

VAIL HOMEOWNERS ASSOCIATION

Are New Taxes on the Horizon?

Will There Be a New “Civic Area” in Vail’s Future?

February 27, 2019

Earlier this week [we reported on the current plight of the East Vail bighorn sheep herd](#) and what is being done or needs to be done to save the herd. This report addresses two other current Vail issues: a possible tax increase and the civic area redevelopment. We examine these two issues together because they both raise fundamental financial feasibility questions. How these issues play out, together with the concerns over the bighorn sheep will have much to say about what values will drive the future of Vail.

More Taxes?



The New Solar Vail Apartments Where the TOV Bought \$4.2 Million of Deed Restrictions

It seems that the TOV has begun the process to try to increase taxes to fund employee housing. The Vail Local Housing Authority (LVHA) isn't yet using the “T-word;” it only has said that it is just looking for options for a long-term funding source, but last month the LVHA announced that it has taken \$45,000 from its housing budget to hire consultants to evaluate the creation of a permanent employee housing fund. And, it is only tax increases that are being considered. As spelled out in an LVHA memo to the Town Council, the “sources”

being considered are either (1) “a new tax or fee”, (2) a reallocation of “an existing tax or impact fee”, (3) an increase of “an existing tax or impact fee”, or (4) some combination of those. And, given the history of consultant-driven studies, it will be a huge surprise if the consultants do not recommend new taxes.

How We Got To This Point. The quest for employee housing in Vail isn’t new. For years the TOV pursued deed restrictions and property purchases for that purpose, creating by the end of 2016 over 700 units of employee housing within Vail which equated to about 10% of all of Vail’s housing. But, the program changed in 2017 with the adoption of a \$50 million 10-year plan to create an additional 1000 new deed restricted units by 2027, meaning that on average each deed restriction was projected to cost \$50,000. The plan was to be funded initially from the Town’s operating budget at \$5 million a year, but buried in the details was that years three through 10 of the plan were to be financed by sales or property tax increases. Also, buried in the details was the fact that the \$50 million budget for the plan might not be sufficient. Nonetheless, the plan was quickly adopted by the Town Council with little or no critical analysis or discussion.

Unanswered Questions. [At the time, the VHA said the plan raised more questions than it answered.](#) Among the questions raised by VHA was whether such a plan was within the means of the TOV, whether owners would be willing to encumber property for an average price of just \$50K, was that the best use of \$50M in capital expenditures over the next ten years and would it be wise to have a community-wide discussion before committing such massive resources to the plan? However, none of those questions were addressed, much less answered.

Now Some Answers. Now just two years into the plan, based on VHA’s investigations, it appears that the plan was promoted on unrealistic assumptions. The TOV has not been able to afford \$5 million per year, instead inputting only half that amount, causing one Council member to state that the plan is financially unsustainable. And, in 2017, the VLHA drained the entire Vail housing fund by the purchase of \$4.2 million of deed restrictions on the new Solar Vail apartments (an average of about \$65,000 per deed restriction) so that it only has \$2.5 million for fiscal 2019.

At the same time, the purchase record for deed restrictions has been dismal. There are conflicting numbers on sales by private owners. The 2019 TOV budget places them at 15; according to the VLHA there have been 21. Either way that is far short of what was envisioned. Compounding those results is the fact that most of those purchases involved small units as the owners of larger units have been unwilling to encumber their property for the amounts being offered by VLHA (a situation that the VHA predicted in 2016). Most of the deed restrictions, to date, have gone to help developers finance projects. According to the LVHA, in the first two years there have been 84 purchases from developers, making this program a boon for developers. But even then, the total deed restrictions purchased in the first two years only add up to one half of the targeted average of 100 per year.

To make matters worse, the VLHA has not been able to purchase deed restrictions for \$50,000 per restriction. During the first two years, the average price per deed restriction has been \$62,650.

And, the pro forma deed restriction is not limited to employees who work in the TOV; anyone who works in Eagle County can qualify. In other words, the TOV is using its treasury to help developers build housing that can be rented by employees who work down-valley.

Thus, on multiple levels, the plan is not working as envisioned. But, now, rather than engaging in a public discussion of what should be done and what can Vail afford, the LVHA is bringing in political consultants to try

to rescue the plan by providing a permanent source of funding, presumably at the \$5 million per year or higher range. But, even if new taxes were authorized, the other problems with the plan would remain.

What Kind of Consultants are Needed? The consultants hired by VLHA are so-called “campaign experts.” It does not appear that they are going to evaluate or advise on the merits of the housing plan or on what Vail’s real employee housing needs are or whether Vail can financially afford such a massive commitment but only on how to construct and manage a political campaign to pass new taxes. It would seem that those threshold issues should be answered before undertaking any campaign; in fact, the VHA urged that those questions should have been addressed before the plan was adopted. And, if it takes some outside expertise to address those threshold issues, those are the kind of consultants who should be brought in.

Cart Before the Horse? At an even more fundamental level, proposing new taxes is putting the cart before the horse. The need for employee housing is driven in part by resident needs and by special event agendas. As density is expanded ([see 2/7/19 VHA report](#)) and special events multiply, more employees are needed. That can become a “tail chasing” exercise. As VHA has repeatedly urged, Vail needs to seriously examine what is the community carrying capacity, and to what extent is the community willing to risk quality of life to add more residents or special events.

Proponents of more taxes argue that the 2018 Community Survey already provides answers on whether more housing is needed since respondents rated housing as somewhat of a priority. Of course, that said nothing about how much new housing was needed, and the results are otherwise of questionable value. “Push surveys” where the respondents are given choices to evaluate are mostly worthless. The true test is the willingness of respondents to approve new taxes for employee housing. On that point, permanent funding for employee housing ranked at the very bottom of community issues with only 11% support, indicating, rather conclusively, that Vail voters are not willing to pony up more taxes for housing.

That result is consistent with Eagle County’s experience. It too was unable to fully fund employee housing out of its general budget; so two years ago, it sought .3% sales tax increase for employee housing. Despite good intentions, the proposal went down to a 2-to-1 defeat. But, notwithstanding the community survey results and Eagle County’s experience, VLHA is marching forward with plans to put new taxes on the ballot.

So once again, there is not going to be any critical analysis of what Vail needs and can afford or whether Vail needs to live within its financial capabilities. Vail voters should, therefore, not be surprised to find a ballot proposal in the fall to increase taxes since campaign consultants have a vested interest in recommending campaigns as they then stand to realize additional fees from working on the campaign.

All this raises serious process issues. The LVHA didn’t ask permission to hire consultants or mount a political campaign to raise taxes; it simply informed the Council that it was doing so, making it appear that the Town Council has given the VLHA carte blanche to make and run housing policies. But, making policy, especially the mounting of political campaigns, should be the exclusive providence of the Town Council who can then be appropriately held responsible by the voters.

What Should Be Done? The VHA supports public financing of employee housing but believes that plans to achieve that must be financially sound and within the needs and fiscal means of Vail. Before proceeding with plans for a political campaign to impose new taxes for employee housing, the VHA urges that there should be an in-depth evaluation of just what Vail needs and can afford, which includes consideration of other big-ticket items that must be considered in the near future. For example, [Vail has already identified approximately \\$100 million in needed traffic improvements](#), is considering redevelopment of the civic area (see below), is probably

facing the need to redevelop the second half of Timber Ridge, is considering spending \$10 million or maybe even more to prop up the [East Vail housing project](#) and is facing a \$8 million overhaul of the bus maintenance facility. Vail can't afford everything and needs to prioritize how it will invest the Town's treasury, especially when many are predicting an economic downturn in the near term.

A New Civic Area?



Proposed New Municipal Building, 2012

Vail has a long history of unsuccessful efforts to redevelop its civic area. There was, for example, a 1980s plan that included a conference center, the disastrous convention center debacle of the 2000s (approved in 2001 and rejected in 2005), a 2006 proposal to build hotels on top of the Lionshead parking structure and the ill-fated medical complex plans of 2012. Now, Vail has launched yet another plan, the Vail Civic Area Plan, to again look anew at redevelopment of the civic area, an area that includes the town hall, Dobson Ice Arena, the Lionshead parking structure and the Public Library.

A New Master Plan. The first phase of the Plan, a new Master Plan for the area, is already underway and on a fast track for completion this year. It will guide future development of the area and lay the ground work for what could and probably will be a massive series of projects that will not be just about refurbishing or redeveloping existing structures but will also include new uses and concepts. The Town Council has designated the development of this plan as a matter of “high priority” and has committed \$125,000 for the process. Already, a planning and design consultant team has been hired and a web-based system, [engagevail.com](#), was set up to gather comments. [On February 19th, the first results were revealed.](#)

Wishful Thinking. The first phase could be seen as wishful thinking. As with many such open-ended processes, there was support for everything, especially from special interests seeking to either protect uses they already enjoy or from others who want to be included. Digging a little deeper, however, there was strong support for renovation and upgrading of the Dobson Ice Area, redevelopment of the Municipal Building and adding more parking to the Lionshead Parking Structure. The Library was also strongly favored but, mainly, for keeping it as is and in its present location. Now programming concepts for the Master Plan will be

identified which will lead to a draft Master Plan. Once the Master Plan has been completed, attention will shift to individual components of the plan.

The timeline for the project shows that a draft plan is expected to be completed by July. The Town has committed to give all stakeholders and the public an opportunity to provide input. At some time, there should be an opportunity for citizen engagement through a series of public meetings, but no dates have been announced. To maximize public input those hearings should occur in the summer when most residents are in Vail, but they may require some alteration of the timeline.

Time is, somewhat, of the essence because \$36 million of incremental property tax revenues will be available through 2030 to fund projects in the civic area. That results from taxes in a special Lionshead taxing district, but they expire in 2030; in the meantime, that tax revenue could be used to finance bonds so projects could get underway in the near-term. How that all plays out will not begin to be known until 2020 or later.

Some Initial Takeaways. While it is still early in the process of drafting the new Master Plan and whatever is finally decided in terms of the Master Plan will not necessarily determine future projects in the area, there are some important points that need to be considered or, on the other hand, dismissed.

The strongest support from the online survey was for the relocation of the municipal complex and the repurposing of the present site. This could be the most financially feasible of all the proposals as the costs of relocation could be partially or fully recouped from the sale of the present site. If it has not already done so, VHA urges the Council to immediately survey whether there are other suitable locations. For example, the old Roost Inn property is back on the market, and there may be other potential sites.

The Dobson Ice Arena was originally acoustically designed so it could serve as a multipurpose event center, but it is, currently, greatly underutilized because of fire safety and ingress/egress issues. VHA urges that the Master Plan include the necessary upgrades to return the Arena to its original purpose. Those upgrades should not include vertical expansion as that would be very costly and would probably destroy the acoustic functionality of the Arena. And, when upgraded, “Ice” should be removed from its name to signify that it is a multipurpose facility to serve for the enjoyment of the entire community.

Expansion of the Lionshead Parking Structure will be very expensive. The best current estimates for the construction of parking spaces range in the \$100,000s depending on the nature of the project, the existing structure is already in need of significant repairs, and more will be necessary in the near-term. In addition, any expansion of the structure should not include expansion to the south. In the 1990s, there was a proposal to build housing along the south side of the Lionshead parking structure. That was universally opposed by the neighborhood and, based on VHA’s recent checking, that opposition is as strong today as when first proposed.

Reality Tests. At some point, hopefully sooner than later, there needs to be a reality test for what is financially feasible. While the TOV is, currently, debt free and has large bonding capabilities, any significant improvements, upgrades or new structures in the civic area will be very expensive. Financial feasibility should be a major consideration as the available TIF funds will not come anywhere close to being sufficient for even some of the suggested improvements. When a new town hall was proposed in 2012, the cost was estimated at \$24 million, the 2005 estimates for a new convention center came in at over \$60 million and structured parking comes in at somewhere between \$65,000 (above ground with no buildings on top) to \$250,000 (buried underneath other structures) per space. Vail already faces major expenditures for other improvements and upgrades (see above) so that the total could easily exceed \$200 million or more. VHA urges caution in making commitments for future spending that may exceed Vail’s capabilities.

The VHA will continue to monitor these developments and report to keep you fully informed.

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