



Whither the Vail economic lion?

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VAIL HOMEOWNERS ASSOCIATION

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Vail Economy: The Town of Vail estimates that its sales tax revenues will be down 24.9% from March 2008 bringing the ski season, November – March down 14.5%. The March lift tax, collected on the sale of lift tickets, is down 16.7% and for the ski season, November – March, down 7.4%. ([TOV Business Review](#)) The Town will revisit budget adjustment in June; service cuts will be under consideration. Some believe with the reduction in traditional revenue sources, local governments will turn their attention toward increases in property taxes and other service or impact fees. There are those who think this approach could dampen the area's economic recovery. ([The Economist: Colorado/Vail Article](#))

Even though Vail is doing better than most other Colorado mountain resorts, positive signs remain elusive that the recession is abating. Most Colorado resorts were down at the end of March in the range of 18% - 20% year-to-date. Likewise, for Eagle County the “green shoots” of economic recovery have not become evident. ([Colorado Assoc of Ski Towns Report](#))

Some say that local governments have not fully demonstrated that they understand the severity and potential longevity of the continuing decline. Both the public and private sectors are taking traditional discounting measures as a defense. A locally initiated long term dynamic strategy to break away from the downward trend has yet to emerge.

There is little public evidence, other than bargain seasonal promotions in the Denver metropolitan area, that much is being done by Town officials to attract the high end destination guest market. In the face of double digit declines in sales tax revenues over the ski season just concluded, the Town Council has yet to begin discussion on the budgeting of marketing funds or the identification of expanded target markets for the coming ski season. The Town's first joint venture with Vail Resort, Inc (VRI) into marketing the ski season, traditionally the sole responsibility of VRI, was a modest success according to “Vail - All the Love” organizers. According to a Vail Town Councilman, organizer's spent approximately \$78 per room night. Preliminary reports state that 7,000 rooms were booked at \$199 per night. The net proceeds are estimated at \$1,393,000 less the program investment of \$550,000 giving a return of \$843,000. Value generated does not include revenues from the multiplier effect of adjunct spending by visitors.

Public discussions on strategies for Vail's economic recovery await the findings of consultant research. The challenge is magnified by an estimated 1,000 to 1,500 new pillows needed to fill the hundreds of new residential units in the large upscale developments being completed over the next 10 to 18 months. The community's business leadership has yet to speak as to how they intend to lend a hand in attracting destination visitors from new markets. The lure of the luxury residential and destination guest markets were the justification for permitting well over a billion dollars in public and private construction over the past decade. The Town Council continues to work on franchising new speculative infrastructure, commercial development, and affordable housing projects. These were the keystone items in their social equity and revenue enhancement agendas during the now defunct development and real estate boom.

In the post-boom era, repeating the time worn prescription for economic development offers cold comfort when conventional formulas are proving to be anemic, outmoded or untimely. Some merchants are predicting that the next winter season could be even more difficult because the realities of the downturn will have taken hold, and the efficiency of existing promotions will be blunted by competition from other resorts or from the perception of overcrowding by day visitors.

Over the Town of Vail's nearly 40 year span, the seasonal ebb and flow of sales tax revenues has remained nearly constant; this, after the innumerable efforts to bring the cycle for the remainder of the year abreast of the winter season. More revenue by far is generated in the winter season. There is ample excess capacity to expand the volume of destination business. As a hedge against a prolonged recession, some voices are saying, build upon the core business of the winter season by escalating promotions directed at the destination guests. The ratio of service cost versus per capita revenues ranks the destination guest well ahead of the day visitor.



In the perception of some, the Vail community independent of Vail Mountain already has global winter sports recognition, yet others believe it does not capitalize on its image by effectively marketing itself the world over. Recently foreign visitors have accounted for around 10% of winter visitors. Services throughout the town centers do not readily engage the winter world leisure travelers in their own language as is done in other non-American world-class resorts.

Vail Resorts, which does market abroad, is presently working in conjunction with American Airlines to put Vail on the international destination map through a joint internet marketing promotion. ([AA promotional web site](#)) Similarly, promoters for the Eagle County Airport are working on a tax supported proposal to expand both domestic and international service into the airport. ([EGE Air Alliance](#))

Advocates for expansion of the summer trade, may get a boost, if VRI is successful in getting Congressional action to expand their United States Forest Service (USFS) ski area permit to the summer months. If approval is given, it opens the way for attractions like an Alpine Slide and ziplines, which if unobtrusive, could be welcome amenities.

Few economic forecasters both nationally and world-wide are predicting a swift economic recovery. Many caution that the appearance of a positive upturn in some indicators is no certainty that the worst has past. Unemployment, particularly in the construction and service industries is predicted to continue rising until toxic debt is cleared from the balance sheets of investment institutions. Even when confidence reappears, some professional financiers are predicting the economic landscape for resort properties will be far less attractive for developers and buyers. They say that qualifications for mortgages will be much more demanding. There are those saying that Vail will have to market wider afield than it has become accustomed to in order to attract new high-end consumers.

Eagle County Property Tax Reassessment: The two year cycle of property tax reappraisals is underway. Protests over the revaluation are due by the end of May. The Mayor of Vail has publicly recommended that property owners file a protest. The revaluation is widely disputed in Vail because the close of the reassessment period, June 2008, does not reflect the perceived decline in values brought on by the recession. The dramatic increase in some neighborhood's valuations reflected prices that were set during the height of Vail's speculative boom. Some market analysts say the decline in the number of real estate sales prior to June 2008 are an indication that values were already regressing. The County Assessor is required in setting the revised appraised values to use comparable sales for properties having similar conditions or circumstances. The difficulty for many Vail owners, according to a tax protest professional, is that there are relatively few comparable sales in their neighborhood with which to dispute the Assessor's valuation. Sales comparisons for Vail from the reassessment period and other pertinent information is accessible by the following links:

[Single Family/Duplex;](#) [Condominiums;](#) [Townhomes;](#) [Vail Mayor's Opinion;](#) [Eagle County Assessor Web Site](#)



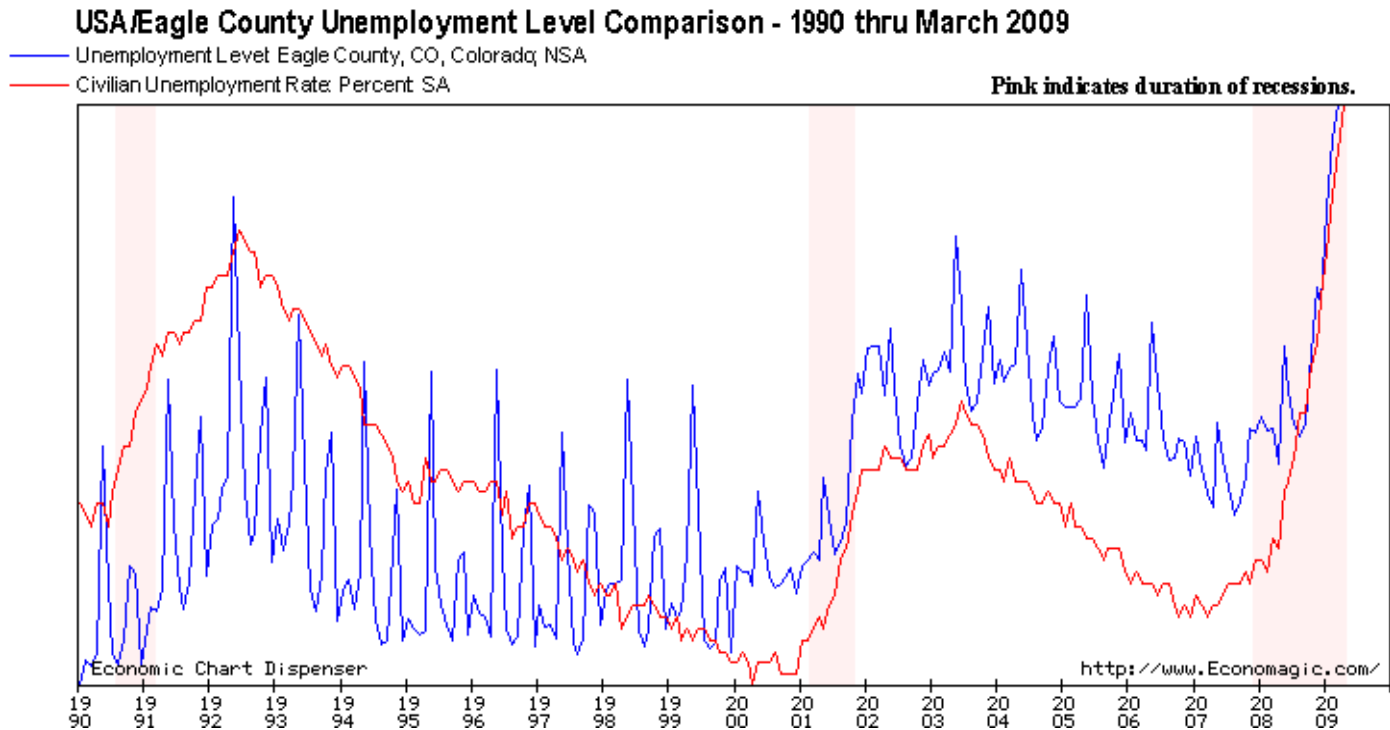
Ritz Carlton Residences under construction in West Lionshead

Real Estate and Development: All major development projects remain under construction. Realtors report total dollar volume for Eagle County in March was nearly \$60 million, ending the first quarter as the highest monthly volume this year. However, only 44 transactions were reported for the month, the lowest on record. The Town of Vail (TOV) reports that construction permit revenue for both small and large projects through April 28th is down 69% from 2008. The Town's RETT (real estate transfer tax) revenues collected on real estate sales is down 72%. ([TOV Revenue Highlights](#))

Vail Resorts took a market leading step by discounting the list price of units by 20% in their West Lionshead Ritz Carlton Residences project. The reduction is an effort to stimulate sales and stave off erosion. According to some

analysts, developers of other similar large projects may not believe they need to take equivalent steps because of circumstances unique to their projects, i.e., values differ between Lionshead and the Village. Others disagree, saying the reduction will become a drag on the value of all Vail real estate, while still others say that the reduction will only affect comparable types of units. Meanwhile, resort industry executives say the ski industry needs to shift focus away from real estate development. ([Denver Post Article](#))

Ever Vail Next Step: The Vail Town Council agreed that Vail Resorts may proceed through the Colorado Department of Transportation (CDOT) review process to straighten the South Frontage Road in preparation for the development of their Ever Vail Town Center in West Lionshead. Some Council members noted that their agreement was not to be construed as an indication of support to approve the development plan for the project. When completed, Ever Vail will provide accommodations and housing for 3,000 guests and residents in a multi-use Town Center. The estimated 1,000 new skiers generated by the development will be served by a new up-mountain gondola. The plan provides for supporting commercial uses, a mass transit terminal, skier drop off and parking for 2,000 vehicles.



Eagle County Employment and Affordable Housing: One of the short term impacts from the slowing pace of construction is reduced labor costs. Some development industry forecasters say building costs will be more competitive over the next 18 to 24 months. The slowdown in construction is causing a spike in unemployment that could result in an out-migration of many in the work force. Over time, worker depletion could cause labor costs to rise.

Some affordable housing advocates have expressed that the recession, which some perceive as a short-term condition, should not deter any effort to increase the inventory of publicly subsidized affordable housing. There are areas within Eagle County with a substantial inventory of privately owned affordable housing on the market, but with few sales occurring.

National demographic trends report worker mobility is restricted because of widespread unemployment throughout the nation. Those Eagle County workers who have become homeowners are reluctant to sell their homes in a recession driven, down real estate market. The marked increase in homes either for sale or on the rental market throughout Eagle County is an indication that many in the work force have no choice but to make preparation to move on. According to some analysts, current housing rental rates mirror the cost of the owner's monthly mortgage payment rather than being a reflection of existing supply and demand. Informed sources report that the county's school district has not yet experienced a permanent drop in enrollment.

The ranks of Eagle County's unemployed nearly doubled in March from a year ago (1,037 to 2,029), reaching their highest level in the last twenty years. During the past decade local unemployment has mirrored the national trend. The national rate continues to climb, with construction and service industries reporting some of the highest levels. The job loss in Eagle County could be even greater than is reported in official surveys as many workers living in Eagle County are undocumented foreigners.

The State Demographer, in discussing the energy based economies of the counties to the immediate west of Eagle County, has concluded that the number of jobs will never return to the amount seen in recent years. Similarly, several local forecasters are saying that the employment levels of Eagle County's recreation-based development, construction and real estate industries may take years to fully recover to prerecession numbers. There are those asking that the State Demographer provide a similar recession sourced analysis of Eagle County's population and work force projections.

Declining home values in areas of Eagle County have caused increased competition between government and privately owned affordable housing. Prerecession projections still provide the foundation for arguments of advocates to build even more government subsidized affordable housing. Some believe this would create a drag on moving the available private sector inventory off the books before the toxic effect of increased foreclosures further depress non-subsidized home values.



Declines caused by the recession in resort visitors and development have increased concerns over business closures.

In a move that some believe may have a dampening effect on new construction starts, the Vail Town Council increased the employee housing fee-in-lieu rate from \$301.65 to \$398.65 per square foot. The fee is calculated on a year-to-year reassessment of the "gap" between the AMI (area median income) and the median cost of a dwelling unit, plus an administrative fee. Property owners who build either new residential or commercial space have the option to either buy or build required affordable housing units or pay the Town a fee-in-lieu. Some say the effect may result in a net loss of jobs. The affordable housing requirements were imposed by both Vail and Eagle County at the height of the construction boom.

During boom times competitive pressure from thousands of well paid transient construction workers drove up demand and cost of affordable housing to a level where non-development based resort businesses were put at a competitive disadvantage. Many resort-based businesses cannot provide housing or competitive wages for their employees because of other high overhead costs, like tenant leases. The construction boom set in motion political sentiments that well organized interest groups used to pressure local governments into adding affordable housing to the list of public subsidies provided to local businesses.

Affordable Housing Gap Closing:

The Economic Council of Eagle County, whose agenda promotes government subsidized affordable housing, reports that in 2008 there was a 70% "affordability gap" in Eagle County between the average home sales cost and the buying power of a two-income household. Each community in Eagle County has a different affordability gap as average buying power and median home sales prices vary throughout the county. Vail had the largest affordability gap for both 2007 and 2008 with gaps of 82% and 87% respectively. Eagle had the smallest affordability gap in 2007 at 38%. Avon and Gypsum were the most affordable communities in 2008 both with affordability gaps of 46%. The report calculates that with an estimated 25% decline in median home prices projected for 2009, the gap will narrow countywide by 10%. However, no single community in Eagle County is expected to close its affordability gap this year. Currently, Avon's projection comes closest with a gap of 28% followed by Gypsum at 29%. Some real estate analysts are forecasting an even greater decline in home prices in the Eagle/Gypsum area than the hypothetical estimate projected in the Economic Council's report. ([EC Reports](#))

The Eagle County government has franchised elements of the Economic Council to be the real estate agency to broker its inventory of deed-restricted affordable housing via the "Home Store". Objections over government interference in the private sector have been raised by some in the local real estate industry.

The effect of declining home prices on the availability of affordable for-sale and rental housing in Eagle County has not as yet been publicly reported by an authoritative source. Some say that governmental affordable housing agencies are not to be depended upon as an unbiased source of objective data, as they have a vested interest in subscribing to higher boom era projections, related policy mandates and impact fees. The upcoming 2010 national census, to be conducted next April and May, will be closely watched to gauge how local population trends are being affected by the recession.

Timber Ridge Affordable Housing Redevelopment: The Vail Town Council has entered into franchise negotiations with a consortium that builds military and student housing to redevelop the Timber Ridge Affordable Housing Project. The proposal is to redevelop 50% of the Timber Ridge site into rental affordable housing for 619 employees in the Eagle County work force. The redevelopment may become one of the most dense projects in the Town of Vail with an eventual 1,200 employees living in the development. The consortium, Timber Ridge, LLC, is made up of two partners, El Paso-based C.F. Jordan and Atlanta-based Place Properties working with a nationwide design and planning firm Humphreys and Partners Architects.

The preliminary development concept is estimated by town officials to be a 5 story building with some form of parking structure. The consortium's proposal brought in construction prices substantially lower than three other competitors. According to some local industry sources, the construction of a concrete block building for \$167/sq. ft. and 14,000/parking spaces is groundbreaking for the area. The consortium's designers say cost savings are possible because of their patented building plans that maximize space-saving efficiencies.

Other factors the Town wants are in the offer: The Town's outstanding debt of \$11 million would be paid off by the consortium in exchange for a long-term land lease. Tenants do not have to conform or comply with Federal or State income standards. Once the project is built the developer will operate and manage the facility. The consortium will self-finance and has obtained financing for other projects in the current heavily constrained market. There is no need for them to enter into a "master lease" with a third party. Currently, Timber Ridge is under a master lease with Vail Resorts, Inc. The CEO of the consortium, it is reported, spends time in Vail and wants to begin construction next April.

Some skeptical voices are saying, it sounds too good to be true: The Town Council entered into a 30-45 day proving-up agreement to confirm that a deal can in fact be struck. There are officials and others predicting that it is no "slam dunk" project. Among some of the issues, the community is going to be concerned about excessive density, architectural appearance, height, parking, access/safety (Simba Run Underpass versus some tenants running on foot across the I-70), amenities, market absorption, construction feasibility and costs.

The Vail Town Council in its interview of finalists for the Timber Ridge project stressed the importance of conducting a survey of the cost and availability of rental affordable housing. Some of the finalists suggested that the project should be constructed in phases taking into account evolving economic conditions. There are financial advisors that believe a deal must be struck soon so that a precarious loan that the Town has on the existing project can be extinguished. Whether the Town's survey will include the competitive effect of increased availability of non-government subsidized affordable housing was not clearly specified. Also, there is a concern that the study may not be objective as there are advocates who want the project built to its maximum size and capacity despite foreseeable economic conditions or community compatibility issues.

Some analysts predict for the foreseeable future fewer people will own their homes and more will rent: They are saying homes as an investment may well not be what they once were. Stringent mortgage financing requirements could further diminish the prospect of home ownership for Vail workers. If correct, say some observers, to attract and hold quality workers Vail should avoid recreating a rental project at Timber Ridge that is a cheaply built, substandard living environment,

which will become another embarrassment to the community. Since the Town can make and enforce their own special rules for this project, some are cautioning that extra diligence should be taken by the public to ensure that a quality product is delivered by Town officials and the development consortium.

Town of Vail's Sustainability Initiative May Consider Limitations on Home Size: The Vail Town Council consented to continuing research into a "sustainability" program that could potentially result in placing limitations on the size of homes, curtail the size of heated driveways, limit the amount of site disturbance, increase conservation and diversity energy sources, and update or increase code compliance and flexibility. The Town has established working committees of local architects and contractors to evaluate proposals prior to bringing them to the Town Council. Concerns have been raised that costs and benefits are far more important criteria to property owners in the post-construction and high-rate-of-appreciation boom.



Rockslide prone unused Union Pacific rails through the Eagle River Canyon near Red Cliff as optional high speed train route.

Study of High Speed Train Service in I-70 Mountain Corridor: Town of Vail officials report that the Rocky Mountain Rail Authority's [\(RMRA\)](#) study of high speed rail service, when completed, may favor embarking on the I-25 Frontage Range segment first before commencing the I-70 intermountain portion. Initially, the I-70 section would end 30 miles east of Vail in Summit County. The final link between Summit County and the Eagle County Airport could take one of two proposed routes. One follows I-70 over Vail Pass, the other leaves I-70 at Copper Mountain heading south towards Leadville linking near Camp Hale with the mothballed Union Pacific track to Minturn through the Eagle River Canyon.

The difficulty is finding a route that keeps to a 7% grade or less which is the limitation on current high speed train technology. These limitations may be overcome with technological advancements from research being considered by a coalition of western states. The Camp Hale to Minturn route is problematic because of difficult terrain and natural hazards like frequent rockslides. One of the reasons Union Pacific mothballed the route was its extreme maintenance costs. If proponents for high speed rail service fail to demonstrate that it is economically and technically viable, then the Colorado Department of Transportation (CDOT) has adopted a comprehensive lane expansion for the I-70 Intermountain Corridor.

Vail has a long standing concern about its own sustainability in the face of any form of transportation that generates noxious noise or visual blight.

Some advocates in the RMRA study process are raising the issues of technological and environmental sustainability. Others are concerned that there will be an attempt to combine both freight and passenger service. Union Pacific has yet to fully abandon the Eagle River Canyon route, which means freight hauling could be reestablished. Sharing a common track for both freight hauling and passenger service is not a desirable option say advocates for high speed rail mass transit.

POINTS OF VIEW:

Harry Dale - Shared Rails Don't Work For Mass Transit: *Harry Dale is a Clear Creek County Commissioner and Chairman of the Rocky Mountain Rail Authority, a group charged with the feasibility study of high speed passenger train service in Colorado.*

To me, Amtrak is a failed model for passenger rail service in the United States and severely flawed for high speed passenger rail service of any kind. Amtrak's passenger service is based on sharing right of way with the freight railroads which is a flawed model and inevitably doomed to fail. Freight railroad corridors were designed to traverse the industrialized and commercial areas of cities and towns many years ago and carry heavy loads at slow speeds. They were not designed to carry light loads (passengers instead of freight) at high speeds in highway and roadway corridors.

The United States has grown through the 20th century with population centers and development along our interstate highway and roadway corridors. People want to travel where our roads take us, not where our freight railroads take us. Corresponding freight rail lines are much less direct than our roadways in connecting popular travel destinations, so inevitably passenger travel in freight railroad corridors takes many times longer than driving, so that it cannot compete favorably with the automobile and requires massive subsidies.

Today, our highway system takes people to where they want to go, but unfortunately is getting over burdened in many urban areas throughout the country. To even attempt to make a dent in our congested highway corridors, high speed passenger rail has to be faster, safer, more convenient and more reliable than driving. This can only happen if high speed passenger rail is given its own tracks within its own right of way and completely grade separated within or alongside popular roadway corridors.

High speed passenger rail cannot be subservient to any other mode or entity. Amtrak cannot provide reliable passenger service when it is subservient to the freight railroads and at their mercy to be cast aside so that freight traffic can keep moving. Passenger rail service in freight rail corridors is continually subject to restrictions placed on it by the freight railroads and even the threat of a collision with a freight train due to a freight train derailment. The "Old School" rail folks in the United States see only one solution for high speed passenger rail service and that is sharing right of way with the freight railroads. The "New School" rail folks envision a whole new standard for an advanced high speed fixed guide-way passenger service that can co-exist in roadway corridors and have absolutely no reliance on, or risk of collision with, the freight railroads. Unfortunately the old school rail folks dominate the FRA and politics in Washington DC, so we are likely to get more of the same failed Amtrak policy and service out of the FRA.

So, while I realize my explanation has been a bit lengthy, it is very hard for me to get excited about any type of Amtrak service coming to Colorado (stimulus package or not). I almost think it will do more harm than good, since most people tend to think of unreliable, heavily subsidized and extremely slow Amtrak passenger service when they think of passenger rail service in the United States. Any successful high speed passenger rail service in the United States must distance itself from Amtrak and make it very clear to its potential riders that it is NOT Amtrak. ([Also see Rocky Mountain Rail Authority site](#))

Alpine Coaster and Zipline in Vail's Future - Bart Cuomo: *Mr. Cuomo is a local Vail businessman known for backing up his outspoken views with accumulated wisdom and practicality.*

Vail Resorts may be posturing itself to introduce an Alpine Slide or Coaster and maybe even a zipline, however, this time instead of angering Beaver Creek residents, it may be in Vail. If Federal legislation presented by U.S. Senator from Colorado, Mark Udall, passes, it will give ski areas the ability to boost year-round recreational opportunities and improve Colorado's recreation economy, although not necessarily the quality-of-life of the residents in those areas. Curiously, Udall is a Democrat (so the bill has a good chance of gaining ground) and under Robert Katz, Vail Resorts made a large donation to the Democratic National Convention. Payback time? Our guess is that overall reception for this from the Vail community would be positive, however, certainly some property owners are likely to be affected and will justifiably have concern. Beaver Creek property owners may end up being the biggest supporters as they have steadfastly fought to keep an alpine slide out of Beaver Creek and if a slide is introduced in Vail, we would assume that it would be very unlikely that another would be sought in Beaver Creek. ([Vail Realty Newsletter](#))



Sunset's Secret Garden

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