



A glorious spring day in the Vail Alps

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# VAIL HOMEOWNERS ASSOCIATION

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**Vail Economy:** Vail residential property owners are, as a result of the recession, hearing realtors recommend lowering selling price expectations by 20 to 40 percent from the 2007 market high. The Homeowners Association advocates that the first order of business is to follow those pathways that will most effectively return the appreciation of property and business values. There are some outside observers who have given a harsh assessment of Vail real estate prospects. ([WSJ Article](#)) However, local realtors are reporting that since the first of the year a pattern has set in of steady month to month increases in property sales. ([Land Title Guarantee Market Analysis](#))

The Town of Vail is reporting first quarter [construction activity](#) in Vail is showing some signs of growth compared to the first three months of 2009. Building valuation totaled \$6.44 million as of March 31<sup>st</sup> of this year, compared to \$4.7 million during the same period in 2009, a 37 percent increase. Vail's record year for valuation was \$496 million in 2007.

**VRI Reports Positive Growth for Winter Season:** While some local business owners are showing indicators that the worst may be over for the winter tourism segment of the local economy, other Vail merchants say that in their view net revenues have contracted by as much as 20% over the past 18 months. There are others saying the community's [return-on-investment](#) is not what it should be and needs to be improved. Vail Resorts is reporting [winter season](#) positive growth from its winter sports resorts over last year.

An end of the year status report on the [workforce](#) in Eagle County indicates that the supply of new jobs and the demand for affordable housing is decreasing. [Employment figures](#) since the beginning of the year show a steady loss of jobs. Job numbers during the off-season will be an indicator of employment conditions within the county as well as the [rate of foreclosures](#), which continue to rise.

**Need More Detailed Business Reports:** The bellwether of economic success is measured by trends in Town of Vail [revenues](#) from sales taxes, fees and real estate sales. While the pace of the decline has slowed, a climb back to pre-recession values is predicted to be challenging and drawn-out. There are those saying that the Town's reporting methods are not refined enough to identify the full impact of the recession upon local businesses.



**Banking on Redevelopment Renaissance:** The community is banking on its redevelopment Renaissance efforts to speed its recovery. To some, the near two-decade long redevelopment is but a first step in Vail's modernizing Renaissance. A successful Renaissance will also liberate economic and other forces from outmoded institutions and goals. To them, this is the phase that the Vail community is now entering. Reform is being given even further impetus because of new realities brought on by the recession.



**Moving to a Higher Plateau:** If a higher plateau of economic progress is to be attained, it is important to distinguish between reinvigorating traditional markets, supplanting those that are minimally productive and diversifying into new ones. Vail, in their view, should now be working to build upon its established strengths to diversify its economy by developing new destination guest markets not only domestically, but from throughout the world. They see a need, to replace those markets that have dissipated or been undervalued.

**Restoring Profitability:** Until the profitability of the summer and winter economy are restored, there are those who believe the costs associated with the decades long quest to infill the off-seasons needs to be sidelined. Health & wellness is and will continue to be a steadily growing niche market for Vail, but it is faddish prone and as yet not proven it could produce an ample return on investment. There are those who doubt it will be comparable to the well-established draw of the winter and summer seasons.

**Merging Summer and Winter Marketing:** It is reported that the coordination among groups responsible for summer and winter economic development is improving. However, the need for strategies, both long and short-term, to diversify or expand the more lucrative winter

destination guest markets is still being given short shrift by government officials. They provide minimal guidance beyond the distribution of \$2 million in obligated tax receipts they spend annually on summer and offseason business promotion. As well, local chamber of commerce associations are cash poor and depend on the Town for much of their revenue.

**Taking the First Step:** It is said among local real estate developers that to enter a new market it takes nearly 20 years of commitment to create a robust reoccurring client base. The summer and winter success of the Latin American market is proof that the development of Vail's international markets is possible. As witnessed by the vibrant performance of the Latin American market this past winter season. Once a cultural critical mass is reached, long-term exponential and sustained growth over multiple generations is highly probable.

In Vail it is important to know that the growth of the Latin American market was created through the efforts of the private sector. Little direct effort has been made by the public sector to enhance this market.

**No Cheap Seats:** Local developers use a rule of thumb that to sustain the current high-end real estate market, it takes a prodigious \$60 million net worth to afford a high-end \$6 million residential property in Vail. The available pool of buyers



at this level from the United States has been substantially reduced by the economic events of the past two years. The domestic destination guest market for hotels and rental units has been affected likewise.

**First Steps Are Being Taken:** There are incremental steps being taken by some in the private sector to anticipate and diversify into new destination guest markets. Exploratory forays have been conducted in Eastern Europe. The Asia-Pacific market is being assessed. Emerging markets with their growing middle and entrepreneurial classes are seen as offering potential for Vail as a “must visit” destination on the Grand Tour of winter and summer mountain resorts.



**Paris - Charles de Gaulle Airport – Someday direct international air service to Vail**

**Why Europeans and Other Internationals Would Come to Vail:** The founders of Vail established a principle that the community was to be developed in the image of the European winter resort so that it could benefit by attracting both domestic and international destination guests. Their desire was to create an ambiance for the community and ski mountain that was familiar to those who had enjoyed, or desired to enjoy in North America, the best aspects of European ski resorts. Vail’s success with European markets was and remains enhanced through hosting international Alpine skiing competitions. It is reported that the percentage of Vail’s winter international destination guest market typically hovers around 10%. Fifty percent of the area’s total destination guest market arrives by air according to industry consultants.

**Formula for Success:** Vail’s effort to effectively attract new markets, European or others, according to one well experienced Vail marketing executive, needs to have the following factors in place:

- Advantageous exchange rate
- Competitive pricing with continental resorts
- Four and five star hotels with incredible kitchens
- Diversity of outstanding restaurants and retail stores

- Memorable atmosphere, design and architecture
- Novelty and uniqueness of experiences
- Personal treatment and safety
- Accessibility by air

Interestingly, this marketing executive advises that Vail should not make it too easy to get here. People, particularly world travelers, enjoy the challenge of going to foreign places and finding their way around on their own terms. There are other travel professionals who disagree with this view. Nonetheless, everyone wants to be treated as “special” says the marketer. Within this context their personal safety is a paramount health & wellness concern. Of particular note is the extent to which some winter sports enthusiasts are now going to protect their personal safety. A local sport equipment retailer reports that they have seen this ski season, a tripling of protective helmet sales. They’re hottest selling item is a \$380 body armor suit. This is an indication, in the executive’s view, of a need to further temper aggressive behavior and relieve congested areas on the mountain.

**Two-Pronged Approach Needed:** The executive says that Vail should take a two-pronged approach to attracting destination visitors. The first prong should be to reacquaint existing customers to what post-redevelopment Vail offers. The word should spread rapidly as contemporary peer and social networking communications take hold. Importantly, customer development should not be aimed at traditional forms of mass marketing. There is a need to reassert Vail as an exclusive high-end resort and reverse what some see as a trend towards a day skier area.

The second prong should be improving the quality of the consumer’s experience, once they have arrived in Vail, by weaving more cosmopolitan complexity and multi-generational specialization into their stay in Vail. The refining and furtherance of the community’s cultural, entertainment, outdoor sports and health & wellness agendas all fall within this class of experiences.

Vail Resorts and larger lodging operations, like the Sonnenalp Hotel have ongoing European marketing efforts with supporting relationships to travel agencies and other services, which potentially can be scaled up should incentives exist to increase market share. These incentives now exist because Vail’s long awaited large inventory of new high-end destination guest accommodations is coming on-line.

**Need for Private Sector Initiative:** There are those working to upscale Vail’s image to reflect and promote the potential of these new facilities with both its traditional and potential markets. However, the existing organizational and institutional arrangement to promote the community will more than likely change to account for an expanded power center composed of lodging properties with broad national and international reach.

**Vail Art Market Potential:** A Vail Council person has recently reasoned publically that one justification for a proposed 1,000-seat conference center is that it could be used by art dealers for large-scale art markets, similar to those held elsewhere in the United States and Europe. The concept is unrealistic says a source familiar with these events. To build a conventions center for such a purpose shows a complete lack of understanding of the art market.

One of the largest of a number of shows in the United States is Art Basil in Miami, which has several satellite shows running at the same time. The Armory Show in New York City and the Navy Pier show in Chicago are two others that are large and famous.

These are massively complex events, you don't just announce it or proceed on a "build it and they will come" approach. Starting such a show requires an experienced promoter. One of the keys is





getting the larger national and international art community to attend the show. There are not enough of those kinds of buyers in Vail. That is the reason that they will have to be brought in, requiring extensive promotion with advertising, marketing and inducements. It requires getting top galleries to participate and, more importantly, to ship their best pieces to the location. That is expensive and the galleries will only do it if there is a realistic potential of a sufficient number of buyers to justify the expense. Nowadays, a certain amount of the art is even presold before the show.

These shows set high standards; by comparison the existing shows at Lionshead and Beaver Creek are minor league. If there is a desire for some group to take on the task of taking the first step, one gallery operator says, there are an ample number of display spaces already available throughout the community. There is no need in waiting to build a convention center before the first step is taken.



**Vail Needs to Consider Strategic Annexation of a Portion of the State Land Board Section Near Eagle-Vail:** During the November Vail Town Council election the idea of Vail annexing Eagle-Vail was floated. At the time, Eagle Vail voters were considering an election issue that would finance \$7 million in recreational improvements, which was subsequently approved. The election gave Eagle-Vail greater financial independence, so much so that follow up discussions by either community about annexation remains dormant.

Eagle-Vail is an unincorporated community in Eagle County west of Dowd Junction. Eagle County has embarked upon an update of its master plan for Eagle-Vail. It is partially motivated by a possible disposal of portions of a section of land owned by the State of Colorado Land Board.

In recent years the Town of Minturn, to protect its long-term interest, included Eagle-Vail in its 3 Mile Master Plan, giving it a stake in any move by a competitive municipality to seek annexation. The Town of Vail, has not completed a similar extra territorial plan, other than its boundary land adjustment plan done some years ago in conjunction with the United State Forest Service (USFS).



**Vail Needs to Annex State Land Board Site:** The Homeowners Association has noted to both the Vail Town Council and Board of County Commissioners at a recent joint work session in Vail, that the state owned land is critical to the long-term transportation interests of the Town of Vail. These interests are of sufficient magnitude that the Town should consider annexation of strategically important portions of a large section of land known as the State Land Board site. Should annexation be considered, it would need to be done in close consultation with all other adjacent jurisdictions.

The most compelling reason for annexation is that the Colorado Department of Transportation has considered building an I-70 [bypass tunnel](#) at Dowd Junction around landslide prone areas. The west portal of the bypass tunnel may occur near or on a portion of the State owned section, north of the Eagle River. This portion of the State Land Board site may be well suited for transportation related uses. ([CDOT Design Options for Dowd Bypass Tunnel](#))

**Critical Transportation Junction:** The Union Pacific Railroad (UPR) tracks are immediately adjacent to the Land Board site. The Colorado Department of Transportation (CDOT) has recently completed the necessary compliance qualifications to receive further Federal consideration in their long-range planning for “high-speed” train service from Denver along I-70 to the Eagle County Airport ([Rocky Mountain Rail Authority Report](#)). This accomplishment increases the importance of the State Land Board site, as it is strategically located for a future passenger train station that could serve both Vail and Eagle-Vail. The station location will be decided depending upon the final choice between two proposed routes Vail Pass/Vail or Leadville/Minturn. If the latter is chosen, a railroad spur may need to be built to Vail, which would again bring the Land Board site into play.

The State Land Board site may play a role, even if the large CDOT high-speed train system becomes less of a factor. A promotional group in Eagle County is getting support from local governments to pursue their [GreenPort initiative](#). The initiative is a real estate based regional economic development strategy that would use the current Union Pacific rail line to serve several new affordable housing communities between Vail and the Eagle County Airport. GreenPort proponents are saying there is a need to investigate rail service into Vail from Dowd Junction. Rail service to Vail has already been studied within recent years by Eagle County.

The Land Board site as well as other sites in the immediate vicinity and south towards Minturn offer the potential to be important for future commuter parking and related uses. The United States Forest Service parking lot at Dowd Junction is already being used as a commuter parking lot for Vail employees. In the view of some, the Town of Vail would be better served by investing in outlying parking rather than spending public funds on expensive new parking structures.



**Vail and Eagle River Fire Departments' Trainees**

**Beetle Kill - Wildfires, Evacuation Plans, Falling Trees, Power Plant and Biofuels:** The Town of Vail is preparing for its fourth consecutive season of wildfire mitigation from the threat of pine beetle killed trees in and around the community. Vail's year round fire fighting crews are augmented from May through October with the addition of six seasonal wild-land firefighters. The seasonal fire fighters are responsible for improving the community's wild fire

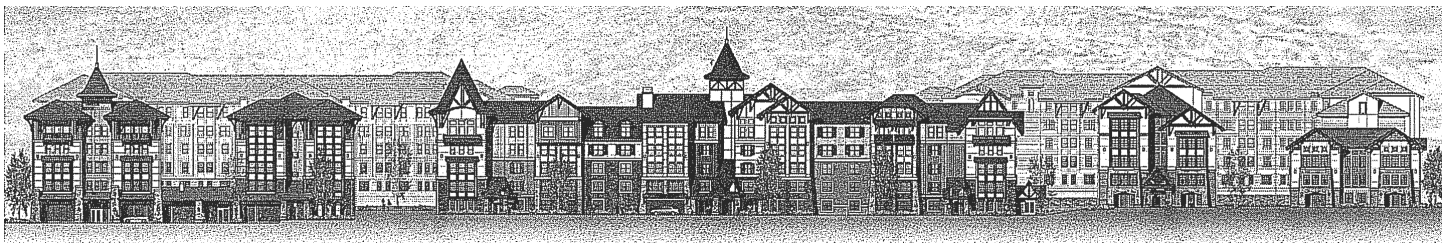
defenses by removing dead trees from public lands, assisting with wildfire suppression, and working on preventative measures with private property owners. The Town's wildfire program will continue for the next several years.

The Association advocates that the Town, in addition to its fire prevention efforts, provide sufficient communications and other public notification procedures to provide for the evacuation of the community should a catastrophic wildfire occur. Communication systems have been improved, but more work remains to be done.

United States Forest Service officials are warning that people should be aware of increased danger from dead trees falling in high wind conditions. Some foresters are saying standing dead trees are not as much of a fire threat as when they fall blanketing the ground with tender-dry fuel. Roadless area advocates don't want the dead timber removed.

Meanwhile, Town officials continue to look for ways to clear away the threat and blight. It is working with a private company seeking Federal funding for Vail to build a [beetle-kill steam generating power plant](#). Officials were recently in town making an assessment of the proposal. Elsewhere, other entrepreneurs are looking to develop a consumer market by using science to develop new methods to [refine beetle-kill](#) into butanol, a bio-fuel that can be blended with gasoline.

**Special District Election – ERWSD:** Special districts tend not to get the attention they deserve because of the narrow scope of services they provide. Yet these entities control large sums of public dollars and in the case of the Eagle River Water and Sanitation District have a determining role in how development occurs from Vail to Wolcott. In the west, those who control the distribution of water, exercise extraordinary power. The complex technologies require less political and more technical skills than is typical of most elected positions in local government. Moreover, experience and continuity of leadership is a paramount consideration in deciding upon who should be elected to [contested seats](#) on the ERWSD Board. Continuity of leadership is doubly important because of the interlocking and often contentious relationships with powerful Front Range water development authorities, which have a say in the control of vast amounts of water in Eagle County. While transparency, constituent communications, and technological innovations can and are always being improved, a record of sound fiscal management without relying on voter approved new debt, in these uncertain times becomes a deciding factor in choosing leadership. Likewise, the most effective board members are those that have shown that they can rise above highly competitive “parochial interests” to help shape collaborative decisions that benefit the “shared interests” of the entire service area.



**Affordable Housing – Timber Ridge Redevelopment Proposal Strongly Criticized by DRB:** Observers say all is not going well with the design approvals for the redevelopment project. The Town of Vail’s Design Review Board (DRB) has raised serious concerns about the quality of the project. They have told the developer that the exterior finishes they have proposed are substandard and unacceptable. Board members voiced their near unanimous criticism concerning the lack of quality in the project’s architectural and landscape appearance as well as other important factors under the DRB’s purview. There are those saying that corrective measures to attain the DRB’s desired results could push the project cost beyond the developer’s expectation. The Town Council has the ability to override the DRB’s decision.

The Town Council entered into a predevelopment agreement that contains a provision where the Town’s taxpayers could incur a \$1 million penalty if it fails to meet certain deadlines and conditions for approving their own handpicked developer’s proposal. However, as a general rule, town governments cannot enter into contractual agreements that bargain away their review, approval and enforcement powers.

There are those who have complained about the Council entering into financially punitive agreements, saying that it is inappropriate for the Town Council to attempt to bind the hands of their own reviewing agencies. If they are going to carry on business in this manner, then they should be required to first get approval from Town voters.

## **POINTS OF VIEW:**

**Two Sides to Every Story – Bart Cuomo** – *Mr. Cuomo is a local Vail businessman with extensive real estate and development experience. He is known for backing up his outspoken views with accumulated wisdom and practicality.*

Recently it was reported that the Town of Vail had awarded the contract to build the new fire station in West Vail on the site of the old Wendy’s. The finalists for the project included a local contractor in addition to two Denver contractors. However, in the end the project was awarded to a Denver contractor, which has created a bit of a stir as the local-based contractor asked why the project was not kept local. On one hand, we can understand the ire some feel that the project was not awarded to a local business as we know that local businesses really need a shot in the arm. On the other hand, why can’t local contractors be more competitive than those in Denver who are based one-hundred miles away and will have to house its labor force? Are local contractors just too greedy? We all know that when times were great in the Vail Valley and construction was booming, the cost of getting anything done in Eagle County was at a big premium and subcontractors rates were at a premium as compared with those in other areas of the state. However, things have changed. Local governments, like the Town of Vail, are under pressure to stay within budget and find whatever savings are possible. The Town is not the Federal Government and is not in a position to fund a “stimulus” program. Until local contractors can come back down to earth and be more reasonable, they will continue to lose out to hungry Denver businesses who understand the realities of today’s world. ([Vail Realty Newsletter](#))





Morning after the storm

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