



Peaceful in May

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VAIL HOMEOWNERS ASSOCIATION

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Vail Economy – Faith and Hope Abound: The desire to grab onto positive indicators of renewed growth is creating a tenuous belief that Vail and Eagle County have turned the corner on the Great Recession. The Town of Vail points to their ability to stay within or exceed their downsized budget projections. Vail Resorts, Inc., on the resort side of their ledger is reporting strong [positive growth](#) for the 2009/2010 season, as is the [national ski area industry](#) with its second best season ever. The number of [real estate sales](#) in Eagle County is on the rise and the [number of listings](#) is shrinking, to the lowest number in 15 months, but is expected to rebound once the summer season begins.

All Vail Development Projects Headed for Completion: All major development projects in Vail currently under construction are headed toward completion. The [Four Seasons](#) hotel and residences, after a yearlong delay due to construction issues, is now projecting to begin opening operations in December for the holiday season. No new large projects are expected to proceed to construction this year.

Looking Hard for the Silver Lining: Those looking for bright spots in the dismal economy see benefits in further declines in local property values because more employees would be able to purchase a home. Government officials project a [30% decline](#) in property values. There are those saying it's time to increase densities to incentivize development and re-inflate the property bubble, but this time round the intent of some policy makers is to drive down values. These views hold tenaciously to a belief that more real estate development will come to the rescue of the local economy and workforce. Vail's government in the 1970's and 80's was committed to restraining growth to enhance property values and protect the community's environmental assets. The political pendulum shifted in the 1990's to a more risk prone aggressive inciting of growth, which yielded Vail's first ever decline in property values. Some are questioning if this policy is worth pursuing or should a more moderate stance be taken?

When and how much, become the paramount questions. Not much, nor anytime soon is the rhetorical answer from some [local economic pundits](#) and mortgage bankers. Perhaps towards the end of the decade say the more pessimistic. Some economists are looking at methods of [stopping property bubbles](#) through taxation and other financial devices. Meanwhile, [foreclosure rates](#) in Eagle County remain on the increase and [unemployment numbers](#) continue to steadily climb, a reflection of [national conditions](#).

The Broader View: The contagion from governments with excessive long-term debt, which [includes the United States](#), is unsettling the [global economic landscape](#). China, after warnings of a [potential crash](#), is moving to cool its [real estate bubble](#), which could further dampen international economic growth. Positive indicators of growth in many sectors of the United States economy do not extend to the construction industry as the supply of available properties far outstrips demand. Lack of consumer demand is causing low enthusiasm for new construction loans. Regulatory standards for banks and mortgage lenders remain a political point of contention.



Lights beginning to come on in Solaris as it nears completion

Too Soon to Tell if Property Values Are on the Rebound: It may be too soon to tell if the yearlong trend will continue for deep discounting of up to 40% for luxury residential properties. There are indications that some newly constructed high quality residential properties in Vail Village are currently being closed at their prerecession values of between \$2,500 and \$2,700 per square foot. There are developers who are observing that for most pre-recession buyers, it is more cost effective for them to close, than to walk away from their hefty down payments. If this pragmatism holds, then there will be less incentive for other developers to continue deep discounting. The next few months will confirm or dispel the durability of this trend.

Holding the Line on Inflationary Growth Policies: If the trend does hold, the public policy challenge for Town of Vail officials will be to hold to their established growth strategy. Will the Council stay the course of completing the redevelopment of Lionshead before opening other neighborhoods to redevelopment? Or will they again offer greater density as an incentive to developers?

VRI Builds Floor for a Recovery: It is an important sign of progress that Vail Resorts (VRI) has experienced [positive growth](#) for the last two-winter seasons from their portfolio of resort properties. Some say a solid floor is now in place on which a recovery can be built.

Tourism Profits Do Not Bode Well for Non-VRI Businesses: Many non-VRI businesses in Vail and Eagle County say they are not experiencing a collateral benefit. Some Vail merchants estimate a 20% overall decline in sales from the 2008 market high. Likewise, there are quality hoteliers for the same period reporting a 25% to 30% decline in revenues with their average daily rate being markedly lower and overall occupancy staying even. Year over year lodging [MTRiP](#) projections for the summer are a 14% increase in occupancy and 0% in room rates. Travelers are booking earlier, but still expecting lower room rates. Some lodging operators are worried that unless something is done soon to cause room rates to begin rising, it could be years before profitability will return to pre-recession levels.

The year-over-year Town of Vail [sales tax report](#) shows positive [sales tax growth](#) in March of 6.7%, year-to-date up 1.2%, and the ski season (November – March) down -.6%. The Town is reporting that most [revenue](#) sources are exceeding the same period a year ago and are exceeding budget projects, but [overall revenues](#) are down 18.7% from their 2008 high. The list of the Town's backlog of capital projects has been lengthened to cover other short-term costs.



2009/2010 Winter Season Casualty in Vail Village

Still More Skiers Spending Less Money: Two years into the recession the conclusion is that business conditions for non-VRI enterprises remain unchanged, more skiers spending less money. The trend does not bode well for these businesses nor the Town of Vail should it continue for the next few years. Analysts experienced with the conditions in Vail and throughout Eagle County, see a slow upturn measured at a rate of 1% to 2% annually. Not enough to keep up with inflation, one source quipped.

A Brighter Prospect on the Horizon: If, as some forecasters suggest, Vail and Beaver Creek move to compete more aggressively in international markets, the recovery rate could jump to 3% to 5% annually. They say that traditionally international guests spend twice as much and stay twice as long. Conversely, since the beginning of the recession, domestic guests are prone to bargain shop and haggle over prices. Vail is now in the position to begin rebuilding its high-end clientele now that its physical renewal is coming to a conclusion.

International Strategy Faster and More Cost Effective to Implement: Decisions to globalize Vail's reach can be put into motion far faster and more broadly than has been the case in the past. In contrast, other proposed domestic economic development initiatives are seen by some as very costly, long-term and highly speculative. Existing Town of Vail economic development programs, with a \$2 million annual budget, are aimed primarily at the Denver Front Range drive up market and a very limited number of domestic air access urban centers.

There are now several new internationally branded hotel properties that bring Vail and Beaver Creek into the worldwide reservation and marketing networks. These hotels have the wherewithal to immediately begin a coordinated global initiative. A trade association formed among franchised hotel properties and local lodges that also cultivate international markets would be a potent new economic development force, in the view of some business analysts. Some see the beginnings of a possible collaborative approach in Vail Resorts' [Epic Pass](#) offer for free summer skiing at the Las Leñas ski resort in Argentina, if they book lodging at participating hotels.



Las Leñas ski resort, Argentina

International Terminal Needed at Eagle Airport: Air access is essential to the growth of both domestic and international destination guest markets. Direct access to the Eagle County Airport is highly desired as it avoids the weather, travel and traffic complications of Interstate 70 and Denver International Airport. Since beginning commercial air service, the Eagle County Airport has grown over the last two decades into the third busiest airport in Colorado.

Currently, 50% of all out-of-state destination guests to the Vail Valley arrive by air via the Eagle County Airport. Local air service planners say that recent runway improvements increase the profitability of airlines serving the airport, which opens the potential for new flights from domestic/international hub airports throughout the United States, such as Washington D.C./Dulles. Direct flights from Mexico and Canada are now feasible. Non-stop inbound international flights (with a one-stop outbound flight for fuel) beyond North America become a realistic possibility, raising the question of from where and why.

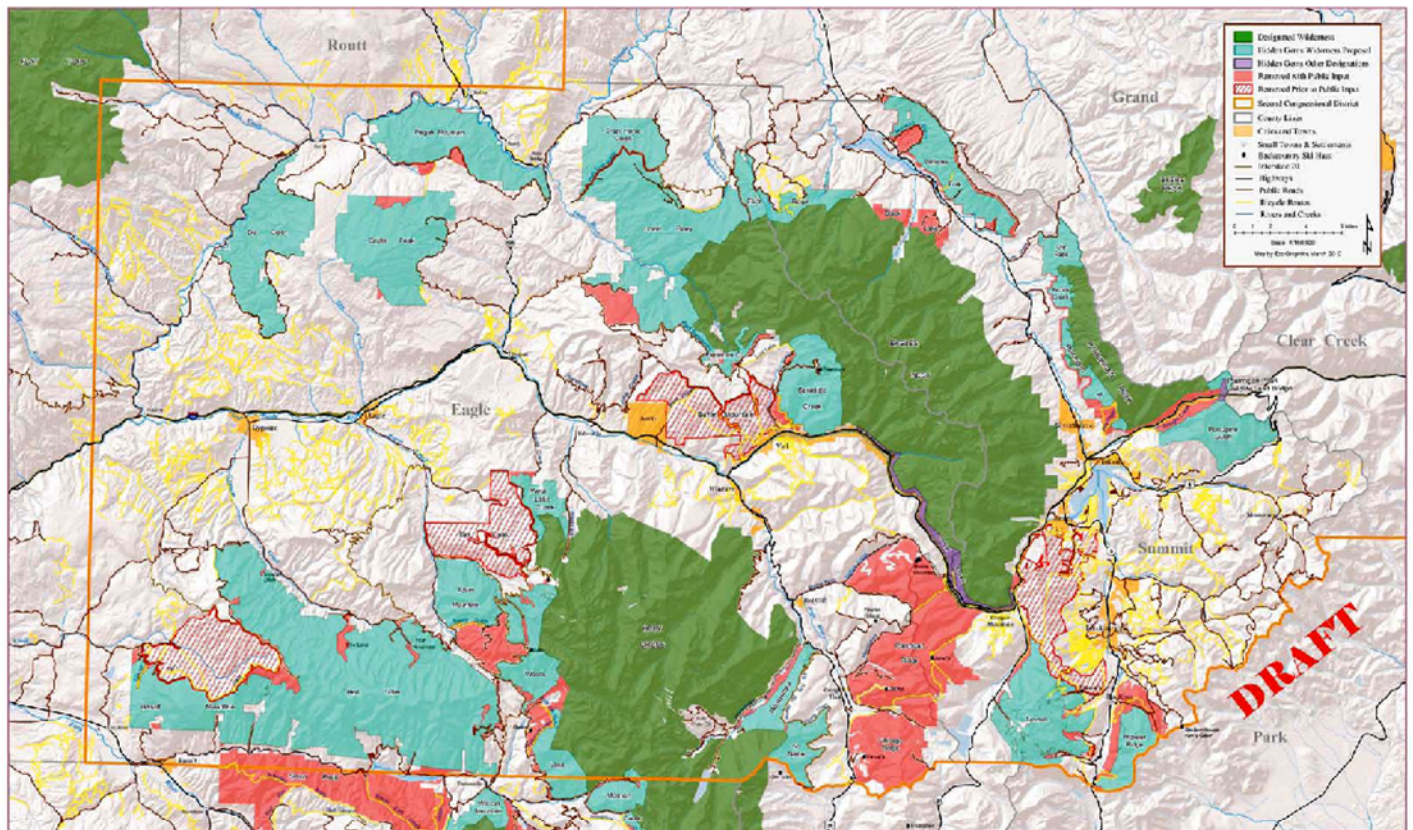
Pre-screening through U.S. customs is increasingly occurring at international airports accessing the United States. Even so, some international flights will require a port-of-entry terminal with customs. [Eagle County Airport authorities](#) say that an unused terminal can be converted for \$3.5 million to handle international flights. According to informed sources, necessary airport improvements can be made quickly and underwriting of international flights done efficiently.



Vail Village upscale shop window display appealing to the international high-end destination guest

Air Service Operational Costs and Subsidies – Who Pays?: Then there are the operational costs of U.S. customs and pump priming underwriting required by the airlines to add new routes into the Eagle airport. There are those who say by investing in international air service the Town of Vail and others who subsidize the effort would see a faster and higher return on investment than through other economic development proposals. Also, expanded air access is needed to improve the likely success of other nationally directed development programs. It is common practice, once an airline reaches profitability of a particular route to drop the initial subsidy. Unlike other less lucrative Front Range and niche marketing proposals now on the table, the economic cost/benefit can be directly substantiated for both international and domestic air service through “origination and destination” ([O&D data provided by the airlines](#)). Collaboration among users is key to the growth and management of the airport.

Further and Faster “Destination Guest” Market Development: In the wider perspective, the “sequencing” of public investment is the issue of the day. Improved air service will expand the numbers of high-end international destination guests, who in turn will require more specialized recreational and cultural venues. Continued investment in real estate is also needed, all of which sustain the work force. Some industry sources say the “economic productivity” of a move into international destination guest markets could begin this coming winter season. Eagle Airport officials say they can have an international terminal open and in operation by the winter season of 2011. Its growth is dependent upon the aggressiveness of a collaborative multi-seasonal strategy over the next three to five years. This, in contrast to other important economic initiatives which, as currently proposed, will require far greater investment in the construction of new facilities and will, as some believe, take longer to prove their effectiveness.



Hidden Gems Wilderness Proposal: Eagle County is the site of both the Holy Cross and Piney wilderness areas. A coalition of open space preservation advocates are proposing to place an additional 243,000 acres of Federal land, comprised of 16 different parcels, known as the [Hidden Gems Wilderness](#) in Eagle and Summit Counties into wilderness designation. The coalition’s aim is to prohibit extractive industries (logging, mining, oil and gas drilling) from operating in the area. The advocates’ cause has been taken up by a U.S. congressman who appears to be taking steps to place the matter before Congress, bypassing the landowner’s managers, the United State Forest Service (USFS). The USFS is typically the Federal agency that initiates wilderness designations. In this case, the USFS can weigh in on the proposal once it is before Congress.

The proponents have been met with opposition from back country user groups, primarily snowmobilers. In response to snowmobilers they removed 2,500 acres from the proposal. They are in discussions with other interested parties and are making further adjustments. The Vail Mountaineer newspaper reports that the USFS Regional Forest Supervisor is not keen on the proposal because it would hinder removal or disposal of beetle kill (wildfire fuel management reduction).

The proposed Spraddle Creek parcel reaches the Vail town boundaries, which is a point of concern for Town officials, as well as any limitation on its ongoing efforts to reduce forest fire dangers resulting from the pine beetle infestation. The Town of Vail is also concerned about the long-term availability of beetle kill to fuel a [bio-mass power generating plant](#) they are considering building to heat the Town's streets and other facilities. The Vail community ([see David Gorsuch letter](#)) has a long history of supporting wilderness as both a quality of life and local tourism economy benefit.



View From Ever Vail Needs Better Solutions: The upscale trendy urbane green image portrayed for the proposed Ever Vail town center falls flat on its face when looking at what the view will be from the project's central plaza. The view would feature Vail's sewer treatment plant.



in ongoing discussions with Water and Sanitation District officials, who say they're willing to do something, but it is VRI who has to pay for whatever is done. However, it is reported, if the near forty year old plant were upgraded to the latest state of the art technology, extending its life for another 50 years, the District may be willing to participate in covering some of the cost to integrate the plant within the bowels of the Ever Vail development.

Colorado Ballot Amendment Would Give Voter Rights to Non-resident Property Owners – However: According to proponents, the purpose of this citizen-initiated amendment, which will be on this November's election ballot, is to protect homeowners from abusive property taxes. Electors may vote on property taxes where they own real property. Legislative analysts are unsure if this provision will apply to property owners who are not American citizens. Among a host of other provisions, the proposed citizen Amendment 60 would allow property owners to petition for an election to lower property taxes. However, opponents say that many of the provisions could [hamstring government finances](#). A second ballot item is citizen Amendment 61, which would limit state and local government debt with what critics say will be a similar effect on government finances. One provision would limit local government's debt to 10 percent of the assessed taxable value of the real property in the jurisdiction. The Vail Town Council was [briefed](#) by their bond counsel concerning the implication of both amendments. Some analysts see the citizen amendments as a limitation on government and their lenders in reaction to economic and related conditions in Colorado and the nation.

Town House Zone District Proposed / Public Notice Process Inappropriate: A property owner applied for a new townhouse zone district that may cause the rezoning of several town house properties in Vail Village. The [property owner application](#) is under review by the Town of Vail. The proposal, among other issues, seeks to increase the allowable density (GRFA) by 30%. Other items, such as the affordable housing requirement, are being negotiated between the applicant and the Town. The Homeowners Association notes that the Town of Vail standard for public notice is insufficient for a new zone district that could affect more than one property, as official public notice is not given to those property owners. Public notice to all potentially affected property owners becomes much more important when the terms of the proposed zone district are the subject of negotiations and if they potentially impact property values. Inherent in the application are broader public policy issues, like densities increases, which only the Town Council can address.

POINTS OF VIEW / From Our Readers

Vail Leaders Need to See More of the World: I don't understand why the people in Vail who make the big decisions about the community don't go to other parts of the world to see what they are doing to solve similar challenges. It's not that expensive to fly across the Atlantic to see how they do things there. Now that the community is finally talking about Health and Wellness or using pine beetle dead trees to generate energy, it would be so helpful to see how these ideas work in other resorts. Where I live, our little town decided a year and a half ago to build a biomass power plant. It is now in operation. It's really no big deal, there are these types of plants all over Europe. We Europeans have the experience, equipment and can show you practical examples of how they work. Why do Vail people always try to reinvent the wheel? The Faessler family runs the wonderful Sonnenalp Hotel in Oberstdorf, which has one of the most advanced energy saving systems in Germany. Oberstdorf is a prime example of how Health and Wellness can boost a community's economy and what it takes to get it up and running. Vail's leaders need to leave "Happy Vail" for about 10 days and go see how things work elsewhere in the world. In the end, it will save them lost time scratching their heads and a lot of money. You can learn a great deal from other people... then you don't have to reinvent the wheel.

Air Travel to Vail Shouldn't Be a Mystery: The cost of a Vail vacation makes Vail difficult enough to get to. Making it physically harder to get to, or conversely not making it "easier" to get to, is just plain absurd. The difficulty in getting to Vail is in large part because of the inherent physical obstacles/dangers (blizzards, road closures, flight cancellations/misconnections due to poor frequency and finicky regional jets, ice, road avalanches - especially for the uninitiated!). I have never, in 27 years of flying, met a passenger who said, "Gee, I wish it was harder to get where I want to go". These folks cannot even tolerate not getting their first meal choice. Vail is not some obscure little getaway known and frequented by only a few super privileged that want a place to remain difficult to access. Vail is the King Kong of mountain resorts--let's get real and get going.

Better Accident Victim Transport for Ski Mountain Needed: I wish I knew how to improve safety on the mountain. The "Yellow Jackets" and signs seem to me to have improved things, but I hear way too many stories about collisions. It does seem to me that there are other things that could be done. First, redesign the sleds to make them more comfortable, and make it easier and quicker for the Patrol to put people in them. Second, redesign the absurd sled/lift interface. It takes too long to get them on and off the chairs. Third, make it possible to quickly and easily download patients on the Gondola, Vista Bahn and Chair 6. Fourth, create a system that connects the new sleds firmly to a fast snowmobile, and use it when possible. This is just a start. I'm confident that there are lots of other ideas that would come up if people started thinking about this, and look at what is done elsewhere. The current system is simply a travesty from the 60's.



Sunset over Sandstone Mountain - Vail

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