



Lionshead's Strata Vail condominium project to break ground in April.

Vail Homeowners Association Newsletter

News, Analysis, and Commentary for Vail Homeowners

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Executive Summary

The Town of Vail is modestly advancing its financial position through sales tax receipts generated in part by Special Events. These advances may not be sustainable indefinitely. In recent years, the Town has not been able to rely on real estate related taxes as it once did. Since the beginning of the year, real estate sales have been on the rise, but some analysts say that the Town's revenue from real estate development will

grow at a slower rate than during the boom years. There is a large inventory of capital improvements that need to be made to overcome congestion and pollution related issues. How the Town balances its short-term priorities will in large measure determine the community's long-term success.

The Vail Economy - Are There Still Blue Skies Ahead?

Vailglo and Enzian Lodge giving way to progress.

Historically Vail's economy was dependent upon tourism and real estate sales. Since its inception, the Town of Vail has successfully balanced revenues from sales and real estate taxes to cover the cost of government operations and capital expenditures. In the go-go days of Vail's Billion Renaissance, the Town was awash with revenue, but the onset of the Great Recession in 2007, coming at the end of the "Renaissance," drastically reduced real estate tax receipts, leaving the Town to sustain itself largely on its sales taxes.

More importantly, the Great Recession caused profound shifts in the U.S. economy, which are only beginning to be felt in Vail. It is not the loss of middle-class jobs or the disappearance of the middle class, but rather, lifestyle changes that portend a major shift in the Vail economy. To a certain extent, the community and Town had harbored the expectation that the real estate and development market would bounce back and once again be a major revenue stream for Town government. It hasn't, at least not to the degree some had hoped for; the situation is [not unique to Vail](#) nor has [Vail Resorts](#) remained invulnerable. A report comparing [Colorado mountain resort counties](#) shows that Eagle County (Vail) year-over-year real estate sales volume was down -7.38%, while Pitkin County (Aspen) was off by -13.82%. [Vail and the lower valley communities](#) show as some of the most active in dollar volume and number of sales transactions.

There are indications that the real estate market will improve in 2014. The Town estimates a 16% increase over last year in revenues from Real Estate Transfer Taxes (RETT) through the end of February. Real estate analysts report that beginning in late summer of 2013 inquiries began to increase, culminating at the beginning of 2014 in several sales of luxury residences in the Forest Road neighborhood and throughout Vail Village. The depletion of available inventory is causing prices in some neighborhoods to rise; while not yet a seller's market, it is motivating some opportune sellers to put forward more realistic asking prices.

Strata Vail from the South Frontage Road

[Realtors are optimistic](#) that 2014 will be much better than last year. Even though there are [positive signs](#) that the local market is stirring, some analysts are saying, don't expect anything that remotely resembles pre-recession boom conditions. The shrinking inventory of available luxury condominiums is sufficient to motivate developers to initiate the processes, subject to market conditions, to construct the La Strata project in Lionshead. The project is to be built on the sites of the Vailglo and Enzian lodges. It would be the first major project in Vail to begin construction since 2007. Other developers are eyeing their prospects. The Town has a queue of hundreds of pre-recession units approved for development, but developers are waiting for economic conditions to improve.

Is A Housing Bubble Forming?

The Vail/Eagle County real estate [buyer profile](#) is decidedly American with 53.4% local residents, 15.12% Denver metropolitan, 30.12% out-of-state, and 1.36% international. There is recent [improvement in national housing prices](#), though it [may not last](#), as some are already warning that a [housing bubble is reoccurring](#). Prior to 2008, the "American Dream" envisioned home ownership. Now, the importance of [home ownership has waned](#) with more of the younger generations turning to rental housing.

These trends may well be reshaping the upcoming generation of resort real estate consumers into renters rather than purchasers. Adding headwinds to the Vail housing market is the fact that stricter requirements for bank loans (20% down for primary residences and 50% down for second homes) makes buying residential property in high end resorts a heavy lift for most Americans. If these trends persist, the Town of Vail will become even more dependent on sales tax revenue to fund its operations.

The escalation in carrying costs, condominium fees and taxes continues to erode profitability, formerly recoupable from short term rentals or appreciation in market value. For foreign investors looking to shelter capital through residential real estate investments, the Internal Revenue Service (IRS) reporting requirements have become more onerous, even when purchasing real estate using the tax advantages of limited liability corporations (LLC). If these prove to be the new realities that are realigning real estate investment, then the Town can expect a long-term, slower pace of revenue growth from both sales of existing properties and new construction.

Are Special Events The Answer?

The Town has put great effort and funding into securing and promoting special events. The Town is improving its [evaluation techniques](#) to determine the [return on its investment](#). Over five years into its special event strategy, the resulting growth in sales tax revenues has offset the losses from real estate taxes, but just barely.

Even after two consecutive years of record breaking sales tax generation, preliminary reports show the [Town's stream of all revenues](#) grew in 2013 by

Summer Special Event Crowd

only 0.4% from the prior year when adjusted by the cost of living index of 1.5%. As a result, the Town has had to draw down its reserve accounts to finance portions of its operational costs, including the hosting of special events. Critics are not saying whether the Town special event strategy is right or wrong, but ask the question, is it a viable strategy on which to sustain the government for the long term? It is reported that a study conducted in the 1990's concluded that the Town could not survive long-term solely on sale tax revenues.

Special events attract large crowds of day visitors, which at times can be very disruptive. And, as a result, the quality of the Vail experience is suffering from the [stress of overcrowding](#), whether it is from parking on the Frontage Road, unruly crowds or hearing the tales of near miss collisions in the villages. There are hidden costs for the Town to hold these events that are not readily apparent in the Town's budget. At what point do certain types of special events and their frequency become more trouble and costly than they are worth?

What Is The Source Of Future Funding?

In the near term, Vail faces some major funding issues. Just to name a few, the price tag for Gore Creek pollution cleanup has yet to be tallied and it could be a large number. Vail needs some substantial infrastructure improvements, notably ground and air access to the Vail Medical Center facilities that are compatible with the surrounding residential neighborhoods. Traffic flow remains a significant problem, particularly in the Golden Peak area. And the redevelopment of the Vail municipal facilities will have a large price tag.

If sales tax growth trends remain modest, it could mean that there would be pressure to increase other types of taxes and fees. For example, funding for the expansion of service to the Eagle County Airport is being proposed by some to come from increases in sales and lodging taxes. The Town of Vail's new [mandatory trash recycling ordinance](#) will likely increase service fees for trash removal for most businesses, renters and homeowners. Rate increases have already been put in place by the Eagle River Water and Sanitation District and are scheduled to appear on ratepayers' monthly bills in 2015.

There is concern that Vail may find itself on a path of escalating tax and rate increases. Therefore, the need to give greater public scrutiny of public spending, and of those who do the spending, becomes all the more important if Vail is to continue to create prosperity for its residents and property owners.

Election Update - Candidate Forum

This May 6th, Two Special District Elections Will Affect Vail Property Owners.

Unlike the Town of Vail general election, all individuals owning taxable property in Vail, and their spouses, are eligible to vote, *if* they are registered to vote in Colorado. They do not need to reside within the special district. See our website for [more details](#).

MAKE SURE YOUR VOTE IS COUNTED!

VAIL RECREATION DISTRICT

The Vail Recreation District is conducting an [at-the-polls election](#) to select three of their five member Board of Directors to serve four year terms. This is an important election as their Board [oversees the management](#) of the Vail Golf Course and Clubhouse as well as many other community programs. Ballots *will not be mailed automatically*, however, eligible voters can request an [absentee ballot](#) from the VRD's Designated Election Official if they desire to vote by mail.

The Vail Chamber and Business Association is hosting a VRD Candidate Forum from 5 to 6:30 p.m. on Thursday, April 10 in the Vail Town Council Chambers. The forum is open to the public. Candidates will answer a series of pre-determined questions and field questions from a live audience. Seven candidates, Kevin Foley, Constance Miller, Kimberley Newbury, Robert Oppenheimer, Brian Rodine, Tom Saalfeld and Penny Turilli are running for the three Board of Director seats.

EAGLE RIVER WATER & SANITATION DISTRICT

The Eagle River Water & Sanitation District will be holding a [mail ballot election](#) to determine four of their seven member Board of Directors and to decide on a proposed property tax increase to fund \$25 million in improvements to the District's 3 waste water treatment plants and an associated TABOR (de-Brucing) measure. Ballots will be automatically mailed to eligible electors between April 14th and April 21st. Voters not receiving their ballot by April 26th, should [request a replacement ballot](#) from the ERWSD's Designated Election Official.

Directors will be elected to serve a four-year term for Director Districts 1, 5 and 7 and one Director will be elected to serve a two-year term for Director District 2. The ERWSD did not receive any Self-Nomination and Acceptance forms for Director District 3, so there are no candidates on the ballot for this position. Following the election in May, the newly elected Board of Directors will have the opportunity to appoint a Director for Director District 3, who will serve until the next regular election in May of 2016. The candidates are:

Director District #1 - Four Year Term

Kaye Ferry
Rick Sackbauer

Director District #5 - Four Year Term

Matthew D. Scherr
Tom Allender

Director District #2 - Two Year Term

Sounia Nejad Chaney
Paul Andersen Testwuide

Director District #7 - Four Year Term

Ellen Smith Eaton
Bill Simmons
Tommy King

See the [Vail Homeowners Association](#) website for more information on voter eligibility and requesting ballots for both elections.

Keeping You Informed is Our Mission

Keeping Vail's residential property owners informed is a key mission for the VHA. In this issue we reported on several of the economic challenges facing Vail. For future editions, we will continue to monitor the issues affecting Vail's residential property owners. We will report on what the issues are, what steps are being taken, or not taken, by those responsible and relate how those issues might play out to affect the quality of life for the Vail community.

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