



Vail's luxury shopping and development under stress in the new economic realities.

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VAIL HOMEOWNERS ASSOCIATION

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Vail Economy: Vail retailers experienced a down holiday season, with the week between Christmas and New Year being the strongest. A businessman observed after the holidays, “Things are ‘tougher’ than we think.” Bargain hunters have significantly increased traffic on a Vail promotional website. Declining airfares are bringing an up tick in bookings on airline flights into the Eagle County Airport over the next several weeks. Volume still trails the prior year. The lift ticket discount Epic Pass, while not a huge financial success for all, is keeping vital activity and life on the streets and the ski mountain. There is optimism to be found and it will increase as adversity helps the community come together in common purpose.

One Lionshead restaurateur quipped that he’s selling more pizza than steaks and his wines are still “resting” on the shelf. Another, high-end Vail Village restaurant owner says his South American and Mexican clientele outwardly appear to be minimally affected by economic conditions. He foresees consumer trends changing month to month.

Vail on Sale: Vail guests are still taking their shopping day, but they are shopping around for bargains. The big difference some retailers say is there are more “lookers” than shoppers. A Meadow Drive art gallery owner notes that she is selling more pieces at lower prices. She also disclosed that her Denver clients are the most aggressive in bargaining down prices. One shop owner says he might have a good winter season because of cutting back on his inventory of luxury goods. Some landlords are beginning to report that they too, are feeling the economic pinch.

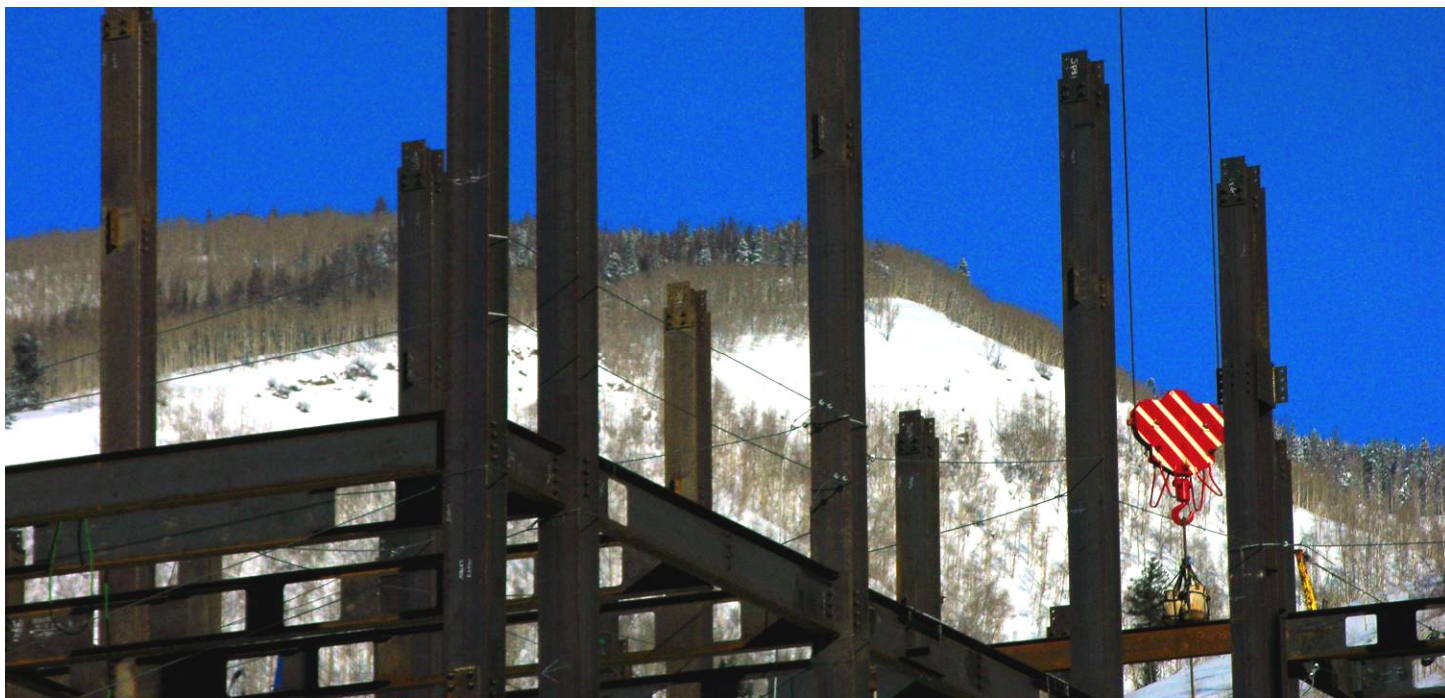
A hotelier relates that “group and convention” business is off, blaming high chairlift ticket prices. A shoe storeowner says sale of new shoes are down, while shoes brought in for repair are dramatically up. A bar operator reports his business is doing great, while a liquor storeowner says their volume is up, but total sales are down. A Vail barber confirms another classic reality of hard times; many locals are extending the gap between haircuts by two weeks.

The Vail Town Manager says once the full extent of a projected decline in December sales tax revenues are known budget adjustments will follow. Under consideration is the deferral of additional capital improvement expenses to outlying years after already deferring \$5-6 million in the 2009 budget. Importantly, he is suggesting there may be the need to reduce certain public services.

Revenues for the Town's 2009 budget assume 38% in sales taxes and 17% from development related fees. This ratio has been in effect during much of the building boom that has occurred over the last several years. Both sources are currently reporting downward trends. [\(See TOV Revenue Highlights 12/30/2008\)](#) Development based revenues could see a boost when projects now under construction attract qualified buyers. There is reason for optimism as there has been no shut down of any major construction project in Vail, to date. Sales taxes are another matter altogether as they are tied to consumer confidence and discretionary spending, both of which have seen steep declines nationally in recent months.

The Wall Street Journal reported Vail Resorts said that from the start of the season through January 6, total skier visits to its five properties, which include Vail and Beaver Creek, were off 5.8% compared with the same period a year ago, while lift-ticket revenues fell 7.5%. Bookings as of December 31 are down 14.8% on a room-night basis. Skier visits were up during the two-week holiday period. The drop in lift-ticket revenue was higher than that of visits, largely due to more traffic from season-pass holders. Ancillary revenues -- that is, from dining, retail and rentals -- were off about the same as lift tickets. The ski school was off roughly 20%. [\(See Wall Street Journal article\)](#)

Comparison with other ski or sun destinations, east or west on the globe, reveals the universal effect upon tourism from worldwide economic woes. Whether it is [Chamonix in the French Alps](#) or [Maui in the Hawaiian Islands](#) real estate markets are gridlocked, revenues are in decline and unemployment is on the rise. Searching for a silver lining, some economists point to one benefit of the recession - very low rates of inflation. Others say that massive deficit public infrastructure spending by the Federal Government to head off a predicted 10% or higher national unemployment rate, will eventually result in harmful inflation.



Solarius steel work progressing rapidly.

Development and Real Estate: Documented trends have as yet to decisively identify a decompression of real estate values in Vail. December figures show a 24% year-to-date decline in the pace of Vail real estate sales, not associated with major redevelopment projects in downtown Vail. The decline parallels the national average. There are those who believe that Vail cannot escape the national trend toward revaluation, particularly since the Denver market is in decline. Others believe that valuations will not change precipitously because the typical Vail residential property owner can wait out the recession, as they are under no great pressure to sell their holdings. The Eagle County real estate market, contrasted with Vail, is down by 28% in sales dollars and down 41% in sales transactions as of October 2008. The announcement of the start of major new private Vail construction projects in 2009 is minimal when compared with the past decade. The slow down has spread throughout Colorado's resorts. [\(See Denver Post article – Mountain Development Slow Down\)](#)



I-70 Storm Closure Management Plan a success - East Vail Truck Chain-Up Station

Management Solutions Work: There are those that believe management solutions can minimize the need to construct new infrastructure. The Colorado Department of Transportation, through its recent I-70 closure strategy, has proven the effectiveness of removing truck traffic from the Interstate and state highways within 30-50 miles on either side of Vail Pass during blizzard conditions. Strict enforcement of chain law, with improved locations for truckers to safely chain up and down (pictured above), is also having an affect. The closure and strict enforcement has thus far this winter resulted in fewer hours of traffic delay due to weather related accidents. The plan is a result of state and local collaboration.



Frontage Road day skier parking has safety and economic issues.

The same collaborative management effort needs to be applied to improving Vail's hazardous Frontage Road day skier overflow parking. The success of VRI's Epic Pass is causing the mutually agreed upon limit on the number of days during the ski season that overflow parking on the frontage roads is to occur to be exceeded. Steps are being taken by some in the community to urge responsible authorities to cause better protections for pedestrians and improved enforcement in areas and during periods of heavy traffic congestion. The economic success of both the town and mountain are involved.

Upcoming Town Council Election: There are 4 of 7 Vail Town Council seats up for election in November 2009. It is being proposed to the Council that there be a major rewrite of large sections of the Town's development and zoning codes. Some perceive the proposal as a make-work project. Others believe that it is unwise to destabilize Vail's property values, which are pegged to the Town's zoning code, during a major global recession. It was an earlier rewrite in the 1990's that greatly increased densities, jump-starting the now departed building boom. It is doubtful that it can work again, as there remains a large inventory of un-built density still on the books. There will be pressure to reduce building costs from some development interests by pushing local politicians to roll back

recently approved impact fees for affordable housing and the like.

The Town of Vail is moving forward with predevelopment efforts to build a fire station in West Vail, along with the proposed Chamonix and Timber Ridge affordable housing projects. While there is plenty of interest from developers, critics say that without the Town writing off all, or a portion of the land cost, it will be very difficult to obtain financing. In the case of Timber Ridge, the Town purchased the project for over \$20 million. Additionally, the Town is looking at the feasibility of building a large parking structure on Ford Park, a new Golf Club House and the Simba Run I-70 Underpass. The Town is looking at Federal infrastructure grants for the fire station and underpass projects.

Deferring Improvements: Should the Town Council defer additional capital improvements, beyond the \$5-\$6 million already deferred, they would expand the backlog of infrastructure and maintenance projects needing attention. In recent years the Town has depended upon new private sector development to fund public improvements. More parking, typically, leads the list. However, critics say that more public parking is not a silver bullet solution. They say other transportation remedies must accompany more parking.

Some view the economic slow down as buying time to adjust to these new realities and obligations. Comprehensive plans are needed, where incomplete ones now exist, involving hundreds of millions of dollars in improvements. These new, integrated plans should handle the expected increases, not only for parking, but all modes of transportation. They should include facilities for high capacity skier and access impaired drop off locations, roadway improvements, facilities to address outlying regional mass transit park and ride, tour buses, including expanded international and domestic air service.

Spend or Hold \$14 Million: The Vail Town Council will have by the end of 2009, nearly \$10 million of un-refunded tax revenues collected from lodges and hotels, which was designated to build a conference center until the voters rejected the proposal. Some council members have designs on how the money should be spent and would like to bring the matter back to the voters for reallocation. There are those in the community who believe the monies should have been returned to the hotel industry long ago. Others would like to wed it with a \$4.3 million pledge from VRI to build more parking, preferably on Ford Park. Others have desires to use the money for recreational, educational/conference facilities. There is a wavering consensus on whether the monies should be used, as was originally intended, to put heads in beds and cash in the till for the business community through a bricks and mortar improvement. Nowadays, there are those who believe that the money should neither be spent nor refunded, saying that it should be held in reserve to respond to unforeseen needs that a deepening recession may bring.



Job losses on the rise: Concerns are being raised that not enough is being done by authorities to provide an economic stimulus to protect the employment base within Eagle County.

Steel Worker: A high value transient job that will disappear from Vail within the year.

Ever Vail Progress: Vail Resorts is continuing through the Town of Vail review process, for their proposed Ever Vail town center in West Lionshead. Some executives have little patience for wading through the cross currents of Vail politics and the technical tedium of detailed communitywide infrastructure planning to gain approval for the billion dollar plus proposed town center in West Lionshead. VRI's proposal, to many in the community, is the last chance to correct the errors of past neglect, putting short-term financial gains before long-term basic operational needs that would both benefit the ski company and the community-at-large. Some VRI executives fret that the Vail community will never come to a consensus. Perhaps, but the consequences of continued economic pain is a great inducement for clear-headed thinking.

Jobs Depend Upon the Image Vail Portrays to the World: There are new realities of modern communications to which Vail must adapt. Some believe that the recent bare bottom chairlift accident is a learning experience for the entire community. The viral circulation of photographs of the accident demonstrates that Vail is firmly positioned on the Internet world stage. Accidents of this nature should be the subject of public scrutiny, more so, if an incident, pictures or not, results in worldwide press and Internet coverage. Inappropriate responses to news worthy events could result in the loss of jobs, community prestige and consumer confidence. The ubiquitous presence of cell phone cameras makes restraining knowledge of a news event futile and counterproductive.



Town of Vail Greeter

The desire is to have an expanded force of “greeters” in place for the next “surge” of guests, expected in February. The “Greeters” also assist in the promotion of the community's business and tourism assets. They also could function, at certain locations, as a valet service helping people organize and speeding their departure from their vehicles.

The Town of Vail has set aside for 2009, a budget of \$80,000 for a “greeter” program. In one VHA neighborhood meeting, a high level VRI executive proposed that the company would consider participating in the funding of an expanded “Greeter” program. VRI officials have been requested to define their expectation and standards for the “Greeter” program, and have begun discussions with the Town.

Part of the program would be to give relief to local law enforcement officials so that they can focus their attention on problem areas where the presence of enforcement officers is important to keep traffic flowing. Such areas of habitual traffic congestion are Hanson Ranch Road and Vail Valley Drive. It is reported that inappropriate respect is being shown between code enforcement officers and the public in Vail Village. The presence of a police officer is critical to moderating behavior in situations where rudeness is most likely to occur. Likewise the Frontage Roads, when parking is allowed, need traffic directing personnel during peak times to both guide the parking of vehicles and direct their occupants to designated safe crosswalks, which at times may be manned by crossing guards.

Vail Greeters-Help Wanted: The results of several East Village neighborhood meetings conducted by the Homeowners Association over the holidays is causing a strategy to emerge that comprehensively deals with Vail's traffic congestion challenges.

One of the suggested solutions is to expand the Town's “Greeter” program to help reduce traffic congestion and improve guest relations by efficiently guiding guests to their desired location. Economic circumstances have created conditions where larger numbers of day visitors are frequenting the community. The increased vehicular traffic and parking on the Vail Frontage Road, is in the view of some, creating hazardous conditions for both drivers and pedestrians.

The Vail greeter program has been in place for several years, volunteers were attracted by discounts on their annual ski pass. The reduced cost of the new discount Epic Pass removed the primary incentive to volunteer.



POINTS OF VIEW:

Elaine Kelton – Observations on the Vail Experience. *Mrs. Kelton is a noted community activist with deep roots in the Vail community.*

In my presentation to the Vail Town Council I noted the congestion and traffic throughout town during the holidays: Gold Peak, Blue Cow Shute, Frontage Road Parking. [\(See video of Vail Town Council Meeting January 6, 2009\)](#)

During a symposium breakfast, the President of the Boulder Downtown Business Partnership opened his remarks telling the audience: "You collectively, the Town of Vail, Vail Resorts, the business community, the residents, all need to decide where the "VAIL EXPERIENCE" begins."

Does it begin as you exit I-70? As you try to find parking, at a gas station, as you ask directions; on the mountain, in the village? It begins at all of the above, not just as you exit the parking structure and head for the mountain.

It is the availability of a welcoming face willing to answer questions, give guidance and listen.....it is what we achieved when we had a greater number of volunteers on the streets? And now at this time, we need them available on the Frontage Roads as well, helping our clients achieve the best experience which Vail has to offer.

We, collectively, can create a volunteer and paid force. We need to make this a SIGNATURE program with significant pride attached to being a "Vail Greeter."



Vail's Multi-Generational Bridge Street Shuffle: Rather than carry equipment, many people now store their ski equipment in lockers near the base of the mountain. There is a trend caused by airline baggage fees that is changing skier habits. Increasingly, out of state skiers are shipping ski equipment to their Vail accommodations, or they rent locally.

Gail Ellis – Big Benefits from Mutual Collaboration: *Dr. Ellis and her extended family are long established (second) homeowners in the Vail community.*

Historically, the value of the Vail Homeowners Association (VHA) has come from our encouragement of participatory collaboration between the various authorities managing the Vail experience. Having read the Vail Resort's (VR) website, it is clear that their goals and those of VHA are aligned towards making sure that being in Vail and experiencing all that Vail has to offer be the best experience it can be for all residents and visitors in all seasons.

Both the VHA and VR agree that from time to time there will be differing opinions about how these goals might be achieved, but after hearing VRI's CEO, Rob Katz talk to our larger VHA membership at the annual meeting this past December, I am confident that those decisions most important to the success of Vail will be decisions all can support. Some of the decisions will be large (such as consideration of a world class spa) and some will be smaller, such as expansion of certain personal amenities, but nonetheless, important.

To that end, I believe that many small problems and annoyances can be overcome with the addition of the personal touch. The idea of "Meeters, Greeters, Helpers and Information People" is an idea that has been embraced by the Town of Vail (TOV) in the past and is now looked at with favor as an idea that could work to the benefit of all by VR. Guests, of course, will be the prime beneficiaries as they are welcomed the minute they enter Vail, have their questions answered by a human, and get that feeling of security knowing that a knowledgeable person is right around the corner to help them get skis unloaded or find their way around town. Store owners will benefit as guests are guided to the wonderful restaurants and stores located throughout the village.

I thank Rob Katz and VR for agreeing to evaluate this Town program and for endorsing the possibility that a collaborative pilot program could be working in February for the President's Weekend rush.

Commentary: Bart Cuomo - One More Year Before Chair 5 Upgrade, But Better Food on the Way:

Mr. Cuomo is an extensively experienced local Vail Businessman known for backing up his outspoken views with accumulated wisdom and practicality.

Sometimes we think that the people who run Vail Resorts really do not understand what is the "goose that lays the golden eggs" here in Vail. To us, it is obvious - Vail's ski mountain. As such, we could never understand the delay for Vail Resorts replacing the slow, archaic lift in the Back Bowls serving Vail's Signature ski runs. For years, there have been a slew of excuses to defer this project, while less important chairlifts #10 and #14 get upgrades. From our standpoint, nothing is worse in Vail than having the powder run of your life in the Back Bowls only to discover an hour lift line.

At a recent Vail Homeowner Association "Town Meeting" VR executives announced that the Back Bowl's High Noon Chairlift #5 would be replaced with a high-speed quad lift that would almost double current lift capacity, however, the upgrade would not be forthcoming until 2010. The bad news is that also approved was another lift from the basin of Sun Down Bowl to Wildwood. The problem with adding another lift is that it will destroy the skiing on the west side of Sun Down Bowl including Morningside, Straight Shot, Ricky's Ridge, Widge's Ridge, Seldom and Never, as increased traffic will change this off-piste terrain to mogul fields. However, insiders tell us that it is unlikely we will see a lift there for several years or perhaps ever. Let's hope so! In addition to new lifts, the U.S. Forest Service also approved a new "fine-dining" restaurant at the top of Vail Mountain near existing Buffalo's. ([See Vail Realty Newsletter](#))

Commentary: Kaye Ferry - A Reality Check for Vail. *Ms. Ferry is a Vail political activist, a native of Chicago and highly experienced in the business affairs of the community.*

A reality check was the focus of Paul Krugman's 92nd Street YMCA (NY) simulcast to 11 cities, including Vail, on Jan. 12. A Nobel Laureate and economist, he warned to be prepared for the long haul before we exit the current economic situation.

And being the dyed in the wool liberal that he is, there was never any question of his support of the Federal bailout programs. As there are no private sector investments that are capable of jump-starting the economy, it is up to the government. However his greatest fear is that it's too little and that it will not go on long enough.

More over, extrapolated to reflect our debt after WWII, it's really not that bad. Even if the current plans cause debt to soar to \$7 trillion, it's far below an equivalent \$17 trillion 70 years ago and pales in comparison to many foreign countries.

And how will we know it's getting better? According to Krugman who is currently a professor at Princeton and columnist for the NY Times, an increase in jobs is the only answer. The stock market, housing, gas prices, and foreign investments - they'll all fluctuate. But the only true indication that things are going in the right direction is when there is a significant and sustained increase in job growth.

But how did we get in this mess? If you want some truly fascinating reading, grab the December 2008 issue of Portfolio magazine and read the cover story, "The End", by Michael Lewis. ([See Portfolio article](#)) You can also access it through portfolio.com and search Michael Lewis.

Fascinating doesn't even come close to describing what Lewis writes and has spurred everyone I've referred to also pledge to buy his previous novel "Liar's Poker".

At once intriguing and maddening, it is filled with Wall Street "insider" information that quite frankly belonged on the outside but was buried. And why you might ask? When the outsiders ultimately unearthed some of the fallacies that made up the criteria used by the insiders in their decision making process, they became a real annoyance.

So while I initially read the article in order to gain some insight into the current financial crisis, ultimately, what prolonged my interest were the parallels I found easy to draw with the bureaucracy of our town government.

The anointed aura that surrounds elected officials once they raise their hand to be sworn in implies some special skills that the rest of us don't possess, all by virtue of the fact of a few votes from the public.

In the Portfolio article, it's easy to see how those on the outside were scoffed at by those on the inside. Valid questions were dismissed all because they didn't support the goal of those in charge. Which brings the story a little closer to home.

The Town of Vail, and other local governments, are on a collision course with reality. After only a perfunctory acknowledgement that the world as we have known it in the "Happy Valley" is about to change, apparently the TOV will take a closer look at the impacts of the economy on town government. Or so the town manager stated at the most recent meeting of the Vail Economic Advisory Council.



At its monthly meeting on January 13, 2009, the Town's Finance Director, gave a not unexpected but none-the-less sobering overview of the highlights of TOV revenue streams.

Sales tax collections through November were down 10.6% from 2007 and 15.4% from budget. Using same store comparisons for November, every category (lodging, retail, restaurants) was down with Vail Village retail taking the biggest hit at -42.2%.

In other categories, construction permit fees revenues were down 14% with the major projects helping to bolster those numbers. Taking them out results in a decline of 27% from last year.

RETT (Real Estate Transfer Tax) is another area bolstered by the big projects. As several of those units closed near year-end, the numbers look quite good with an increase of 29%, however, major development projects account for 62% of year to date collections. Collections from property transfers not related to major projects dropped by 24% compared to last year, which is in line with the broader picture and is more indicative of things to come. Eagle county sales were down 28% in sales dollars and 41% in transactions as of October 2008.

Since Use Tax collections only began on January 1, 2008, there's no comparison but the obvious is, well, the obvious.

With all of this information available, the question to the town manager was "What does this all mean to the TOV?" The answer was that they would be meeting soon to assess the impact on the budget and a decrease in service levels was a possibility.

Now while I don't presume to know all of the ins and outs of managing the town budget, I do spend a lot of time in that room observing the decision making practices of our elected officials and paid employees. And to boot, I'm a realist, a pragmatist and fiscally conservative and responsible.

What does that mean? Like a lot of others that followed the TOV budget process this year, I was stunned to see them move forward with "business as usual" in many areas. They approved pay increases over the objections of many and proceeded with their annual Xmas party as if there was something to celebrate.

The rationale? Apparently if TOV employees did not receive a pay increase, the fear was they'd flee to other jobs. The answer to the question "Where?" is unclear as most employers downsized; raises in the real world (i.e. not government bureaucracy) are all but unheard of. And the party? I spoke with several of my restaurant friends who indicated that Xmas parties this year were non-existent, except at the TOV.

So does it make sense that the TOV would decrease service levels?

Not where I sit. Service is the only thing we sell. It would be like GM and the UAW saying the economy's bad so we won't build any cars. And it's especially offensive while the TOV employees walk around with bigger paychecks. Talk about fiddling while Rome burns.

PERSPECTIVE:

Vail Homeowners are Valuable Community Assets – Alan Kosloff. *Mr. Kosloff is a Vail resident and President of the Homeowners Association.*

This winter economic issues have impacted Vail with a decline in destination visitors, an increase in Front Range skiers and a greater reliance on the spending of the part-time resident. The unfortunate economic events have only emphasized the importance of the part-time resident or second homeowner.

In 2004 a study was prepared for the Northwest Colorado Council of Governments and was funded by a state grant awarded to the Town of Vail on behalf of the other mountain resort communities.

This study verified what many of us instinctively believed, that part-time residents are an important component in the success of our economy. What was most surprising was that second homes are the primary economic driver in the 4 county region of Eagle, Pitkin, Summit and Grand counties. More than half of all dwelling units in the study area are second homes. These homes generate more dollars to our local economies from construction and owner spending than the dollars generated by winter visitors. More jobs are created by the second homes economy than any other single sector. Part time residents spend more than winter visitors, summer visitors and full time residents combined. [\(See link Northwest Council of Government 2nd Homeowner Study - 2004\)](#)

Since part time residents own about 70% of the homes in Vail this study is more true for Vail.

In recent years many part time residents are making Vail their home and others are spending more time here as they are closer to retirement. This will only increase the economic and political impact of this growing segment of the community. [\(See Town of Vail 2020 Trends\)](#)

We urge all part time residents to become more active in your adopted community...Volunteer in community or philanthropic groups...you are needed. Register to vote...your vote counts a lot more here. Contribute to local charities. Become a greater part of the community. And of course, become a member of the Vail Homeowners Association!



Mountain Plaza – Newly rebuilt Vail Village Ski Base



Vail's aspen, ball and crane.

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