

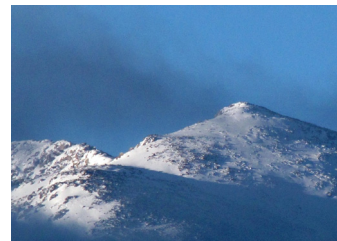
VAIL HOMEOWNERS ASSOCIATION

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Executive Summary:



Vail Economy: This will be the first winter season when the community's new inventory of high end destination hotels and resort residential properties will be in operation. Some are concerned that these properties will follow the practice of many established domestic market lodges of "slipstreaming", undercutting higher end properties by lowering room rates in order to gain higher [occupancy](#). They believe that this would have a negative effect on the productivity of aggressive international [marketing initiatives](#) such as the one put in place by Vail Resorts.



Winter Season Opens: Vail Mountain opened the ski season to [excellent snow](#), the biggest party, and the largest expanse (52%) of skiable terrain in memory.

The Broader View: Vail is one of the few resort communities that have globally desirable attributes sufficient to leapfrog over the limitations of the national economy. A move to high-end international tourism is a niche market that other mountain resorts covet, but few can accomplish as readily as Vail. There remains in the community's business leadership a hesitancy to break with the past.



National and International Economic Conditions: The expectations for a [quick rebound](#) in the national economy have faded due to the nation's inability to escape the [polarized gridlock](#) of partisan politics and intractable unemployment.

Development and Construction Employment: Many are doubtful that without large government stimulated infrastructure projects, the United States will not experience another unprecedented construction boom for perhaps another decade or longer.

Property Sales Ahead of Last Year: [Real Estate sales](#) for Vail proper are showing signs that the steady decline in prices over the past two years may be reaching bottom. Residential property sales and associated [transfer tax revenues](#) are moving beyond the record low levels of 2009.

Survey of Summer Business... Happy Consumers, Flat Revenues: The domestic economy, while keeping the community buzzing with crowds engaged in organized entertainment events, shows few signs of upward movement in profit margins as reflected in the Town's [sales tax revenues](#). A [survey of consumer sentiment](#) from this past summer season worryingly reports that visitors are far less inclined to shop in Vail than they were in years past.

Entertainment and Special Events Fill Economic Breach: Vail's event planners are taking advantage of historic trends that cause domestic consumers during economic contractions to spend on "entertainment" and save by cutting back spending on consumables, a boon for the lodging, food and beverage, a bane for retailers. A recent [report by Vail Valley Foundation](#), Vail's largest event promoter, gives a profile of their 2010/2011 events, attendance and economic impact statistics.

Vail's Role in the 2015 Alpine World Ski Championships: Organizers report that, in their planning to date, Vail will most likely be the site of the opening ceremony for the event, to be held at a temporary stadium erected at Golden Peak.



Vail Communications Spine Getting Major Upgrade, But... : The Town of Vail and industry giant Comcast in cable franchise negotiations have taken a quantum positive leap forward in opening the opportunity for state-of-the-art service to the Vail community.

Ever Vail, Another Step in the Town of Vail's Years Long Review: The Town of Vail's report on the [economic impacts](#) of the proposed Ever Vail Town Center project in west Lionshead is completed.



Town Approves Moroles Sculpture Budget – Project Approval Pending: The controversy, [reported nationally](#), over the \$260,000 (includes a \$133,000 artist's fee) Ford Park relocation of the sculpture is not finally decided just because the budget allocation was approved.



Success in the winter ahead will take more than good snow.

© Photography - James Franklin Lamont

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Vail Economy: This will be the first winter season when the community's new inventory of high end destination hotels and resort residential properties will be in operation. Some are concerned that these properties will follow the practice of many established domestic market lodges of "slipstreaming", undercutting other higher end properties by lowering room rates in order to gain higher [occupancy](#). They believe that this would have a negative effect on the productivity of aggressive international [marketing initiatives](#) such as the one put in place by Vail Resorts.

There are those who are anxious that slipstreaming could suck away the opportunity for the new higher end properties to be competitive. The practice, if it continues, could put a serious drag on the pace of Vail's post-recession economic recovery. Slipstreaming flies in the face of the community's long planned economic and redevelopment strategy to elevate Vail to a competitive level well above any other North American mountain resort. Proponents who argue for more aggressive pricing say that, because of its international reputation and appeal, Vail is one of the few resorts that can command premium prices well beyond its competitors. They worry that to bring new high end properties into the market at bargain basement prices could permanently set back Vail's recovery. The performance of the community's existing and new internationally connected grand hotels and luxury residential properties will be closely observed over the winter season by business analysts.

It is reportedly the goal of Vail Resorts to increase its market share for Vail through a greater reliance upon the overnight destination guest. New to the ski company's marketing equation is an increased emphasis on promoting destination international business primarily from Latin American, Canada and Australia. A weakness in the Dollar to the Euro is also

a plus in attracting guests from Europe. [Direct flights](#) into the Eagle County airport from major domestic and international hubs throughout the United States will offer service levels comparable to last year's ski season.



Skiing's Future - The US Ski Team's appearance in Lionshead sparks the dreams of Vail's youth and their parents.
Photographer: Tom Green

Winter Season Opens: Vail Mountain opened the ski season to [excellent snow](#), the biggest party, and the largest expanse (52%) of skiable terrain in memory. The image of skiers reveling in untracked powder was amplified with a large menu of crowd generating rock music events both on the Mountain and in the resort. The opening day festivities drew in sizable crowds of local skiers kicking off a season that could see one of Vail's most aggressive global marketing efforts ever. A preseason promotion hosting a training camp for the US and other international ski teams put Vail in a competitive lead in

grabbing the public's attention. Equally, snow laden imagery circulated world round were attention getters for the season ahead.

The Broader View: Vail is one of the few resort communities that have globally desirable attributes sufficient to leapfrog over the limitations of the national economy. A move to high-end international tourism is a niche market that other mountain resorts covet, but few can accomplish as readily as Vail. There remains in the community's business leadership a hesitancy to break with the belief that a deeply entrenched local development and construction industry will no longer be a potent economic force for some time to come, particularly if private sector efforts to plan for long-term development growth are rebuffed by Town officials.

Few in business leadership positions have professional experience in international business and even fewer are comfortable in navigating the interpersonal nuances necessary in serving a multicultural clientele. There is much retooling and refinement that needs to be done before Vail can feel comfortable in its emerging role as an international mountain resort community. More needs to be understood by the community about its stature as a national emblem and as a global icon. Importantly, Vail needs to understand how national and international events are shaping its future.



The challenge ahead, balancing philosophies - Born Free and Live to Serve

National and International Economic Conditions: The expectations for a [quick rebound](#) in the national economy have faded due to the nation's inability to escape the [polarized gridlock](#) of partisan politics and intractable unemployment. Going unattended is the business of transforming the country's energy and transportation infrastructure to benefit the economic productivity of future generations. Generations who will need a better [education](#) and infrastructure tools to create investments that will pay back the present generation's mounting debts. As put by a noted [national political columnist](#), a falling man thinks he's flying until reality abruptly intervenes.

Dampened consumer spending is unlikely to repay a growing national debt. Speculation about [rising inflation](#) threatens a weakening dollar, produces [lower returns](#) on investments and eventually unavoidable tax increases. The failure to find agreement on transformative infrastructure technology puts the nation further behind emerging competitive economies like [China](#).

[China reaped](#) the economic benefits for financing America's decade long construction boom, then profited yet again in wagering, through credit default swaps, that the resulting glut of improperly financed real estate would go bust. China, like [Germany](#), is in the enviable position of successfully managing its economy through the global economic downturn.

Development and Construction Employment: Many are doubtful that without large government stimulated infrastructure projects, the United States will not experience another unprecedented construction boom for perhaps another decade or longer. Reports of unemployment rates in recent months for the [nation's construction industry](#) vary from 17 to 22 percent, greater than for most other broadly defined employment classifications. [Unemployment in Eagle County](#), with its high percentage of development dependent jobs, has increased over the same reporting periods in 2009. Some local employers are receiving job applications for \$16/hour entry level positions from highly skilled development professionals anxious to have employment. Policy makers are awaiting the initial findings of the 2010 census data to

determine the degree of outmigration related to the end of the construction boom. Observers note that the outmigration is likely continuing.

Property Sales Ahead of Last Year: [Real Estate sales](#) for Vail proper are showing signs that the steady decline in prices over the past two years may be reaching bottom. Residential property sales and associated [transfer tax revenues](#) are moving beyond the record low levels of 2009. As one realtor reflected on Vail real estate, "Yes, the market activity no longer requires the patient to be in intensive care, but what kind of growth and appreciation rates can we expect going forward?" Property sales in the [surrounding region](#) have as yet not shown a similar rebound in sales. Some analysts caution that the reported sales data could be a misleading trend as many sellers have taken their properties off the open market waiting for more advantageous conditions. [Foreclosure rates](#) still remain on the increase particularly in worker communities. The local media reports that financing for [affordable housing mortgages](#) is becoming more available.

Survey of Summer Business... Happy Consumers, Flat Revenues: The domestic economy, while keeping the community buzzing with crowds engaged in organized entertainment events, shows few signs of upward movement in



Vail's Summer Jazz Festival is growing in prominence thanks to the creative tenacity of its founders Howard and Cathy Stone. profit margins as reflected in the Town's [sales tax revenues](#). A [survey of consumer sentiment](#) from this past summer season worryingly reports that visitors are far less inclined to shop in Vail than they were in years past.

The report indicates on the positive side that visitors are finding Vail's new image very appealing, key to building consumer satisfaction and loyalty. These indicators can be converted into greater revenue potential... when domestic economic conditions improve. Analysts caution that the consumer survey may not accurately reflect the income levels and country of origin of those surveyed, as many people are reluctant to divulge their personal information.

Entertainment and Special Events Fill Economic Breach: Vail's event planners are taking advantage of historic trends that cause domestic consumers during economic contractions to spend on "entertainment" and save by cutting back spending on consumables, a boon for the lodging, food and beverage, a bane for retailers. A recent [report by Vail Valley Foundation](#), Vail's largest event promoter, gives a profile of their 2010/2011 events, attendance and economic impact statistics.

Cultural and sports competitions events lead the list of venues that attract entertainment oriented consumers. Notably, for the future Summer Season the Bravo Music Festival has renewed a multiyear contract with the New York Philharmonic. The Vail Jazz Festival is seeking to expand its events throughout the summer.

The Vail Valley Foundation anticipates adding activities that give a broader appeal to the TEVA Mountain Games. The Foundation and others have inked a long-term agreement for Vail to be a host city for 1-2 stages of the [Quiznos Pro Challenge](#) men's cycling race. This is the inaugural race by the Denver based Quiznos company. Race promoters are hoping it will become the American version of the Tour de France, which will bring cache to Vail's international image.

Local organizers anticipate that the promotional value of the Quiznos' road and TEVA mountain bike races will raise Vail higher on the must-visit list for all aspects of cycling tourism, if there is an assertive followup on their marketing initiatives. It remains to be seen if racing events add to the community's bottom line, as sporting events have a checkered record as big revenue generators. They have been most successful in attracting day visitor spectators and overnight guests during periods of lower occupancy. The entourage that accompany these types of races help fill local lodging, but often at a heavily discounted room rate.

Vail's Role in the 2015 Alpine World Ski Championships: Organizers report that, in their planning to date, Vail will most likely be the site of the opening ceremony for the event, to be held at a temporary stadium erected at Golden Peak. It will also host some of the technical qualifying races prior to the main competition. Beaver Creek will be the site of all competitive races and the closing ceremony. The location of the awards ceremonies will also be at Beaver Creek because of logistics. Planning is underway for Vail to be the site of many of the sponsors' social gatherings and large scale public entertainment venues at Golden Peak stadium as well as larger outdoor plaza locations in Vail Village and Lionshead.

Vail will be the primary site for the extensive congregation of vendor booths that accompany the event. In the Town's hosting of previous Alpine Ski Championships, vendor booths were located on the upper deck of the Vail Village public parking structure. Organizers are working to keep parking impacts from participants at a minimum so that Vail businesses are not negatively impacted. They are hoping to avoid creating the "Winter Olympic effect" in the perception of consumers, where higher spending destination guests stay away because of their aversion to overcrowding and overly inflated prices. Negotiations concerning the distribution of housing for competitors and the race entourage are underway.



Organizers say that they are confident that despite an existing shortfall, funding will be forthcoming. In earlier reports the shortfall was estimated to be \$6 million. Other observers attribute Vail's inability to host the main event races to the need for a multimillion dollar relocation of the Vail Village Vista Bahn necessary to clear space for the race course finish and spectator stadium.

There are advocates saying, because Vail won't be the site of race events, extra effort should be made to project its image as the leading North American international mountain resort in the global television and media coverage of the championships. The community's and the surrounding region's economic future is dependent upon getting a strong post championships bounce from international visitors. International destination visitors tend to stay longer and spend more aggressively on both entertainment and consumables.

Vail Communications Spine Getting Major Upgrade, But... : The complexion of the ongoing cable television franchise negotiations between the Town of Vail and industry giant Comcast has taken a quantum positive leap forward in opening the opportunity for state-of-the-art service to the Vail community. Comcast and the Colorado Department of Transportation (CDOT) [recently announced](#) an agreement for Comcast to lease a portion of a CDOT fiber optic cable that runs along the I-70 mountain corridor between Denver and Vail. The agreement allows Comcast to launch advanced video, internet and digital voice services to Vail and other accessible mountain communities. Advanced service allows high speed internet access, opening opportunities for mountain based businesses to engage in e-commerce and telecommuting for their employees. The technology is critical to moving forward the Vail Homeowners Association's effort to create a communication spine through which local businesses, residential owners and telecommuting entrepreneurs can cost effectively communicate on a global scale. Through this agreement, Vail has been given the opportunity for multiple platforms of media product to be created and transmitted both locally and worldwide. There are those who believe that Vail media producers are its most effective marketing tools because they will now be able to create media content that show the depth and sophistication of the Vail experience. Importantly, the technology has the capability to expand communication systems necessary to improve the management of traffic congestion, parking and a myriad of other infrastructure related services.

Importantly, the Town of Vail has recently heard vigorous complaints from local subscribers about the pricing, quality and content of Comcast local services. The devils will be in the details of the ongoing negotiations. The Town is awaiting the outcome of a service audit of the cable system's operations from a consultant they have retained. The vulnerabilities and condition of Comcast land lines throughout the community have been an ongoing source of concern for property owners.

In the end analysis, subscribers will be focused on the content and pricing of both existing and advanced services. Particularly for non-resident owners, if they are not competitive with the same services they receive back home, there will likely be a vocal outcry. Likewise, for those entrepreneurs who dream of using the advanced services to compete head to head with the "outside" world. Then there are those who dream of having state-of-the-art "wireless" communication services that do not involve a tangle of wires being strung on their property. Some see, perhaps naively, that the Comcast/CDOT fiber optic agreement could bring the fulfillment of these dreams several steps closer.

Ever Vail, Another Step in the Town of Vail's Years Long Review: The Town of Vail's report on the [economic impacts](#) of the proposed Ever Vail Town Center project in west Lionshead is completed. The findings of the report have caused the developer, Vail Resorts, Inc. to [scale back](#) the amount of commercial space in their proposal by 30%. The report was prepared in response to accusations of "cannibalization" of existing businesses from many in the Vail business community. Both the Town's report and an earlier one [prepared by Vail Resorts](#) conclude that Ever Vail will have a positive impact on the community's economy.

Critics of the Town's \$85,000 report say that the methodology used by the Town's consultants is flawed. The consultants based their conclusions on one year of financial projections rather than multiple years, which is a standard practice in financial forecasting.



This Ever Vail scene has changes as streets now are proposed to be automobile free.

There is no recognition of a perpetual revenue stream from real estate transfer taxes, which, over time amounts to many millions of dollars. Capital budgeting estimates are haphazard and overly emphasized. The value of the project's benefits is not put in a broader context of extending the economic productivity of an aging resort. There is no comparative analysis of the before and after economic impacts of the Lionshead redevelopment, which is the best measuring stick to base Ever Vail projections upon. There is little to no discussion of the positive aspects of the community's redevelopment, nor is account taken of the lead time between Town approval, the completion of construction and the sales of real estate inventories. The layout of the report is confusing and not straight forward in its presentation. The report does not recognize that competing resorts the world over copy Vail as a market leader.

There is frustration on the part of several community policy makers and advisors that the consultants and Town staff, after repeated requests, have not provided them with an [inventory of economic indicators](#) for the other mixed use commercial centers in the community. They view this as obstructionism because members of the Town staff appear to have their own agenda. The requested data is critical for community decision makers to put the Ever Vail economic analysis in a proper context. The importance of the methodological correctness of this study cannot be over emphasized as all future development proposals will be measured against its findings. Flaws in methodology can lead to irreversible errors in the community's long-term economic policies and fortunes. Now that the Town is using economic factors in reviewing development proposals, it must be held responsible for adopting industry standards and criteria. There is no need for further economic analysis of Ever Vail, say the Town's critics, as additional refinement will only further reinforce its positive economic benefits. The question remains, does the community desire to continue looking at an industrial site, or to look forward to amenities offered by a new village, once economic conditions permit?

These critics also feel that Staff obstructionism applies to community wide parking analysis where many believe that there is and will be more supply, particularly in the private sector, than is being documented or forecasted by these Town officials. The Town staff, in these critics' view, obstructs analyzing parking projections based on "yield management" where price is used to optimize occupancy, as is in practice at the new [Solaris public parking garage](#). Likewise, there has been foot dragging on installing state-of-the-art variable message signage to direct consumers to available public and private parking. Yet the Town staff persists in pursuing frontage road parking, an anathema to those who insist that Vail not be presented to passers by on Interstate 70 as a "truck stop".

Town Approves Moroles Sculpture Budget – Project Approval Pending:

The controversy, [reported nationally](#), over the \$260,000 (includes a \$133,000 artist's fee) Ford Park relocation of the sculpture is not finally decided just because the budget allocation was approved. There is a possibility that a majority of the Town Council will call up the project at a future date as more information becomes available about the needs of other "institutions" using Ford Park. ([See TOV budget memo.](#))

There appears to be a degree of enmity on the part of some in Town government towards those who they claim ousted the sculptural assemblage from Seibert Circle. At the time of its removal in 2005 there was no "outcry", other than budgetary, for its \$125,000 reinstallation elsewhere. The Council's decision was to put the sculpture in storage, where it currently resides, as pictured above.



Moroles sculpture in storage and as originally installed in Seibert Circle

Observers close to the 1996 - 1998 approval and installation of the \$200,000 sculpture, with an additional \$800,000 in installation costs, in Seibert Circle say the Town's budgetary and political infighting caused the presentation of the final assemblage to be compromised. These compromises, in their view, may have been critical to the aesthetic success of the work itself. These compromises could account for what some believe was the tepid defense the sculpture received when the 2005 proposal to replace it with a fountain was being considered.



Nowadays, there appears to be public sentiment for greater fiscal accountability in the Town of Vail's spending habits. There are indications that the public mood may have found expression in a concern for finding a different approach to the Town's handling of its public art program, including the curation of its expanding collection. There is also a call for greater accountability to the community and affected neighborhoods over the approval and placement of proposed acquisitions. There are those calling for the Moroles sculpture, now estimated to be valued at \$1.5 million, to be sold. Today, the advocates who are defending its Ford Park relocation, appear to place a higher emphasis on the artist's value-generating reputation, than upon the aesthetic attributes of the piece. Some critics view this perspective as more appropriate for private collectors.

There are those on the Town Council who say, there is [no better way](#) to spend the allocated funds. Yet, there are other institutions that have facilities in Ford Park who vigorously refute this claim. The Betty Ford Alpine Gardens, because they are dependent upon donations to fund their nationally recognized facility and outreach programs, have been especially hard hit by the economic downturn. The pathways serving the Gerald R. Ford Amphitheater need to be improved so that electric cart service for those who are access impaired can operate more efficiently and safely. The Nature Center has deviated from its intended purpose as an undeveloped open space nature sanctuary and is in need of restoration. Then there are those who want to add more permanent structures and improvements, such as large, intrusive parking structures, on open space in other areas of Ford Park. There may be the need to install new drainage infrastructure to increase treatment of the park's surface runoff. Recent water quality studies indicate unacceptable pollution levels in Gore Creek, as measured by State water quality standards, which could endanger its Gold Metal Trout Stream designation and adversely affect Vail's environmental image.

It is for these reasons that the Vail Homeowners Association is calling for a public review process to reaffirm or modify the park's master plan before any further development is permitted, including the reinstallation of the Moroles sculpture.



The final glory of a mountain fall in winter's grasp.

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