



REAL ESTATE

How Two of America's Wealthiest Vacation Spots Are Fighting to Free Up Homes for Locals

Officials in Vail and Nantucket are employing a number of strategies, like deed restriction, to ease their affordable housing crunch

By *Fred A. Bernstein*

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At first, the two towns seem to have little in common: Vail, Colo., a ski-resort community two hours west of Denver, is bisected by Interstate 70, while Nantucket, Mass., an island off Cape Cod, is reachable only by boat or plane. But Vail, at an average elevation of 8,150 feet, is surrounded by the White River National Forest. “We might as well be an island,” says George Ruther, the town’s housing director, who is charged with finding places for middle-class workers—including the town’s more than 300 employees—to live.

“If that wasn’t national forest, it would all be built on,” Ruther says, pointing to the carpet of trees flanking I-70. “Our challenge with housing,” he says, “has always been the scarcity of land.”



George Ruther, Vail's director of housing, plans to tear down the Timber Ridge Village apartment complex next year and replace it with seven buildings intended to house people who work in town.

PHOTO: MICHAEL CIAGLO FOR THE WALL STREET JOURNAL

Nantucket likewise faces a scarcity of buildable land, and not just because of the ocean that surrounds it. Groups dedicated to protecting nature have been buying up property and, in some cases, tearing down houses to achieve their goals. The Nantucket Land Bank, established by the town in 1983 to promote conservation, outdoor recreation and agriculture, and lavishly funded by a tax on real-estate transactions, has acquired nearly 12% of the island's 30,000 acres. Together, the Land Bank, the Nantucket Conservation Foundation and several other nature-oriented nonprofits own nearly half the island of Nantucket.

The shortage of buildable land is reflected in home prices. In both towns, the most valuable properties—which can go for \$40 million or more—are “beachfront,” which in Vail is slang for ski-in, ski-out. The median sale price for all types of homes, including condos, in Vail for the three months ended Sept. 30 was \$1.87 million, up 59.1% from the year-earlier period and up more than 105% from the same period in 2019, according to Redfin, the real-estate company. The most active part of the market there is in the \$3 million to \$10 million range, says Robert Schilling, a veteran Vail real-estate agent, and the only properties offered for less than \$1 million are condos. On Nantucket, the median sale price was \$3.25 million for the three months ended Sept. 30, down 7% from the same period in 2022, but up 108% from the same period in 2019, also according to Redfin. There are no homes listed for under \$1 million.

The rental markets are also inhospitable to townies. Hans Berglund, an architect whose office is outside Vail, says that he pays big-city salaries but that still isn't enough to recruit and retain employees. As a result, Berglund says, his firm has started hiring contract employees as far away as India.



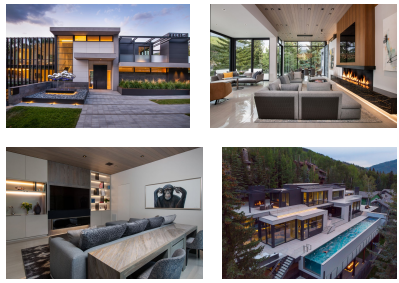
Hans Berglund, president of Berglund Architects, designed Vail's Lion's Ridge Apartments, 114 units for residents who work a minimum annual average of 30 hours a week in Eagle County. PHOTO: MICHAEL CIAGLO FOR THE WALL STREET JOURNAL

Berglund has designed both luxury homes, including a spec house in Vail listed at just under \$40 million, and affordable housing, including Lion's Ridge, an apartment complex restricted to residents who work locally. Two different markets, inextricably linked. "What we're selling in Vail," Ruther says, "are customer service and guest experience," both of which depend, he says, on the availability of "a quality workforce." Plus, he says, "If we don't have homes for our local workforce we're not much of a community."

The shortage of affordable housing has plagued resort areas from coast to coast, especially since the pandemic turned many urbanites into full-time residents of island and mountain enclaves. The good news for Vail and Nantucket is that both have resourceful housing directors—who know each other and exchange ideas. Ruther favors a many-pronged approach that includes offering to pay owners of houses to add a restriction to their deeds requiring occupancy by at least one person who works an annual average of 30 hours or more a week in an Eagle County business, including local, state or federal governments. The restriction is effective upon signing.

The problem is that when houses owned by longtime residents come up for sale, 90% of the time they are bought by out-of-towners, Ruther says. They'll become either vacation homes, left empty for much of the year, or investment properties reserved for short-term renters. As a result, Vail, with 7,300 housing units—more than one per year-round resident—still has a housing "shortage." Ruther believes the deed restrictions will at least keep the problem from getting worse. And on Nantucket,

Tucker Holland, Nantucket's municipal housing director, is looking into creating a deed-restriction plan, one he describes as "a variation on Vail's theme."



Berglund designed a 9,000-square-foot spec house that is listed for just under \$40 million. Its features include a 75-foot glass-bottom swimming pool, a spa with waterfall, a screening room, a 'car rinse' in the garage, nine bathrooms and over 6,500 square feet of heated outdoor terraces.

RIC STOVAL (4)

People who have jobs on Nantucket but who can't find housing there commute each day by ferry from Cape Cod, a voyage that can take over two hours one way, with additional travel at both ends. FedEx and UPS employees commute by air while one local store, the Marine Home Center, has two planes for shuttling workers back and forth from Hyannis, on Cape Cod, a 10- to 15-minute flight. About 30 to 40 people fly over in two shifts every morning.

Meanwhile, the Nantucket Land Bank is preparing to demolish a three-bedroom house overlooking a large pond on the southwest side of the island. It paid more than \$5 million for the property to improve public access to the water. According to Jesse Bell, the Land Bank's executive director since 2021, the house is too big to move without damaging other buildings. Nor, she says, can it serve as worker housing in its current location. "We typically purchase in open areas where the zoning doesn't allow high density, where there's no sewer, and where there's not easy access to public transportation," she says.



Jesse Bell, executive director of the Nantucket Land Bank since 2021, says that, when it comes to building affordable housing, 'we are very much trying to help, within the scope of what we're legally allowed to do.' PHOTO: HOLLY ESTROW FOR THE WALL STREET JOURNAL

When the house is torn down, some parts of it will be salvaged for use on other Land Bank properties, Bell says. Remaining materials, she adds, "will be offered to affordable housing entities and then to the community at large."

There is no ferry in Vail, a town with 5,300 permanent residents and a population of up to 35,000 at the height of the ski season. As many as 6,100 workers commute to town each day, says Ruther. Marjorie Moodie, who works as a front desk clerk at the Tivoli Lodge in Vail, catches a bus every morning around 5:30 for the hourlong ride in from Edwards, 17 miles west along I-70. "I start working at 7:00, and I hate being late," she says. Her employer, Kara Lazier, the Tivoli's asset manager, says, "One of the first questions we ask at job interviews is, 'Do you have housing?'"



This \$5 million house on Nantucket was doomed by its proximity to scenic Hummock Pond. To improve access to the pond, the Nantucket Land Bank plans to tear it down. PHOTO: HOLLY ESTROW FOR THE WALL STREET JOURNAL

Ruther's aggressive approach to the problem has recently included spending \$7 million of the town's money to buy three oddly shaped parcels from the Colorado Department of Transportation, after making the case that they would never be needed for roads. He expects the town to eventually develop worker housing on the properties.

Ruther also arranged the purchase of a two-family house in East Vail for just over \$2 million to rent it to municipal employees. The sellers, Cyndy and Brice May, who were moving about 40 miles northwest to McCoy to run a guest ranch, chose to accept the town's offer, which was close to the house's appraised value. "Vail was good to us for many years," Cyndy May says. "It employed us, and we raised our kids there, in a wonderful neighborhood." So, despite the possibility that there could have been a bidding war for the house, the couple, who bought the house in 1983 for "next to nothing," opted to help the town create more worker housing.



The town of Vail bought this house with a separate apartment on Black Gore Drive for over \$2 million. It houses municipal workers. The town may eventually build more workforce housing on the property. PHOTO: MICHAEL CIAGLO FOR THE WALL STREET JOURNAL

“We saw the need, and we feel we did the right thing,” she says.

Ruther, for his part, will buy a deed restriction (also known as a restrictive covenant) on virtually any house or condo in or around Vail, usually paying about 20% the market value of the property, in a cash transaction that can close in a matter of days. To sell a deed restriction to the town, the owner need not be a resident of Vail. “I don’t care who owns the property. I only care who lives in it,” Ruther explains. Through the program, which he named Vail InDEED, Ruther has acquired nearly 200 restrictions at a cost to the town, which is funded mostly by a local sales tax, of some \$17 million. That brings the total number of deed restrictions to 1,050. And the town is building 294 deed-restricted units at a development called Timber Ridge.

Owners of deed-restricted properties are required to file compliance certifications each February. That process led to the discovery recently that multiple units in a development called Altus Vail were, the town alleged, not complying with their deed restrictions. The city sued. The developer and Vail reached a settlement that includes a \$1 million payment by the developer that will go toward deed-restriction purchases.



Vail spent \$7 million to buy three parcels that George Ruther found were owned, but not used, by the Colorado Department of Transportation. This parcel, just downhill from the Timber Ridge apartments, will be developed into deed-restricted housing. PHOTO: MICHAEL CIAGLO FOR THE WALL STREET JOURNAL

But deed restriction alone can’t make housing affordable. At Altus Local, the deed-restricted portion of Altus Vail, two of 15 deed-restricted units have sold; others are listed at prices ranging from \$675,000 for a studio to \$1.595 million for a two-bedroom. Units being leased cost between \$3,300 and \$6,000 per month. While real-estate prices in Vail are rising, generally, “they’re going to have to come down in the deed-restricted world,” says Ted Steers, a broker who is a co-listing agent at the development.

Steers also blames the shortage of buyers on high interest rates, which he says have nearly doubled the cost of ownership over the past few years. He says the deed-restricted units that haven’t sold have

been rented by the developer to local employees, including a manager of a luxury hotel. Ruther confirms the development is in compliance with its deed restrictions.



Tucker Holland, Nantucket's municipal housing director, examines two adjacent plots, one where the Town of Nantucket Affordable Housing Trust plans to build worker housing and one where the Nantucket Land Bank has helped to provide a means of egress.

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On Nantucket, Holland would like to build more housing, and he would like to see the island's conservation groups provide some of the land. "There is no question that just 100 acres, scattered around the island, would make a meaningful difference," he says. Meanwhile, the Land Bank, funded by a 2% levy on nearly all real-estate sales, keeps enlarging its portfolio. In the fiscal year that ended June 30, it took in \$28.27 million and spent \$27.53 million of that to purchase some 34 acres of the island.

With that much money, the Land Bank, with a mission that includes conservation, outdoor recreation and agricultural development, can provide housing for its workers, including employees of the Miacomet Golf Course, which it owns. In July, citing the lack of affordable worker housing, it bought an eight-bedroom duplex near the course for \$2.9 million to house golf course employees. The purchase raised more than a few eyebrows, given that the Land Bank's commissioners "have long emphasized that they are not permitted to use Land Bank funds for housing initiatives," Jason Graziadei, who has been reporting on island affairs for nearly 20 years, wrote in the Nantucket Current, a local news website. Bell defended the purchases as "germane to the recreational component of our mission."



The Miacomet Golf Course on Nantucket is owned by the Nantucket Land Bank, which is charged with aiding conservation, outdoor recreation and agriculture on the island. PHOTO: HOLLY ESTROW FOR THE WALL STREET JOURNAL



The Nantucket Land Bank spent about \$2 million for an eight-bedroom house in which it houses golf course workers. PHOTO: HOLLY ESTROW FOR THE WALL STREET JOURNAL

“The Land Bank needs to slow down acquisitions and the subsequent demolition of structures that could be used to house people,” says Brian Sullivan, the chairman of the Nantucket Affordable Housing Trust and the owner of a local real-estate company. The Trust, founded in 2009, receives less than one-fifth as much money from the town as the Land Bank gets from its real-estate transfer tax. But the town has voted to impose a separate transfer tax to fund affordable housing and is waiting for the Massachusetts legislature to approve it.



Nantucket's population swells during the summer months.

PHOTO: HOLLY ESTROW FOR THE WALL STREET JOURNAL

The Land Bank is hardly the enemy of affordable housing, Bell says. “We are very much trying to help, within the scope of what we’re legally allowed to do,” she says. That includes recycling surplus houses. “In the last couple of years,” she says, “we’ve given away three houses, to a restaurant, a hair salon, and a landscaping company, to use as employee housing. It’s mutually beneficial because they move them and we don’t have to pay for demolition, plus it’s more sustainable than throwing them away.”

Elsewhere on the island, the Land Bank purchased a lot in conjunction with the Housing Trust to provide egress from a parcel on which the Trust plans to build affordable housing. But it isn’t clear when that goal will be realized. “Development by a public entity is a relatively slow-moving process,” says Sullivan.



The only property available on Nantucket for less than \$1 million, as of Nov. 10, was an empty lot for \$900,000. PHOTO: HOLLY ESTROW FOR THE WALL STREET JOURNAL

The goal may be realized a bit faster in Vail, where more than 14% of the city's dwelling units are covered by deed restrictions, with many more to come. In a community such as Vail, Ruther says, "increases in property values will continue to outpace wages. So there will always be a need for deed-restricted housing."

Nantucket also has a program that has succeeded as well as anyone could have hoped. But the Land Bank's acquisitions have a few islanders wondering if enough is enough. "Some folks," Holland says, "feel the Land Bank could rightfully proclaim 'Mission Accomplished' and turn part of their attention to helping with this most pressing issue—attainable housing for our year-round community."