or culture, but economically, tourism is the activity of individuals traveling to a different location for less than a year, bringing economic, environmental, and social consequences by influencing the supply and demand for goods and services, subsequently allocating resources toward specific needs.[15] The United Nations World Tourism Organization furthers this definition by classifying "mountain tourism" as a unique form of tourism existing specifically within mountainous areas with distinct climates, biodiversity, and natural amenities, as defined in earlier paragraphs.[16] For mountain towns, fast-growing popularity draws in more visitors from non-mountain-town native areas, affecting the economic and social dynamics within mountain towns, ultimately exposing many towns to unique and burdensome problems as infrastructure is stressed, community priorities are challenged, and the trajectory of the towns' futures evolves.[17]

Tourism growth in mountain towns is because of the unique natural amenities available. Mountain towns and especially those near national and state parks act as "gateway communities" for tourists to connect with attractive landscapes.[17] Preferences for the outdoors, nature, and recreation pair well with mountain towns' provision of clean and fresh air, water, varied terrain, scenic views, and natural resources to foster exciting outdoor adventure. Popular recreation that brings economic activity includes hiking, sightseeing, swimming, visiting national parks, water sports, visiting and touring cultural locations, snowboarding, skiing, photography, wildlife watching, mountaineering, and more.[18] The challenging balance comes from tourism and the environment's strong interrelation, representing a delicate balance that generates tremendous economic revenue for mountain towns.

The tourism industry generates tremendous economic revenue for mountain towns, especially those in mountain states like Montana, Colorado, Wyoming, and Utah. In Montana, from 2020 to 2021, the outdoor recreation economy grew by almost 30%, and in 2021 alone, real gross output for the outdoor recreation economy grew by 22%, providing a rise in employment by 13% and compensation by 16% in the industry.[19] In Colorado's Estes Park, a 2021 report recorded $3,270 in local tax receipts per resident household generated by travel-related spending. The travel-related economic activity generated 3,100 jobs in Estes Park alone, and in the entire state of Colorado, the travel industry grew by 42% in 2020.[20] Wyoming and its mountain towns, it is no different. In 2023, travel spending totaled $4.8 billion, a 7% increase from the previous year, and 33,470 jobs were a result of travel spending.[21] In the popular mountain state of Utah, tourism and visitors spent a record $12 billion in 2022, directly generating 98,600 jobs and indirectly supporting another 53,200 jobs. The majority of visitor spending in 2022 was on lodging, transportation, and dining out expenses, emphasizing the importance of local infrastructure and businesses to support increased tourism.[22] From a broader perspective, tourism and travel-related economic activity are instrumental to the development of mountain towns.

Winter sports and recreation are a critical component in tourism revenue for mountain towns, as demonstrated in states like Colorado, Utah, and North Carolina. An economic impact report from the National Ski Areas Association on the 2023-2024 season reveals that across the United States, downhill snow sports generated $58.9 billion in economic revenue and supported 533,000 snowsport jobs.[23] The growing popularity in the industry supported wage growth of 49% over the past five seasons and has attracted an investment of $757 million to set.[23] A 2015 study revealed that Colorado's downhill sports industry generated $4.8 billion in economic activity, directly supporting over 46,000 jobs in recreation, retail, lodging, and services, and the industry has grown since.[24] In Utah, one of the most popular states for skiing, snowboarding, and winter recreation, a phenomenal 2022-2023 season brought $2.6 billion in skier spending, representing almost a 32% increase compared to pre-pandemic rates in 2019-2022, highlighting the economic transformation the Covid-19 pandemic contributed to for U.S. mountain regions.[22] In North Carolina, home of popular resorts like Sugar Mountain Resort, Wolf Ridge, and Cataloochee, the total economic impact from direct spending for the state's ski industry in the 2022-2023 season was $148 million, but after considering both direct and indirect spending, the total economic value amounted to $244 million.[25] Beyond aggregate value, the 2022-2023 winter season in North Carolina fostered 1,760 jobs and more than $16 million in capital expenditures for ski resorts in the region, marking successful reinvestment into the industry.[25] Across the United States' mountainous regions, mountain towns prosper from the ski industry and the economic activity it attracts.

Increased tourism and subsequent economic development often come at the cost of negative environmental externalities. Additional man-made structures are constructed to sustain tourist activities, threatening the mountains' many unique ecosystems and habitats, plants, and animals. Infrastructure like roads, tracks, pathways, slopes, and other clearings used for transport, travel, or recreation incur the cost of habitat destruction, soil erosion, deforestation, and potentially water pollution. In response to surging demand, construction for new housing is necessary but can come at a high cost depending on its execution. New housing construction directly alters existing ecosystems through deforestation, soil erosion, and other alterations. In theory, constructing more housing will ameliorate the current housing shortage burdening many U.S. mountain towns, but may also enable further overcrowding of roads, public spaces, and other infrastructure by increasing the residential population size.[26]

Another environmental concern is that business people and firms in the tourism industry can damage the environment if they are hyper-focused on generating profit, and the market misrepresents all relevant factors. In mountain towns, hyper-competitive and profit-oriented behavior will bring economic growth, but such behavior frequently overlooks environmental costs.[27]

Empirical research in Tanzania, a country where tourism contributed 10.7% to GDP and 11.1% to national employment in 2020, illustrates this connection.[28] As tourism grows, so does the demand for housing, through hotels, vacation rentals, and resorts, along with transportation, energy, and waste services. Without the proper policies to regulate economic development, expansion leads to deforestation, habitat destruction and displacement, ecosystem disruption, pollution, and numerous other drivers of environmental degradation. The study in Tanzania provides empirical evidence suggesting that increasing tourism revenue leads to higher ecological footprints and larger energy consumption, particularly when development relies on fossil fuels.[28]

These outcomes stem from a traditional market failure: environmental externalities. Firms and individuals hyper-focused on profit often capitalize on the opportunities from climbing tourism without addressing costs not explicitly reflected in the price system. Costs not fully represented in the price system are pollution, land degradation, and biodiversity loss. These costs affect the broader community, especially in the future, but are not fully reflected in the market.[29] Because the market fails to price all the costs into such actions, firms and individuals may over- or under-allocate resources toward such actions, leading to exaggerated consequences. A relevant example of an environmental externality is air pollution from increased production and energy usage. Without regulatory foundations in place to force actors in the market to internalize these costs, firms and individuals may not directly assume the long-term environmental cost of air pollution, and thus may overproduce and overconsume. When all the factors in a decision are not reflected in the market, decisions become less efficient.[30]

Although tourism benefits mountain towns in terms of economic activity and growth, the nature of tourism creates seasonal economies that stress mountain towns and their local businesses and service workers. The influx of visitors prevalent


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in peak winter and summer seasons causes problems like overcrowding, economic inequality between wealthier visitors and locals, increased prices, and stressed infrastructure.[31] From the perspective of local businesses, inconsistent demand challenges year-round sustainability for local businesses as they struggle to navigate inconsistent consumer demand and a seasonal local workforce. For workers, seasonal employment exaggerates the generally lower wages service workers are paid, creating quality-of-life concerns for local workers.[32,33]

Conditions for local workers have worsened under the current housing shortage and rising prices, a crisis predominantly caused by the increase in remote workers whose higher-income jobs allow them to bid up prices beyond what is reasonably affordable for a service worker.[34] For example, in Colorado, housing prices have risen considerably across counties, notably in Pitkin County the median house price at the start of 2019 was $5.2 million, compared to the start of 2024 where the median home price was $11.5 million, representing over a 100% increase in median home price.[35,36] In Colorado's Grand County, the median home price changed from $568,443 to $1.2 million between the start of 2019 and 2024, representing another over 100% median home price increase.[33,34] Lake Tahoe, situated in California and Nevada, has experienced similar price spikes. In North Lake Tahoe, the median price for a home is $1.1 million, a 129% increase from before the pandemic. In nearby Truckee, median home prices were at $1.1M in the fall of 2021, a 44% jump from the start of the pandemic.[39] A report from Full Stack Economics displays a similar change. Prominent U.S. mountain towns like Salt Lake City and Ogden in Utah have both experienced an average home price increase of over 50% since 2017, outpacing the national average of a 33% increase.[40] Although rising housing prices are a nationwide threat to the United States, the distinct rise of housing prices in U.S. mountain towns threatens the towns' economic sustainability by making housing for essential service workers, teachers, hospital staff, and infrastructure workers unaffordable.

***Critical Challenges in Housing:***

The interplay of supply and demand in mountain town housing markets has created a housing crisis for mountain towns across the United States in recent decades. On the demand side, growing popularity in mountain towns has driven up home and rental prices. Such price changes are exacerbated by the COVID-19 pandemic, which introduced more affluent buyers looking for permanent residency or a second home to the market. These higher-income buyers further shift demand and inflate the costs of all home prices.[41] On the supply side, geographical, environmental, and economic limitations make it difficult for the housing market to correct itself. Many mountain towns are restricted by forests, rivers, mountains, hills, and the large percentage of land that is publicly owned, making buildable land scarce. Coupled with concerns for environmental protection, building new homes becomes a difficult and expensive problem.[41] In recent years, the economic conditions in mountain towns have stressed the housing market. Shifting preferences favoring mountain towns and greater incomes among buyers have shifted demand, inflating mountain town housing prices. On the other hand, challenging and expensive conditions for housing construction have limited supply, keeping up with the higher demand, allowing prices to be more easily bid up.[10]

Colorado and its many mountain towns exemplify the housing market and its supply and demand challenges. Before the Great Recession, Colorado had a surplus of housing units relative to households, but since then, the rapid growth in households has outpaced the minting of new housing units. Paradoxically, the housing crisis that is challenging Colorado's mountain towns is a result of Colorado's success. The beautiful nature, inviting towns, and available opportunities encourage more residents and visitors.[42] New visitors lead to new buyers, and despite the previous surplus in housing, a 2022 report suggests 325,000 new homes would need to be added over the next few years to restore housing stability to its historical rates.[43]

Although higher housing prices cause challenges for everyone, housing unaffordability is the biggest problem for lower-income households making less than $50,000. On average, these households spend 35% of their incomes on housing, a problem deemed financially burdening and problematic by the National Low Income Housing Coalition. The NLIHC claims that if more than 30% of a household's income is spent on housing, it could impede the possibility of other essentials like food, utilities, insurance, and childcare.[44] In total, the Colorado households that earn less than $50,000 spend an additional $2 billion supporting their housing by paying over the 30% standard. This additional $2 billion represents the potential for a huge economic stimulus for local businesses if housing were affordable enough for lower-income households.[45]

The housing shortage in Colorado is a serious threat to residents' quality of life, as indicated by a Centennial State Survey conducted by Colorado Mesa University. The 2017 survey recorded housing affordability and availability as the number one problem facing their communities, with 63% of respondents arguing there is insufficient availability of affordable housing.[42] Also, the proposed 325,000 new homes needed to establish housing stability in Colorado are not only unlikely but would come with their consequences. The construction of 325,000 new homes would come at the cost of increased population density, potentially straining infrastructure and natural resources, and damaging the dynamic of mountain towns through overcrowding.

When addressing the market, the popular question is: "Why has the increased demand not brought about a market correction by driving up supply?" The answer is complex and encompasses resource availability and costs, short-term rentals, the aftermath of the Great Recession, and investor behavior. Building costs and available land to build discourage supply by making construction often inaccessible and expensive. The popularity of short-term rentals in Colorado's mountain towns exacerbates the issue by introducing more demand into the market and encouraging rental properties over properties for residents.[46] The Great Recession was another contributor to the problem because many real estate firms faced bankruptcies and consolidations, reducing the number of suppliers in the housing market. Many investors in the market have also cut the market's supply by buying up single-family homes, further reducing the availability of residential homes for people living in mountain towns for longer periods. The interplay between fewer suppliers and a competitive market fosters an environment where options for long-term residency are scarce and expensive.[45]

Montana, home to popular mountain towns like Whitefish, Bozeman, Big Sky, and West Yellowstone, has experienced transformative home prices in recent years. Notably, from 2019 to 2022, Montana homes increased in value by 33% when accounting for inflation. These changes are a result of shifting population dynamics and their effects on Montana's economy. The catalyst of these changes was between 2020 and 2021, when Montana's population increased by 28,000 more people than expected, a net migration rate 3.3x faster than the pre-pandemic average. Previously, this paper has discussed how the pandemic introduced more affluent people to mountain town areas, and Montana is no different. In the 2020-2021 migration surge, 45% of migrants older than 20 had a bachelor's degree, a statistic 37% greater than the non-migrant share. These new migrants bring higher education and higher incomes from their remote jobs, providing many of the new migrants with the resources necessary to buy homes and bid up prices. The evidence supports this behavior, as historically, 30% of migrating households to Montana owned their home within a year; however, since the pandemic migration, this value has risen to 45%. The population and economic changes in Montana serve as an opportunity to improve the economic state of Montana; however, the changes also threaten to exacerbate scarcity and the burden of infrastructure and the housing market.[47]

The mountain towns in Montana, Lake Tahoe, and Truckee are other examples of mountains experiencing economic shifts due to new migrants. Many San Francisco and Bay Area workers brought their higher salaries to the nearby Lake Tahoe, bringing higher housing prices and rents with them. Like other mountain towns, Lake Tahoe's housing is made up of many second homes and properties reserved for short-term rentals. A 2020 article by the San Francisco Chronicle reports that 54% of the 13,000 homes in North Lake Tahoe and Truckee are second homes, and 13% of those homes are short-term vacation rentals. The combination of limited housing stock and more demand from more affluent households is threatening the sustainability of Lake Tahoe's economy, as many service workers report having a difficult time securing housing and, as a result, are considering leaving the mountain town.[48]

Accessibility is a leading concern for mountain towns' futures, so naturally, the restricted housing supply is commonly considered the primary driver of increasingly unaffordable housing prices. In response to this belief, the neoclassical market-based housing supply (MBHS) theory suggests that a deregulation of development and land-use constraints would increase affordability by addressing the shortage.[49] However, Steffen Wetzstein's 2021 research suggests the reality is more complex than a simple supply-and-demand problem. He argues that underlying factors and inequalities will prevent simple deregulation from reducing housing prices for all income levels, as deregulation will lead mostly to more high-end housing developments.[49] Thus, policies to improve housing accessibility must address the total housing stock and directly support affordable housing units for lower-income individuals and essential workers. Fortunately, many mountain towns are taking hybrid approaches that blend market efficiency with policies targeted toward supporting those in greater economic need.

***Public Policies Addressing Affordable Housing:***

Mountain towns in the United States face significant challenges in housing, workforce sustainability, environmental impact, and overall economic development. To address these issues, a range of policies and programs have been implemented across the United States' mountain states. These policies and programs fall into two distinct categories: market-based policies and command-and-control policies.

Market-based policies and command-and-control regulatory policies represent the two major economic policy categories to manage mountain town challenges. Market-based policies intend to encourage specific behaviors while maintaining the market aspect of decision-making, where individual consumers and producers can determine how to allocate their resources. A common use of market-based policies is to address and incorporate the externalities, or external costs or benefits of production or consumption, to adjust the market to more accurately reflect the true costs and benefits of goods or services. This type of solution is economically advantageous because it aligns with the ideas of economic efficiency and maintains the flexibility of a free market.[50] However, these policies can be more prone to public resistance and backlash relative to command-and-control policies because the visibility of costs, such as environmental taxes, can be frustrating, especially for those who distrust the government or perceive the policies as profit-driven. In contrast, command-and-control policies impose direct regulations or standards, such as limiting certain developments or requiring specific practices. While often criticized for being potentially less economically efficient, the absence of direct and visible cost increases or revenue collection can result in command-and-control policies being perceived as more favorable or less intrusive and financially burdensome by people.[51]

***Market-Based Policies in Mountain Towns:***

Market-based policies are key tools for addressing housing affordability, and they do so by leveraging economic incentives while preserving market mechanisms to encourage the private sector to provide more affordable housing. These policies often work through financial incentives like tax credits, housing subsidies, and other funding supported typically by tax revenue.[52] In mountain towns where land restrictions and tourism-driven demand make affordable housing scarce, market-based policies can offer flexible solutions to encourage desirable outcomes.

Tax incentives through tax credits and rebates are an example of a market-based policy often used to encourage specific behaviors from private developers and individuals in address-


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ing housing affordability and availability. The policy tool provides tax credits and rebates to developers, meaning there is no direct government tax expenditure, and as a result, the policy reduces tax liability for developers and investors, shifting the market's focus toward producing affordable housing.[53] The Low-Income Housing Tax Credit or LIHTC is a prime example of tax credits being used to address the supply-side issues relating to affordable housing. LIHTC provides tax credits to developers, who can then sell them to investors to raise equity, which aligns with the economic logic behind tax incentives to lower the marginal cost of production and encourage affordable housing development by making the projects more financially attractive.[54] The policies hope to increase the lower-rent housing options by improving the supply of affordable housing units, especially to benefit essential service workers in mountain towns. However, potential drawbacks behind the tax incentive include the potential for inefficiencies by reducing tax revenue, and developers often only receive benefits after a project's completion, which can dilute the incentive's effectiveness.[55]

The Montana Housing Tax Credit Program builds on the Federal Low-Income Housing Tax Credit (LIHTC) program by supplying tax credits to incentivize the development and improvement of low-income housing units. As a tax policy intended to support affordable housing, the program offers two credit types: competitive 9% tax credits, distributed based on the priorities of Montana's Qualified Allocation Plan, and 4% tax credits distributed to maintain and improve existing affordable housing units.[56] The program has been successful in establishing affordable housing. In a 2022 report, Economist Derek Sheehan estimated that for every $1 lost in revenue, the credit program leveraged $2.69 in both public and private residential investment spending in the state economy. Further benefits mentioned include the expectation for the tax program to increase LIHTC units in Montana by 41%. Through further analysis, the Montana Housing Tax Credit Program is also expected to increase educational outcomes for children, like the chance of children receiving higher education in their lifetime. Another impact is the program's reduction of the number of cost-burdened households by 386 and statewide saving of low-income households eligible for LIHTC housing of $1.86 million a year.[57]

Colorado has also adopted the use of tax credits or rebates to address affordable housing availability. Colorado's Senate Bill 24-002 authorizes local governments to create property tax incentive programs. These programs can utilize tax credits or rebates to incentivize desirable affordable housing actions like converting short-term rentals to long-term rentals, which offers a more stable outcome for local workers.[58] More specifically, the act stipulates that incentive programs must address an "area of specific local concern", defined as a use of real property deemed necessary for preserving residents' welfare, such as access to housing. The economic impact of the act will depend on how local governments implement the bill and design their tax incentives program, but the flexibility allows local governments to address unique housing challenges and authorizes the use of necessary resources to address housing needs and potentially increase housing supply and community needs.[59]

Tax-funded programs that allocate government resources through grants, loans, and subsidies provide direct financial support to affordable housing projects, ameliorating housing-shortage problems in mountain towns. Unlike tax credits and rebates, which reduce a government's tax revenue by decreasing developers' and investors' tax liability, these programs involve direct and immediate government expenditure to support affordable housing projects in the hope of correcting market failures. This approach can stimulate housing production, but it requires ongoing government budgets, subjecting communities to potentially inefficient uses of tax resources if budgets are mismanaged.[60]

Colorado's House Bill 23-1304, also known as Proposition 123, is a leading example of a policy that leverages tax revenue to fund affordable housing support programs. The proposition permits Colorado to allocate 0.1% of its yearly state income tax towards housing efforts, equating to hundreds of millions of dollars in funding annually. Under the proposition, the State Affordable Housing Fund was established, and its funds are split between 40% towards the Affordable Housing Support Fund, administered by the Colorado Department of Local Affairs (DOLA), and 60% towards the Affordable Housing Financing Fund, overseen by the Office of Economic Development and International Trade. In the fiscal year 2023-2024, the fund collected $160 million and allocated about $27 million of it toward developing affordable homes in rural and resort communities, creating 685 new affordable housing units as a result.[61]

Colorado's Proposition 123 intends to address the affordable housing issue in a few ways. Given that the housing affordability issue is primarily a supply-side issue, the proposition requires local governments to increase their affordable housing stock by 3% per year for two years, reaching a total increase of 6% by December 31, 2026.[62] On the demand side, the proposition hopes to assist homeownership by allocating 50% of the Affordable Housing Support Fund's resources towards homeownership support, which involves down-payment assistance.[62] For the 2024-2025 fiscal year, $60 million in funding is available with a maximum of $70,000 per housing unit seeking development.[63] The proposition also seeks to support the homeless by allocating 45% of the Support Fund's resources toward services that help people experiencing homelessness.[62] Because geographical constraints are often a limiting factor for the housing supply in mountain towns, the Land Banking Program will aid local governments and nonprofit organizations in the maintenance and acquisition of lands for affordable housing. The program works by distributing grants to governments and forgivable loans to some nonprofits, creating a relatively low-stakes environment that encourages housing availability goals; forgivable loans are essentially grants, as either a part or the entire loan principal does not need to be repaid if certain requirements, like affordable housing goals, are met.[64]

These market-based policies are a step toward greater housing affordability, but they are not flawless. Policies that increase tax-based funding for affordable housing programs must fall back on the core economic principle of allocating scarce resources towards areas that bring the highest marginal benefit per dollar, as greater efficiency typically drives more total benefit to communities. To do this, policies should prioritize low-income individuals, households, and essential service workers who will typically benefit more from an increase in financial support and are critical to the function of mountain towns.[65] There is a strong argument for some level of government intervention to address the housing shortage because land scarcity is an exaggerated problem. In mountain towns, continuously rising popularity suggests supply is unlikely to outpace or keep up with demand, making some government intervention arguably necessary to address the housing market failure and recognize community goals.[66]

Federal housing programs like the LIHTC and Housing Voucher Program provide affordable housing support, but are ultimately flawed. The LIHTC addresses affordable housing issues in mountain towns by providing a financial incentive for low-income rental housing, but ultimately falls short due to the program being unable to consistently construct and maintain affordable homes for low-income individuals. Also, the LIHTC is often overwhelmed as excessive demand will frequently outpace available resources, and as a result, the LIHTC falls short of additional state funding.[67] In this respect, the Montana Housing Tax Credit Program is a success as it reinforces the LIHTC, creating a more effective program. On the other hand, the Housing Voucher Program addresses the rising rental prices problem, which causes financial struggle for low-income households that rely on renting for housing. The Housing Voucher Program subsidizes low-income and at-risk individuals; however, this policy only treats the symptoms of the problem and does not address the supply side of the problem, which contributes to the high rental prices due to the housing shortage. Without sufficient supply-side policies that increase the affordable housing stock, demand-side policies like the Housing Voucher Program will become unsustainable as rental prices increase further. This issue is already beginning, as recently, tenant-based vouchers have received increased funding yet have failed to keep up with rising demand, leaving only one in four eligible homes able to receive support.[68,69]

Proposition 123 in Colorado, which authorizes 0.1% of state tax revenue to fund affordable housing projects, has been successful but not without its shortfalls. The program has a stable source of funding and is expected to generate $320 million by the end of the 2024-2025 year, and the program will likely continue to generate hundreds of millions of dollars a year, but the sustainability of its revenue depends on future tax revenue. The program has become present across Colorado's mountain towns as 200 of Colorado's 336 jurisdictions are eligible to apply for funding. A prominent example where funding has brought affordable housing is in the town of Frisco, where a $5 million grant purchased land beneath a multistory building, and the land is planned to be developed into workforce housing.[70] In Craig, Colorado, $2.7 million was granted to support 96 low and middle-income rental apartments.[71] However, Proposition 123 falls short in some areas. The program requires local governments to increase their affordable housing stock by 3% each year for the next three years.[62] Given geographic constraints, this rule can be more limiting to mountain towns than the program's funding is constructive, discouraging support. Another shortfall is the program's ability to prioritize true low-income individuals and households. The program authorizes funding for projects that support residents making between 60% and 100% of the median income in the project area. However, the median income is calculated including investment earnings, which means in small-population, affluent mountain towns like resort communities, the median income can be widely skewed, causing inefficient resource allocation and goals to be under-prioritized.[61]

Market-based policies, such as tax incentives and government-funded programs, present both benefits and drawbacks. Tax credits like the LIHTC and initiatives such as Montana's Housing Tax Credit Program offer a market-driven solution that encourages private sector involvement without direct government expenditure. These programs provide flexible solutions, but the notable drawback is the reliance on reduced tax revenue, which can strain public resources and create inefficiencies if tax incentives are not allocated properly. As a result, such tax policies require constant revision to ensure resources are being used efficiently. On the other hand, tax-funded programs like Colorado's Proposition 123 take a more direct intervention by using state funds to support affordable housing projects. This can bring quicker results, but once again is reliant on tax revenue and budget constraints. While market-based policy tools can be effective, their success depends on the government's balance of economic efficiency and social equity.

***Command-and-Control Policies:***

Command-and-control policies take a more direct approach to addressing housing affordability through government regulations and mandates that aim to control market outcomes. These policies often relate to rental prices and control, zoning laws, and development standards. These policies are designed to curb rising costs and regulate the tradeoff between the ease and quality standards of housing production. However, the effectiveness of some policies, like rent control, is often debated. Some economists argue that rent control and other regulations will lead to an overall reduction in the housing supply and instead argue that market-based approaches are more effective.[72,73]

Land use and developmental regulations are other types of policies that play a significant role in the supply of affordable housing. Land use and developmental regulations are command-and-control policies as they provide standards and rules that the market must comply with. Many land-use and developmental regulations are designed to ensure public safety and meet aesthetic and environmental goals; however, regulations also increase the marginal costs for developers by adding layers of complexity, time, and expenses.[74] Regulations can contribute to the explanation behind housing demand outpacing supply and driving up prices, especially in U.S. mountain towns where there is high popularity and geographical and environmental factors influence difficulty in land use. Policies that relax zoning and land-use restrictions can help encourage affordable


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housing development by easing the complexity of the production process. [75]

The Forest Service Flexible Housing Partnerships Act is another example of a zoning and land-use policy that seeks to support mountain towns across the United States by increasing the amount of available land for development. The act seeks to combat the scarcity of land in mountain towns that is contributing to a housing shortage by leasing some of the underutilized administrative sites owned by the Forest Service to organizations and programs that will utilize those lands for the benefit of mountain towns.[76] Specifically, section 8623 of the 2018 Farm Bill, titled "Authorization for Lease of Forest Service Sites," explains that by leasing out underutilized administrative lands to local governments or private entities, housing development can be fostered while simultaneously generating revenue for the Forest Service. However, to prevent the overuse of the Forest Service's lands, leased land is limited to 10 undeveloped areas that are no more than 40 acres each. [77]

The Forest Service Flexible Housing Partnerships Act, a part of the 2018 Farm Bill, creatively addresses the affordable housing challenge in Western U.S. mountain towns and seeks to benefit both the community through affordable housing and the Forest Service by generating revenues from leasing out underutilized lands. Given that lands can be leased for up to 100 years, the act has the potential to provide a longer-term solution to the land scarcity issue that restricts the supply of housing in mountain towns.[78] Many mountain towns are surrounded by federal lands and forests, and this act provides the possibility to access parts of those underutilized federal lands while simultaneously funding the Forest Service and supporting Forest Service workers.[79]

The act found success in Summit County, Colorado, where the White River National Forest agreed to lease 11 acres of its land to the Dillon Work Center Administrative Site for 50 years. The lease, approved on September 29, 2024, provided the opportunity for up to 117 affordable homes and other neighborhood infrastructure, providing housing security for local workers and lower-income residents.[80] The lease set a national precedent for partnerships between the Forest Service and affordable housing projects; however, future success is uncertain. The Forest Service Flexible Housing Partnerships Act is a part of the larger 2018 Farm Bill, which requires renewal every 5 years, and in 2023, its renewal date was extended to September 30, 2024.[81] Upon its renewal and after debate about government funding, the decision was made to continue funding the Farm Bill until December 20, 2024, but the decision left out some Farm Bill actions, like the authority of the Forest Service to lease some of its lands to local governments for affordable housing.[82] Although the Forest Service Flexible Housing Partnerships Act has an uncertain future, it's a unique opportunity to support affordable housing, and the success in Summit County makes it a policy that should be considered in the future.

Another command-and-control policy tool is short-term rental regulations, but they are controversial given the circumstances of many mountain towns. High tourism in mountain towns drives up housing and rental prices and shifts the market towards short-term rentals, resulting in existing community members being crowded out.[83] These conditions must be addressed to ensure a sustainable future for mountain towns, but the resulting challenge is managing the tradeoff between economic growth, driven dominantly by tourists, and equitable community goals, like the protection of people at risk of being priced out of their communities.[83] Short-term rental properties provide housing for tourists who interact with the economy by shopping at local stores and restaurants and engaging in tourist-related activities; they also generate tax revenue for governments. The concern is that if short-term rental properties increase without the total housing stock increasing, there will be less housing for the essential workers and long-time residents in the mountain-town communities.[84] While short-term rental properties have gained controversy for exaggerating the housing shortage in mountain towns, the problem is more complex, as short-term rental properties do not always make up a significant amount of a mountain town's housing stock. Even in areas where short-term rental properties do make up a large proportion of the total housing stock, many of these mountain towns have always maintained a large proportion of short-term rental properties due to vacation being fundamental to their economies.[84] Nonetheless, some mountain towns have adopted short-term rental regulations in an attempt to ameliorate the affordable housing shortage.

In Colorado's ski town, Steamboat Springs, short-term rental control has been established to support lower-income workers and people being displaced or forced to live in cramped conditions. Short-term rental control is simple; it sets a cap on the number of short-term rentals allowed in an area or prohibits the practice altogether. In Steamboat Springs, short-term rentals have been banned in the majority of the mountain town, and a 9% tax has been imposed on the practice to raise funds for affordable housing projects. The policy works by dividing Steamboat Springs into three zones.[85] Zone A, marked green on maps, where there is no restriction on short-term rentals. Zone B, marked yellow on maps, is divided into six subzones that determine the number of short-term rentals authorized. Zone C, marked in red on maps, prohibits short-term rentals. Of the three zones, zones A and B make up the smallest area, while Zone C makes up the vast majority of the mountain town.[86]

The tax, coupled with the major ban on short-term rental properties, has brought controversy to the community. On one hand, the policy supports lower-middle-income workers who are at risk of being priced out of the market and left to live outside the town with long commutes. On the other hand, tourists and some business owners are frustrated with the policy. Tourists rely on short-term rentals and contribute millions of dollars annually to mountain towns through spending, meaning the reduction in available housing for them will hurt local businesses.[87] The tax imposed on the short-term rental industry is another point of controversy, as some businesspeople are afraid Steamboat Springs' government will discourage tourists who support commerce and, as a result, damage the economy.[87] But, the short-term rental tax is expected to bring in millions of dollars annually to support affordable housing; in

2024, an estimated $14.8 million in revenue was generated by the short-term rental tax.[88]

In the context of the broader debate between market-based solutions, like the tax incentives in Montana, and more direct government intervention, command-and-control policies are sometimes preferred by the general public because they demonstrate a clear and straightforward effort toward resolving economic issues.[89] In contrast, market-based policies may appear too lenient, and are often criticized for increasing taxes on the consumer or using tax resources inappropriately. That said, command-and-control policies fall short in their flexibility. Traditional regulation is strict, typically treating different companies under the same assumptions, while market-based policies that often leverage financial incentives encourage firms to respond given their unique positions, resulting in more efficient economic outcomes.[89]

Command-and-control policies are a traditional form of market regulation. Unlike market-based policies, which rely on incentives to encourage and discourage specific actions, command-and-control policies establish rules that demand compliance. While market-based policies prioritize flexibility and cost efficiency, making them more economically favorable, command-and-control policies ensure specific decisions align with standards, but often at the cost of economic efficiency. Command-and-control policies not only include rules that prohibit actions but also include deregulation and the authorization of new actions. Although command-and-control policies may sacrifice efficiency, they ensure stability and protection in certain critical areas that require attention, making them highly useful depending on the circumstances.

***Hybrid Policies:***

Hybrid policies combine elements of market-based and command-and-control policies to influence desirable social outcomes. They provide the government with a powerful and flexible public-policy tool as they balance economic efficiency through market-based approaches by seeking cost efficiency while establishing the predictability of traditional regulatory standards.[90] These types of policies often come in the form of increased regulation or deregulation in an area while also creating a market incentive to further encourage specific actions and allow for greater economic efficiency without the use of strict rules. A common example of a hybrid policy is the cap-and-trade system for carbon emissions and environmental protection. The system establishes emission limits, representing a command-and-control policy, while establishing a pollution permit trading system, aligning with market-based ideals.[91] Critics of hybrid policy approaches often suggest they fail to reach maximum economic efficiency by limiting pure market forces through regulations. However, hybrid approaches retain the ability to address multiple policy objectives at once, encouraging desirable actions while mitigating the risks associated with pure market or regulatory approaches.

Deed restrictions are another example of a hybrid policy tool used to address affordable housing. Deed restrictions seek to allow homeowners to build some equity while preserving the affordability of home prices throughout the future.[92] Deed restrictions are legal constraints attached to a property's deed and embody command-and-control ideals by allowing local governments to directly regulate the housing market and preserve affordability. Deed restrictions limit the appreciation value of houses but attempt to create a separate, controlled market for affordable housing that is protected from the broader real estate market forces and ensure more affordable housing prices even during periods of high demand and limited supply.[92] From a market-based perspective, many deed restriction programs leverage financial incentives to encourage homeowners to adopt the restriction in exchange for financial benefits.[92]

Municipalities Vail and Mountain Village in Colorado have adopted deed restriction programs with unique features in an attempt to preserve affordable housing for local workers and lower-income households. In 2021, Mountain Village launched a deed restriction program called Your Equity Support (YES). The program offers homeowners 15-20% of their property's appraised value, up to $200,000, in exchange for a deed restriction being placed on the home. The deed restriction ensures that homes are being rented to local workers who work at least 1,560 hours annually. The YES program is unique because it does not set an appreciation, income, or household size cap, unlike traditional deed restriction programs that set appreciation caps.[93] Vail, Colorado, takes a similar approach by purchasing deed restrictions from willing homeowners, allowing local governments to ensure deed-restricted homes are owned by a local worker in Eagle County who works at least 30 hours a week.[94] Since its establishment in 2017, Vail has invested $12.5 million in purchasing 1,050 title deeds.[95]

Deed restrictions ensure affordable housing for some, but can be unsustainable and unfavorable for others' unique situations, creating a dynamic that challenges their effectiveness and universal application. Deed restrictions are often cited to create market distortions and can be difficult to implement widely as they hinder homeowners' flexibility, making them unfavorable for some. In mountain towns, where there is limited land for new housing construction, deed restrictions can be effective as they quickly convert existing market-rate homes to deed-restricted, affordable homes.[96] Depending on the circumstances, deed restrictions are also more cost-effective compared to building new affordable units, and they allow local workers and lower-income households to have greater availability of homes in the housing market.[97] While deed restrictions ensure long-term housing, they can be unpopular and hard to implement due to their restrictions on the flexibility of homeowners who have deed-restricted property. Public policy programs attempt to make up for this through financial incentives that support homeowners financing the property, and for many, the additional benefit from the funding outweighs the cost of losing some flexibility. The other fundamental concern with deed restrictions is that, despite their short-term effectiveness in providing affordable housing in areas with limited land for new housing, deed restrictions do not address an overall housing shortage, causing them to be ineffective in some circumstances.

Land-use and development regulation is another hybrid policy type. While more often a command-and-control policy, in special cases, the policy type can be coupled with financial


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incentives to reward or penalize a specific use or acquisition of land. Land use policies that rely purely on regulations demand adherence to standards, making it more difficult for projects to be approved, as they require development applications and approval. While these regulations can discourage projects, the addition of market-based incentives addresses this problem by encouraging people to pursue projects despite regulations, allowing for economic activity without compromising standards.[98] The nature of command-and-control policies also allows policymakers the opportunity to reduce regulations and provide financial incentives, which can be highly encouraging by making projects easier to initiate and more affordable.

Colorado's HB24-1152 is a hybrid policy that combines elements of both command-and-control and market-based approaches to improve housing affordability through accessory dwelling units. Accessory dwelling units, or ADUs, are small, independent housing units situated on the same land as a primary residence. On the command-and-control side, the policy mandates changes to zoning laws in cities and counties that meet certain criteria. In doing so, more ADUs will be allowed in areas where single-family homes are already permitted, increasing housing unit density and availability. On the market-based side, the policy provides financial grants to local governments; $5 million is allocated to offset ADU developmental costs, and another $8 million to facilitate affordable loans, interest rate buy-downs, and down-payment assistance.[99] The economic logic behind this policy is to increase the housing supply by making ADU construction easier and more financially feasible.

The municipality of Durango, Colorado, has adopted the hybrid approach to addressing housing affordability through ADUS. Durango has relaxed building restrictions to encourage more ADU development and increase the affordable housing unit stock. The relaxation of building requirements includes a reduction in parking requirements and eligible plot size, and the dimensional standards for the ADUs are less stringent, allowing for larger ADUs to be constructed. Durango believes more ADU construction will be instrumental in increasing affordable housing, as more than half of ADU owners who responded to surveys charge less than $1,000 a month, an affordable option for local workers.[100] As for a market-based policy, the city of Durango is providing $8,000 rebates for owners who rent their ADUs to local workers who work at least 32 hours a week in La Plata County and use the ADU as a primary residence. The $8000 comes from a City Council allocated funding of $80,000 that is administered on a first-come come-first first-served basis.[101]

Colorado's efforts to leverage ADUs to increase affordable housing provide the possibility to benefit both ADU owners and affordable housing recipients. In a joint 2022 survey by the City of Boulder's Housing and Human Services Department and the Planning and Development Services Department, it was revealed that the majority, 68%, of ADU owners view the primary benefit of ADUs as the supplemental income they provide.[102] From this survey, 64% of respondents claim their ADUs are used for long-term rentals, and on average these ADU rentals were priced at $1,626 in 2022, a 21% increase from 2017, a slower increase compared to the overall housing in Colorado which grew by 27% in cost from 2017 to 2022.[102] ADU owners benefit from the additional income, while the community benefits from additional affordable housing stock for individuals and small families. The survey data also supports the idea that ADUs provide long-term housing for many people, and ADU owners who prioritize supplemental income are incentivized to rent to long-term tenants, given a stable income. Long-term rentals are important as they prioritize housing security for essential workers and community members who are at greater risk compared to short-term visitors and tourists.

Despite their dual benefits, ADUs in Colorado are unlikely to entirely solve the affordable housing challenge. In the same 2022 survey by the City of Boulder, only 23% of respondents reported they would be willing to pursue the construction of an additional ADU if permitted.[102] This reveals that command-and-control policies, deregulation, and financial incentives have limited effects. That said, using ADUs to fight the affordable housing problem in mountain towns does not need to be a silver bullet to have positive impacts on communities.

The other shortfall with ADUs is their true affordability. While ADUs provide a more affordable option compared to traditional housing, their relative affordability can be deceiving as it masks the fact that their rent is still cost-burdening to many Coloradans. Rent that makes up more than 30% of one's income is considered cost-burdening.[103] In a 2021 study with the University of Minnesota, it was revealed that 47% of Colorado households made less than $75,000 in income, meaning 47% of Colorado households could afford a maximum monthly rent of $1,875, assuming they spend no more than 30% of their $75,000 income.[104] This value presents a dangerous reality, as many Coloradans who make less than $75,000 are still financially burdened by the average ADU price. Using 2023 data, the Bell Policy Center estimates that among Colorado households earning below 30% of the Area Median Income (MLI), 33% make less than $75,000, placing them in a financially insecure position where ADUs are not affordable.[105] ADUs do not provide financial stability for many low-income Coloradans who require affordable housing policy the most, so from some perspectives, Colorado's efforts to increase ADUs are unsuccessful in providing truly affordable housing for the lowest-income Coloradans. However, simultaneously, increasing the number of ADUs does provide an increased stock of housing units that are more affordable, and while they are not perfectly affordable, they are still a better option than traditional housing, making the Colorado-ADU policies imperfect but a better alternative than doing nothing.

Hybrid policies are a versatile approach to addressing complex challenges that policymakers often face. They combine the structure and certainty of command-and-control regulation with the flexibility and efficiency of market-based incentives to balance economic efficiency with standards deemed necessary. Deed restrictions provide long-term affordability by preserving a part of the housing market for local workers and lower-income individuals. Though they limit flexibility, policymakers can incentivize their adoption with financial rewards, making them favorable options for some. The notable shortfall of deed restrictions is their failure to increase the total housing supply, which makes them unsustainable solutions, given some circumstances. ADU policies address the total housing supply by increasing the housing stock through zoning reform and financial incentives to encourage construction. While their relative affordability remains a concern for the lowest-income individuals, they provide a more affordable option for renters and benefit homeowners by creating an additional flow of income. Hybrid policies may not entirely resolve the affordable housing crisis, but their ability to manipulate tradeoffs and create incentives makes them a valuable tool to bridge the gap between traditional regulation and market dynamics.

***Comparing the Different Policies:***

Each policy takes a different approach to targeting affordable housing and leverages a different amount of resources, leading to varying results. For brief comparisons, the state-planned Montana low-income housing tax credit policy is estimated to affect 122 housing units annually through encouraging tax credits.[57] For Colorado's Proposition 123, the funding done in the 2024 fiscal year is planned to support 8,049 housing units through lower-interest loans, grants, and other direct subsidies.[106] In the Flexible Forest Housing Act, its application in the Whiteriver National Forest is set to support up to 117 additional affordable homes in the area by opening up more available land for affordable construction.[80] Finally, in Steamboat Springs, 2,342 housing units are under short-term rental regulations as of August 2024, an attempt to manage price inflation for housing rentals.[107] The varying outcomes are due to multiple factors like funding, addressable community size, and intensity of encouragement Colorado's Proposition 123 is producing some of the largest impacts because of its high funding and extensive reach, policies like the Forest Service Flexible Housing Partnerships Act take more specific and slow-moving effort to encourage affordable housing.

## Conclusion

***Economic Sustainability and Constructive Steps Forward:***

The future of mountain towns involves the challenge of balancing opportunities for growth while working within the constraints of geography and preserving local environments and culture. Tourism is foundational to the economy and its growth as it draws visitors seeking idyllic landscapes, natural wonders, and recreational activities. While lucrative, the seasonal nature of tourism can cause harm as periods of overwhelming demand can strain local infrastructure, degrade the environment, and foster economic inequality between affluent visitors and residents and workers. Tourism and population growth are essential to the growth of mountain towns, but they also affect housing affordability and job stability, and threaten the sustainability of the environmental quality that originally attracted visitors to the towns.

A recent and developing issue in mountain towns is the shortage of affordable housing. The trend is the result of difficulties in balancing demand with a constrained supply. Geographic constraints and environmental limitations make new construction challenging and expensive despite increasing demand, raising the financial incentive. Affluent residents and second-home owners put upward pressure on housing and rental prices, leaving prices out of an affordable range for some essential workers and longtime community members. Even with demand-side policies like housing vouchers and programs aimed at supporting low-income renters, these efforts are unsustainable and fall short without addressing the supply side of the challenge by increasing the affordable housing stock. Traditional market forces have proven to be slow and insufficient in correcting the disparity between supply and demand due to constraints, making the housing challenge in mountain towns particularly unique and challenging.

Efforts to address these challenges have led to innovative policy approaches that combine both market-based incentives and command-and-control regulations. Programs like the Low-Income Housing Tax Credit (LIHTC) and state-specific initiatives such as Colorado's Proposition 123, which allocates tax revenue to support affordable housing projects, offer potential pathways to support affordable housing throughout the future. Although market-based policies provide financial incentives, maintain flexibility, and more closely align with classical economic thinking, they often rely greatly on public funding and require careful oversight to ensure efficient resource usage. Command-and-control policies take a more direct approach through rules like zoning and construction standards. Such policies rely on regulation to ensure desired outcomes or deregulation of existing policies to encourage actions that foster social and economic goals.

Achieving sustainable economic development means allowing mountain towns to prosper now and in the future. To achieve this goal, policymakers should consider thoughtful policies that encourage development, attraction, and increased revenues for local businesses without neglecting the health of local ecosystems, local workers, and community goals. While mountain towns present a unique set of constraints that make sustainable goals formidable, they also provide distinct and memorable experiences and lifestyles for families and individuals and offer natural wonders that cannot be found elsewhere.

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