



Where are the crowds going next?

VAIL HOMEOWNERS ASSOCIATION

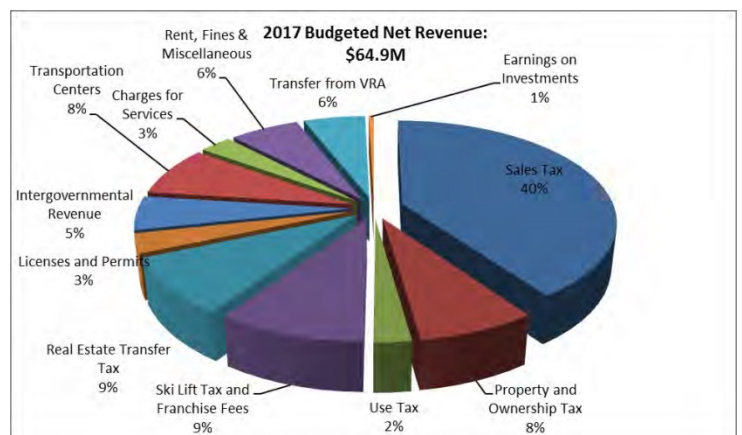
Is Vail’s Financial Future Secure?

August 9, 2017

Recently, it was announced that the Town of Vail might become the first American destination to be certified as a “green” sustainable community. Kudos to the TOV and all involved. If achieved, it would be the culmination of a more than two-year effort and could lead to the development of specific standards for mountain-resort communities. While this would be a huge feather in Vail’s hat, it is based primarily on environmental considerations. As the [VHA has urged for some time](#), sustainability involves much more than just the environment. Quality of life, community and cultural values are equally important. Congestion, promoter’s use of the Vail brand for events which flood the Town beyond its capacity and public safety, should also be addressed.

In this issue, we examine another key aspect of Vail’s sustainability—the TOV’s financial future and how well prepared it is to deal with foreseeable needs over the next several decades.

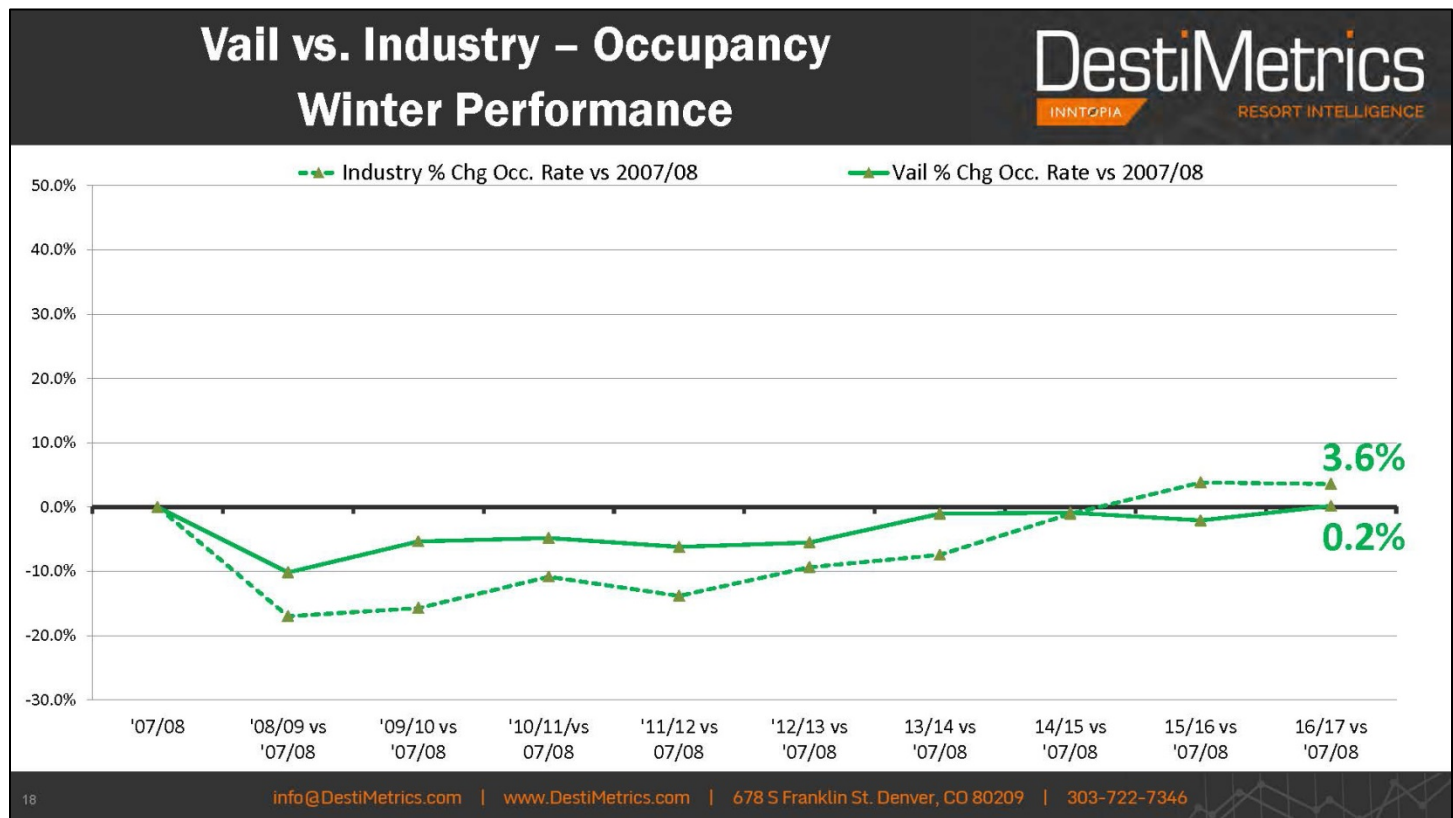
Is Vail’s Growth Flat? On the surface, it appears that Vail’s post-recession economic development initiatives were very effective, in some respects overly so, as congestion, shortages of parking and employee housing become ever increasing problems. From an economic standpoint, it appears that



business, particularly tourism, is strong and then some, and it would seem that the TOV is in good financial shape with \$51 million in reserves.

Digging Deeper. But dig a little deeper and a different picture emerges. Over the course of this past winter season, which for the most part had [good snow conditions, business was lackluster](#). A common theme, as to why, is that Vail has priced itself out of the market, and consumers are voting with their feet. This has directly impacted the TOV revenues which are largely dependent on sales tax revenue—40% of the entire budget comes from sales tax revenue.

At the same time, overcrowding and congestion, in both the Town and on the mountain, has become a serious problem. There are shortages of public parking and affordable housing, and the Town has taken to imposing new fees: in the case of parking to manage facility use, and in the case of development to pay for transportation infrastructure improvements.

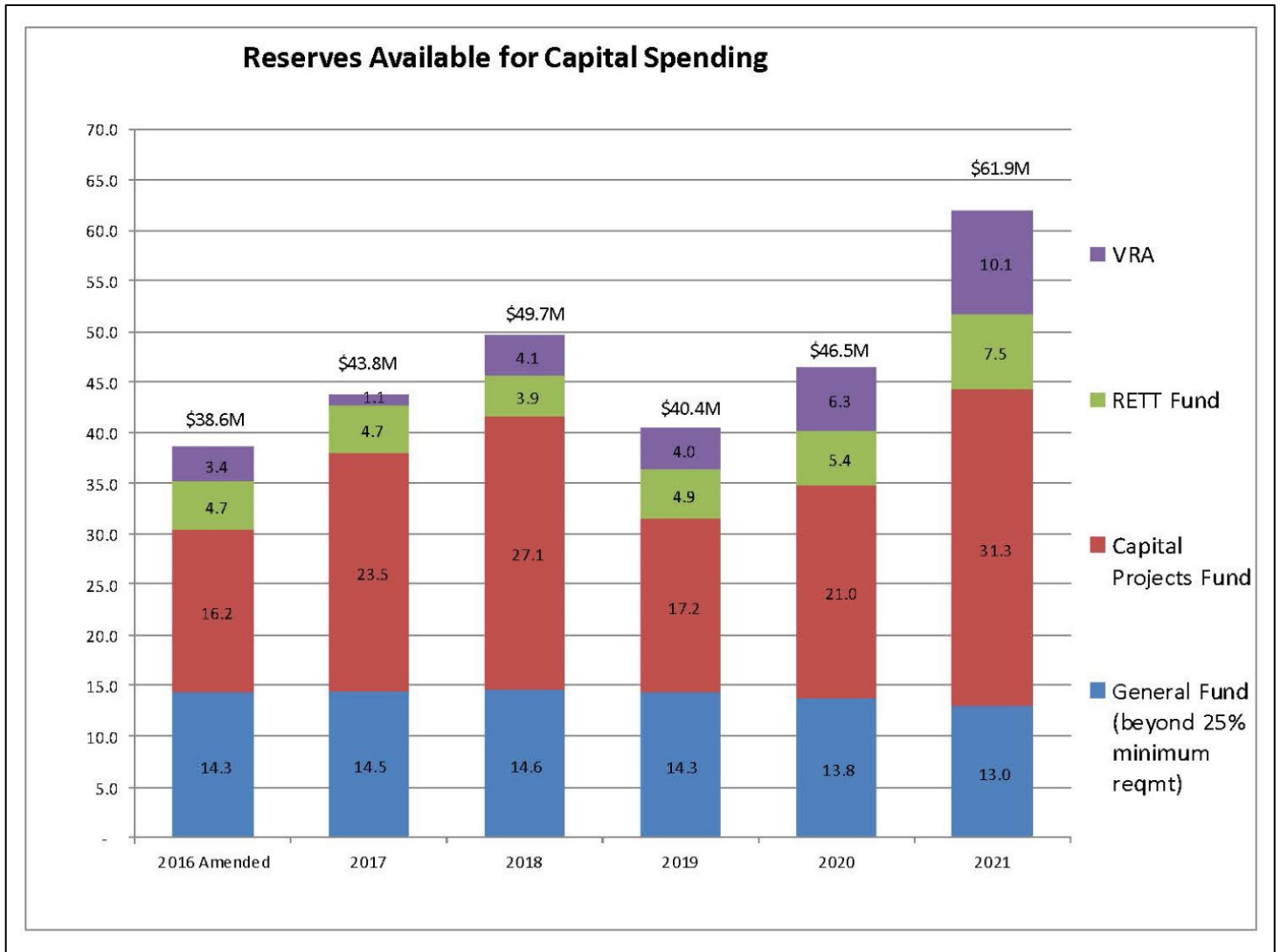


Vail’s hotel occupancy rate sinks below industry average.

Revenue Is Down. [Overall the TOV revenue is down](#), due primarily to lower sales tax revenues and a large (14%) decrease in Construction Use Tax collections. Sales tax receipts have been down in most sectors and are overall flat only because lodging rental income has increased (hotel, condominium and RBO). That is not, however, from increased occupancy. Occupancy is actually down; revenue is up only because of rate increases which is not a sustainable course. Rate increases force the lower income segment of the customer base out of the market. And if there is an overall national business turndown, higher rate markets will be the first to feel the impact of scarcer discretionary resources. Lower or flat sales tax revenues affect both the current operating budget and the TOV capital improvements budget as the funds are typically split 50/50 between the two budgets. Thus, the lack of growth in sales tax revenues can not only require cutting back on current operations but, also, can affect

Vail’s ability to keep up with necessary long-term improvements. This is not a picture of health, and the situation is about to get worse as property tax collections are about to take a nose dive.

Property Taxes to Decrease. [The TOV is also projecting an almost \\$400,000 decrease in property taxes for its 2018 budget.](#) This has very little to do with the local real estate market. According to the most recent data, [real estate is up and down depending on the neighborhood, but generally for Vail, lackluster.](#) It is due to the impact of the 1982 “Gallagher” amendment to the state constitution. That law mandates that residential property cannot make up more than 45 percent of Colorado’s overall assessed property value. When property values skyrocket, as they have on the front range, and there is a business downturn, it forces a reduction in residential property tax collection. From what is now known, this is not a situation that will self-correct for at least the next decade, thereby, resulting in decreases in property tax revenue for the TOV for the foreseeable future.



2017 Allocation breakout of Town of Vail reserve funds

Adequacy of TOV Reserves. It would seem that with a current \$51 million reserve (down from \$80 million due to the completion of several major projects) and no debt, the TOV is in great financial shape. But certain of those monies are reserved for specific purposes, and prudent management requires at least a \$9.5 million reserve (25% of General Fund revenues) to protect against “rainy day” occurrences. As a result, the TOV has only about \$41.5 million in spendable reserves, and \$15.2 million of that is already spoken for by planned

projects and on-going maintenance and replacement requirements, leaving only \$26.3 million in spendable-but-not-yet-committed funds. The Reserves will be replenished next year by the addition of \$17 million from the sales of the Chamonix housing units, increasing spendable funds to over \$43M. Of course, the Town could invade the “rainy day” portion of the fund, but that would be irresponsible unless there was a true emergency, so the actual picture of the reserve fund can best be characterized as good but insufficient to provide for the major foreseeable capital projects. This is especially so since beyond the reserve fund, the TOV has no dedicated funds for any of the several major foreseeable capital requirements.

Is Vail’s Future Secure? Against this backdrop, the TOV has known upcoming capital needs of upwards of \$500 million, perhaps more, depending on when each is done and the effects of inflation. As explained below, these items consist of transportation infrastructure improvements, affordable housing commitments, parking renovations/improvements and new municipal facilities. While there are plans to pay for some of these improvements, they rest on very shaky grounds, and for two of them, including the largest expenditure, parking, there are no plans. In part this may be due to the fact that the TOV only maintains a 5-year capital budget which allows known-but-deferred capital projects to be pushed off and essentially ignored; in other respects, this reflects a lack of vision and leadership since all of these projects will come due in the next decade or so, some as soon as the next few years.

The Vail Housing Plan. The TOV has committed to spend \$50 million on affordable housing over the next decade to acquire 1000 deed restricted housing units for middle class workers. Left unaddressed is any provision for seasonal or lower class workers. This plan is to be financed by appropriations from the Town’s budget for the first three years--\$3.5 million in year one, followed by \$5 million each in years two and three. Thereafter, the Town is to seek a property tax increase for years four through ten which would be slated to yield \$5 million per year.

Putting aside that the basis of this plan is questionable at best—will there ever be 1000 property buyers willing to deed restrict their property or tax increase financing for the bulk of the plan (a similar plan by Eagle County was rejected by the voters)—the TOV has no alternative plan to fund the project if increased taxes are rejected. While people in general support the provision of affordable housing, few seem to want to pay for it. With other TOV initiatives pumping up the need for even more workers (for example, increased development goals and ever increasing special events), the pressure to fund the plan will be intense, and this is without making any provisions for seasonal or lower income workers.



Lionshead Parking Structure – How long will it last, how much to replace?

Vail’s Transportation Needs. The TOV has identified \$95 million in needed transportation improvements—both roadway and pedestrian—and recently adopted impact fees to pay for \$21 million of that total. An

additional \$20 million is projected to be paid by specific projects, leaving \$54 million to be paid for from the Town's capital improvement budget. To date, none of that has been budgeted.

Some of the items on the list are questionable at best, but when inflation is factored in, the ultimate price tag could easily be north of \$100 million. Leaving aside the shaky basis of the new impact fee—it is dependent on shoehorning massive new development in the form of a 49% increase in commercial space and a 28% increase in residential units into an already built-out Town—and the chilling effect of the impact fee on Vail's future, under a best case scenario, the Town still has to come up with over \$50 million, \$75 million if the impact fee plan doesn't work.

Public Parking. [The need for adequate public parking facilities and the resulting public safety issues that are caused by having to resort to on-street Frontage Road parking are two of Vail's most urgent issues.](#) Overflow parking now [exceeds permissible limits \(35 days already this year](#) with August and Labor Day weekend to go), and there is good reason to question why there is any on-street parking. But even if the TOV was willing to seriously limit public parking to just the existing structures, based on current estimates, the TOV would still face a \$285 million "maintain and replace" obligation for those structures. The Vail structure is now 44 years old; the Lionshead structure is 34 years old, and it is already showing significant structural deterioration. And, if the Lionshead structure were expanded to add an additional 450 spaces, that would add \$41.6 million to the cost.

New Municipal Facilities. The Municipal building is now almost 50 years old. It, too, will most probably need to be replaced in the coming decade or so. In 2011 plans were developed to do just that but then fell apart when a major partner pulled out. The cost at that time was projected to be \$15 million, even more if pushed off until later. If it were built in the next few years, the same building would probably cost close to \$20 million, plus an additional \$14.3 million for an adjoining structure to park Town employees.



New Vail Town Hall?

Is Vail Living Within Its Means? Some huge bills are coming Vail's way. These are not obligations that are going to solve themselves, or that Vail can grow itself out of. Indeed, current marketing efforts that rely on special events to try and pump up sales taxes and reliance on massive new development to fund transportation improvements only exacerbate the situation and create more needs. Without proper planning, future Town Councils are going to face a lot of bad choices, and the consequences could be lasting damage to the community's image and quality of life.

Has Vail Reached a Tipping Point? There is a sense throughout the Vail community that Vail may have reached a tipping point. Already the TOV seems poised to address one source of congestion, the rapid growth of the RBO market which has had the double effect of reducing affordable employee housing (as units were moved to short term vacation rentals) and increasing neighborhood congestion. And next summer the TOV parking structures will no longer be free but will become "pay to play" operations, as the TOV seeks to manage the use of public parking.

But more is needed. There should be a realistic evaluation of the Town's and the mountain's "manage to" numbers. The Town needs to determine its carrying capacity and begin to manage events and adjust its plans to that number. The mountain's current "manage to" number of 19,900 skiers should, also, be reexamined in light of the Town's ability to support it. One component of the mountain number is parking facilities, and for several years, the Town's parking capabilities have been significantly less than adequate for 19,900 skiers. Overall, there needs to be more emphasis on quality over quantity. And all this should take place in a full scale sustainability assessment.

What You Can Do. If these are matters that concern you, get informed and become involved. Government responds to the public; silence only enables others with different agendas to act in your absence. If you are not already a member, join the Vail Homeowners Association. Together, we will continue to shine a spotlight on these issues that concern everyone.

VHA [Membership:](#)

Post Office Box 238 Vail, Colorado 81658
Telephone: (970) 827-5680 E-mail: vha@vail.net Web Site: www.vailhomeowners.com

The Vail Homeowners Association has entered into a sharing relationship with the following "community building" not-for-profit organizations. In this way, we increase the reach of our advocacy, and together we seek to improve our community in ways that will benefit all. From time to time, VHA will report on the agendas and activities of these organizations. This is a non-exclusive relationship, and other "community building" not-for-profit organizations may join our endeavors.



Colorado Ski & Snowboard Museum and Hall of Fame
231 South Frontage Road East
Vail, Colorado 81657
970-476-1876
www.skimuseum.net

The museum's purpose is to preserve and communicate the lore of the modern mountain winter sports movement in Colorado and its contribution to the evolution of Vail and the state's mountain winter sports communities.

[Read more:](#)



PO Box 100 | Vail, CO 81658
P: 970-680-3525

C: 970-315-2675
www.vailcentre.org

The Vail Centre organization exists to provide learning experiences to those taking responsibility for inspiring Vail and the communities of the future.

[Read more:](#)



Walking Mountains Science Center
318 Walking Mountains Lane | PO Box 9469 | Avon, CO 81620
970.827.9725

www.walkingmountains.org

The mission of Walking Mountains is to awaken a sense of wonder and inspire environmental stewardship and sustainability through natural science education for the Vail community and Eagle County.

[Read more:](#)
