BUSINESS

Colorado mountain towns can now use tourism tax revenue to deal with visitor hordes, housing shortage

House Bill 1117 was signed into law Thursday by Gov. Jared Polis after passing the Colorado legislature with bipartisan support

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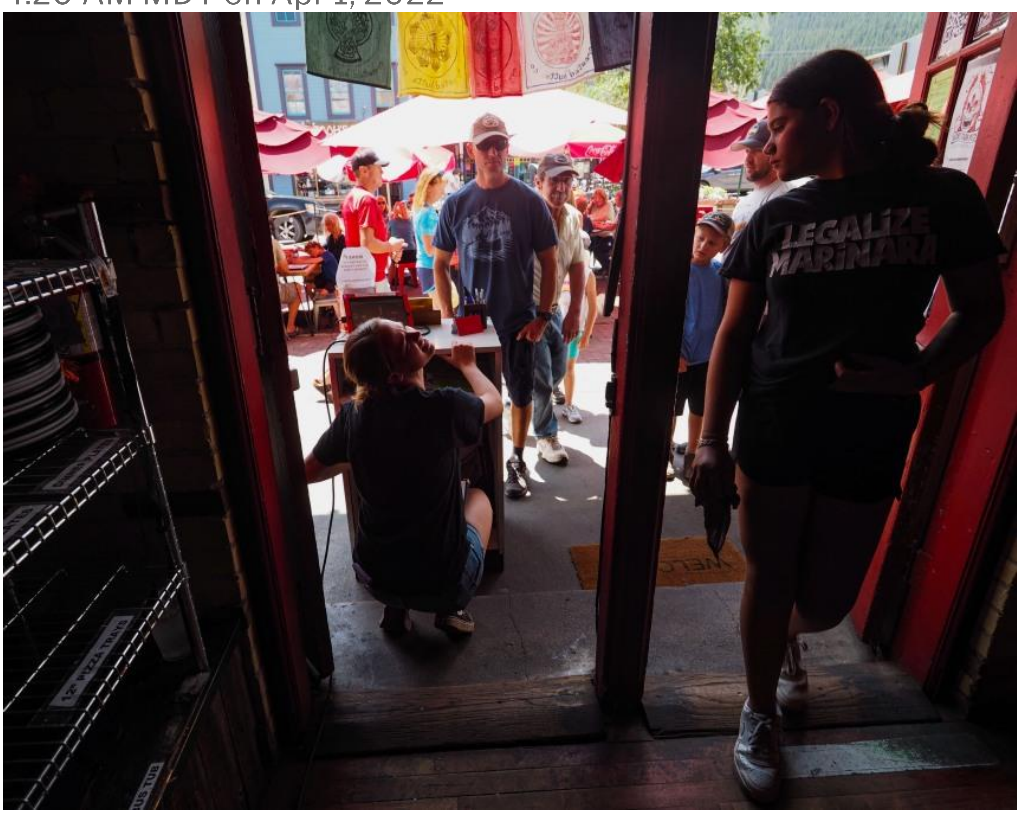

Customers wait for tables and service at Secret Stash Pizza on July 28, 2021. On busy days the wait this summer was more than an hour long. (Dean Krakel, Special to The Colorado Sun)

Voters in mountain towns could soon redirect lodging taxes traditionally collected to lure visitors toward housing and recreational infrastructure.

Gov. Jared Polis signed House Bill 1117, the bipartisan legislation allowing that option, into law Thursday in Edwards. Since 2002, voters in 29 Colorado counties have approved a lodging tax for tourism marketing. The new legislation allows counties and local marketing districts to spend as much as 90% of lodging taxes previously collected for tourism on affordable housing, child care for local workers and "enhancing visitors experiences," which includes investment in recreational infrastructure such as trails.

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It's the kind of proposal that tourism officials in Colorado traditionally have opposed. But after the last couple years, with a pandemic-driven real estate frenzy fueling a housing crisis and labor shortage that is threatening rural communities overwhelmed by visitors, many of Colorado's tourism boosters support the plan to repurpose marketing dollars.

"There's been a lot of consternation around this. A lot of hard conversations. But tourism is not opposing this," said Lucy Kay, the president and CEO of the Breckenridge Tourism Office. Her office in 2016 changed its mission from "come here!" marketing to include managing visitor impacts. "We all need housing. This helps us support issues that are critical to the hospitality industry. We would love these places to be better by having tourism and not have tourism considered as just an impact."

Many of Colorado's strongest regional tourism organizations — including in Aspen, Breckenridge, Telluride and Vail — shifted away from pure marketing several years ago. Those groups are now in the business of lessening the impacts of visitors, spending lodging taxes on things like luring new businesses to town and training workers and tourism campaigns that educate visitors about taking care of natural resources and respecting local communities.

But Colorado's laws for marketing districts that collect lodging taxes prevented spending on capital projects other than tourist information centers. House Bill 1117 changes that, marking a fundamental shift in tourism spending, with focus not just on visitors, but locals. The bill allows voters to decide how to divide lodging tax revenue between tourism promotion, housing, childcare and recreational improvements, but it requires that at least 10% remain dedicated to tourism marketing.

"A visitor's experience is also heavily influenced by the host community's ability to support their residents and local workforce with housing and other essential services, as well as a strong quality of life that comes with our amazing natural and cultural assets," the bill reads. "Robust support for our residents' needs is essential to the long-term health of both our communities and our economy."

Gunnison County changed the name of its tourism association to the Tourism and Prosperity Partnership in 2019, using a 4% lodging tax collected by the county's marketing district to support economic development, Western Colorado University, and local entrepreneurs and businesses, while also promoting visitor-friendly events.

But when the county needed to expand a trailhead parking lot, install new signs or build a pit toilet near a popular trail, TAPP could not help.

"So we see this as a shot in the arm, helping us better manage visitation," said TAPP boss John Norton, who last year suspended summer tourism marketing as crowds hammered understaffed Crested Butte businesses. "It's tough to argue that affordable housing in the valley — or really anywhere in Colorado — is not a worthwhile use of these funds. Hopefully more affordable housing brings visitor demand and our employee situation into balance, which it has not been in."

Help wanted signs in the windows of businesses in Crested Butte, Colorado on Saturday August 14, 2021. (Dean Krakel, Special to The Colorado Sun)

Gunnison County Commissioner Jonathan Houck worked with other counties to make sure recreational infrastructure investment was part of House Bill 1117. He said he hopes voters will approve expanded spending on things like trail signs, apps for visitors and trailheads.

“If you want people to keep coming back, you’ve got to take care of the resources you have and you’ve got to be able to put some money back into it,” he said.

Lodging tax revenue is not enough to build affordable housing. But it’s enough to get it started. Gunnison County, for example, spent $250,000 for utilities and engineering that allowed a private developer, Gary Gates, to build the 77-unit Paintbrush apartment complex in Gunnison that opened late last year.

“It’s like a $40 million project and we spent $250,000. That to me is the sweet spot for expanded local marketing district dollars,” Houck said. “We can have cash to leverage larger investment for housing.”

There are 29 counties in Colorado and six local marketing districts that collect lodging taxes for regional tourism promotion, including Alamosa County, Estes Park, Gunnison County, Moffat County, Steamboat Springs and Vail.

Yampa Valley Housing Authority Executive Director Jason Peasley, pictured May 7, 2021, led his organizationÕs efforts to build the 48-unit affordable housing development on the west side of Steamboat Springs. The Housing Authority has a goal to build 600 units by 2030. (Matt Stensland, Special to The Colorado Sun)

Visit Estes Park is planning to protect its tourism marketing budget while using extra lodging tax revenue to work with partners on housing projects. Kara Franker, the CEO of Visit Estes Park, said her group is pursuing "destination stewardship," which seeks a balance in resident quality of life and a vibrant visitor economy "while protecting our cultural and natural resources."

"What better way to champion this values-based approach, than to work with the community on important issues like workforce housing and child care," Franker said. "We want to be a part of the solution."

Tourism officials admit that smaller communities could see tourism marketing budgets reduced under the reshuffling of lodging tax dollars. The legislation requires that at least 10% of lodging taxes remain in the tourism promotion bucket.

The reduction of support for groups that are transitioning into destination management could slow progress on helping communities better educate and handle visitors, said Cathy Ritter, the former head of the Colorado Tourism Office whose Better Destinations group now consults for many tourist-dependent communities.

"Places where people are frustrated with, say, waiting longer than usual to get seated at their favorite restaurant should be prepared for some of those restaurants to go away if the tourists go away," said Ritter, who champions sustainable tourism with campaigns that target what she calls "low-impact travelers."

About every decade or so, a lawmaker or group will propose cutting Colorado's tourism promotion funding, thinking that the state's mountains and attractions don't need campaigns because visitors will naturally flock. That notion was tested in 1993, when voters declined to support a statewide tourism marketing tax and tourism campaigns went dark. The state's share of the U.S. vacation market collapsed and it took 20 years for the state to regain that share of American travelers. There's even a case study — "The Rise and Fall of Colorado Tourism" — that shows what happens when tourism promotion ends.

Ritter sees whispers of 1993 in House Bill 1117's hobbling of tourism marketing power. She fears lawmakers and even tourism-dependent communities may be making long-term decisions based on the surge of visitors making up for a couple years of lost travel during the pandemic lockdown.

This year, rising costs and gas prices already are "rapidly eroding" vacation plans, Ritter said.

"Communities that hamstring their destination organizations' ability to do their jobs suddenly may be looking around and saying what happened to our economy? What happened to all those tax receipts we had back in 2021?" Ritter said. "The sad fact is that a whole lot of other places and states are seeing the value in supporting their tourism economies. Those are the places that will be the winners when the going gets tough."