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Colorado Ski Town Sells Housing Bonds in Bid to Retain Teachers.

- **Telluride is latest vacation hamlet with locals priced out**
- **School district says jobs go unfilled without homes available**

Telluride, a ski resort destination in Colorado, is the first vacation town to sell municipal bonds for affordable housing this year. It likely won't be the last.

The reason for last week's sale is immediately apparent by typing "Homes for Sale Telluride Colorado" in an Internet browser. The websites that appear show that anyone wanting to buy a house there will need millions of dollars, maybe tens of millions.

So Telluride is "prioritizing" the acquisition and construction of affordable rental housing. Last week, Telluride School District R-1 borrowed $31.8 million, half of which will be used to pay for 25 units of "workforce housing."

The wealthy ski area has tapped the bond market for similar reasons several times in recent years. Just last month the town borrowed $9 million, a portion of which is being used to pay to refurbish affordable housing at an apartment building. In 2022, the town council approved spending more than $27 million for a project containing another 27 units of affordable housing. Five years earlier, the school district borrowed $2.5 million for more of the same.

"If there are no homes, I can't fill positions," Christine Reich, director of finance and nutrition for the school district, said in a telephone interview.

Reich's words are echoed by local officials in vacation areas nationwide. Towns heavy on quaintness and charm but light on housing supply have squeezed out locals, both ordinary and essential purpose workers, from shop help to police, firefighters and teachers.

Last year, the island of Nantucket off Cape Cod and the town of Wellfleet on the Cape each sold bonds for so-called workforce housing. Another Colorado ski town, Vail, did so in 2021. And it's not just vacation towns borrowing money to build affordable housing. Some colleges and universities, too, have sold bonds to pay for faculty housing, such as the University of Vermont and Middlebury College.

Income Gap

In Telluride, salaries in the school district range from an entry-level $50,000 to $94,665 for someone with a master's degree and 27 years of experience. But market-rate rentals in the town run from $4,000 to $5,000 per month for a one-bedroom apartment.

"We're remote," said Reich. "It's not as though you can commute in from Denver," a six-and-a-half hour drive away.

Only 55% of Telluride's housing is occupied by full-time residents, according to Treasure Walker, associate director at S&P Global Ratings. The remainder is typically used as short-term rentals and vacation homes in a town with a population of 2,620.

"There's a hyper supply-constrained environment," said Bill Fandel, the founding broker of Compass real estate in Telluride. He said that in a small town "the cost of the dirt becomes prohibitive,"referring to the space needed to build housing.

The school district, which is 326 square miles, includes the towns of Telluride, Ophir, Sawpit and Mountain Village and parts of unincorporated San Miguel County, and has a population of 6,515. It also has an "exceptionally high" full value per capita (the value of all the property divided by the population) of $2.1 million, according to Moody's Investors Service, which rates the bonds Aa2. The US median is $117,713.

"The district is a second-home destination for the very wealthy," Moody's said. "This, coupled with an influx of residents seeking an outdoor lifestyle during the pandemic, is driving a high cost of living and challenging the district's ability to recruit and retain teachers."

The district currently provides housing to about 10% of its 136 full-time and 16 part-time personnel and wants to increase this to one-third. Base rents are 25% of salary.

Already there is a waiting list for the proposed affordable housing.

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