



Lionshead Storefront: Better Value or Bigger Sale?

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VAIL HOMEOWNERS ASSOCIATION

J u l y 2 0 1 0

Vail Economy - Better at a Slower Pace: There are indications that the "Vail on Sale" survival strategy, which has dominated the marketing strategy of Vail businesses for the past 18 months, may be on the wane. The conversation at a recent meeting of local businesses revealed a shift from "crisis" to "acceptance" of what it is now required to survive the economic realities of the new normal. The quest for customers used to be all about increasing gross profits, now it's about protecting the bottom line, by keeping costs down and value up. The community's economy is no longer getting worse for many businesses. However, they say it is getting better, but at a much slower pace than they initially anticipated. The emphasis, some are voicing, needs to be on giving better value rather than the wholesale discounting of merchandise or services. The proliferation of hastily crafted "sale" signs that commonly adorn local storefronts is a clue that many businesses have not yet bought into the "better value" strategy.

Real Estate Sales Continue on an Upswing: Closings on pre-recession real estate residential contracts in Vail are primarily responsible for increases in sales volume and Real Estate Transfer Tax (RETT) revenues for the Town. County wide [property sales](#) are above the 2008 low, but an unprecedented number of property listings remain on the market. Discounting on list prices continues between 14% and 40%. Some analysts speculate that buyers are continuing to take a wait and see position because they remain unconvinced that prices have reached bottom. Custom-built higher end residential units are closing in most of the Vail Renaissance residential complexes. These top-of-the-line residential projects are all now in the final stages of completing construction. However, defaults at closings on pre-recession contracts are predicted. Some realtors are advising prospective clients; buy a property to use, not for the investment value.



Vail's bursting economic bubbles, more than child's play... with long-term consequences.

More Speculative Development to the Rescue: There is a belief among some realtors because of the bargains to be had, that institutional investors will enter the market buying up assemblages of units. Some analysts are saying large banks will be reluctant to finance new large development projects in Eagle County for a long time to come, because some have had to take over notable projects that fell into hard times. Yet others say, if the circumstances are so difficult, why then are there large speculative developments proposed for Vail, [Minturn](#), Edwards and [Wolcott](#) providing for several hundreds of new residential units and thousands of square feet of more commercial space working their way through governmental approval processes? Conventional wisdom says, they are getting their asset bottom line ready for the next hoped for wave of speculation... when it comes.

Existing and Future Conditions Remain Sobering: There are forecasters saying that the economic recovery for Vail and [Eagle County](#) will be lengthy (5-10 years or more). These projections are consistent with [global](#) and [national](#) trends. The Town of Vail [revenue trends](#) are currently 11.92% less than the 2008 high. The Town continues to meet its reduced [budget projections](#) primarily through capital improvement set-asides. Modest increases in [sales tax](#) occurred over the 2009-2010 ski season and officials are hopeful that the summer season will show some growth from [lodging](#) and sales taxes. If collection projections hold, June sales taxes will be up 21.2% over last year. There is increased activity in [Vail business](#) openings, closings and relocations. Empty storefronts are not common. Vail is weathering the recession better than most of its [competitors in Colorado](#).

There is a major economic disruption occurring in the work force, which could result in an eventual significant restructuring of the local population. Should development related job losses continue, the local population will shrink as the numbers of part-time residents accelerate. [Unemployment in Eagle County](#) peaked in May at 11.15% with the highest rate in 18 years, and the number of jobs showed a significant decline (24,298) down from the high of 32,965 in February of 2008. The workforce for May also reflected a substantial exodus at 27,347 workers, down from 2008's high of 33,992.

June's preliminary figures show improvement and the long expected shift from temporary redevelopment related construction jobs to tourism services should occur by the end of the year. Higher rates of residential property [foreclosures](#) continue in communities with higher percentages of permanent work force population.



Bargain shopping on the streets - Vail's Sunday Farmers Market.

Summer events that attract large crowds are having a positive effect, particularly for the restaurants and bars. But not for all businesses; galleries reported business down during the Teva extreme sports long weekend event in early June. The weekly Sunday [Farmer's Market](#) is a thread that ties together an expanding menu of specialized events. Tour buses arrive with foreign visitors from Russia and elsewhere, but nowhere to the degree that commonly occurs at the Canyon Lands resorts in neighboring Utah.

It is being said by some retail merchants that customers are back buying, but not aggressively. Generally, anecdotal reports for the early part of the summer season are that the apparel business is slightly up, women's jewelry is selling, but not men's, and restaurant wine sales remain flat. There are retailers who believe they are fighting the consumers' perceptions that retail prices in Vail are "marked up" on the same items that they can just as easily buy in Denver or online.

Some hoteliers are saying it is time to raise room rates, as they see lodgers spending more on their dinner tab than they lay out for a hotel room. Last year, the lead-time to book a room was several days ahead. Now, in some instances, it occurs on the customer's drive up from Denver. In boom times reservations were made weeks, if not months ahead. Hoteliers are experiencing renewed business from weddings, the Denver drive up trade and small corporate meetings.

Many of the new properties built to cater to the "carriage trade" have yet to open or go into full operation. International business over the summer, according to some retailers, is experiencing a noticeable increase in guests from Mexico, which is more typical for the winter months. Higher prices, says a restaurateur opining the obvious, changes the composition of the guests.



The Ford Amphitheater stage awaits Yo-Yo Ma, excellence funded by part-time residents and the greater Vail community.

Culture Brings Loyalty Not to be Taken for Granted: The summer's Bravo classical music venue led off and closed with world renown headliners, cellist Yo-Yo Ma and the [New York Philharmonic](#). [Bravo](#) and the [International Dance Festival](#) are being applauded by local restaurateurs and gallery operators for the business they generate beyond just the summer months by adding value to the seasonal stays of part-time residents. Bravo holds up as an example, the jamb packed Yo-Yo Ma concert, of how Vail and the surrounding region will support highly regarded talent. Donors, many of whom are part-time residents say, given the recession, their financial support should not be taken for granted.

Greater scrutiny is being given to the sales tax generating effectiveness of Town financed events, which to some means that the uniquely local aspect of these venues may get pushed aside for the big crowd-pleaser extravaganzas. The Farmer's Market, Bravo and the Dance Festival are the events that actively seek to engage with artists and participants from the local community, unlike many of the imported sporting and special events, which use the community solely as a commercial backdrop. Local retailers often complain that large crowded street events actually hinder their sales, but other types of businesses say they would rather give the appearance of commercial success than leave the opposite impression. It remains to be seen if these conflicts can be reconciled.



Yo-Yo Ma celebrates the exuberance of youth in a free children's concert.

Business Trends Could Change Local Social Equity and Environmental Political Policy: Many businesses say they are feeling the effects of a slowing in the construction trades, even with an upturn in remodels and smaller projects. The perspective on whether the economic water glass is half full or empty depends on how one derives their livelihood in Eagle County.

The shrinkage in employment has become noteworthy, as have the continuing elevated rates of foreclosures in work force communities. Some see affordably housing the work force as no longer being the problem it was during boom times. Political analysts observe that the significance of the decline in Eagle County's jobs and employment opportunities sends a message to those in the political arena that "social equity" issues, such as [affordable housing](#) and energy conversion, may have a shrinking constituency.

Nationally, as a consequence of the recession, financing for government sponsored "affordable housing" projects has fallen into disrepute. The perverseness that infected financial markets was caused, in the view of some economic critics, by a laudable, but impractical philosophy of social activism that assumed government sanctioned entitlements could provide workers with affordable rents and, if they desired, universal home ownership.

The realpolitik of "social equity" policies are taking their toll, causing, some believe, the qualifications for low risk financing to be all the more difficult for governmental affordable housing projects both in Vail and Eagle County. It remains an item of conjecture if zoning mandated affordable housing requirements will stay on the books as local government casts about for incentives to attract new development. A local political analyst observed that rolling back expectations could be a painful experience for those in elected office and disillusioning for those whose expectations remain unfulfilled.

The same economic and political rigors apply to government environmental sustainability efforts that would incentivize climate change motivated conversions from "depletable" to "renewable" energy sources. Eagle County's program to



Results of Catastrophic Wildfire in the Flattops Wilderness 80 miles West of Vail

spread the use of solar energy through an installation property taxes tax credit has thus far been nixed by Federal mortgage lenders as an undesirable title encumbrance. The Town of Vail's effort to gain a \$26 million Federal energy grant to fund a biomass power generating plant, fueled by beetle-killed pine trees that blight the surrounding forest, was rejected by Federal authorities who instead favor promoting expanded natural gas usage. The decision leaves the Vail region, save for a proposed phased logging and selective reforestation operation, surrounded by an expanding volatile threat from catastrophic wildfire.

Act Now to Avoid Missed Opportunities - 2015 World Alpine Ski Championships: There is, to some observers, a sense that Vail does not fully appreciate the scope of opportunity that the 2015 World Championships offer in putting the community back on its economic feet. There are those in Vail's fragmented business leadership that have yet to recognize the competitive significance that local organizers have already conferred by headlining the event as the "Beaver Creek/Vail" Championships, giving top billing to Beaver Creek, when for the last 30 years the branding ascendancy has been reversed. This decision appears to have been made even though organizers are still seeking to fill a \$5-\$7 million

gap in funding from government and business in order to host the event. Naming rights becomes a sensitive issue of branding dominance in an international competition for the lucrative high-end destination guest market.

Racing events will be split between the two resorts. There are stirrings in Vail's political circles that the community should be the location for the opening and closing events, including parties for the media, as it has been in two prior World Championships (1989 and 1999). The jockeying for position over event logistics and pecking order muddles the larger implication that the event can be a singular unifying force to retool the local tourism economy and supporting infrastructure, which could reap benefits well beyond the event itself. Vail is well positioned, with the completion of its extensive renaissance renovation, to use the Championships as its worldwide roll-out as a dominant power in the "grand tour" of prestige international winter resort communities.



Logo: Vail/Beaver Creek 2015 World Alpine Ski Championships

Even though the event is 4 1/2 years away, those not familiar with the progression of decisions could be caught off guard and unprepared. Historically, Vail's business community has complained mightily about the disruption to business that the championships cause while they are underway. Critics note that chronic complaining is no substitute for the lack of cohesive and forward looking leadership. The benefits become appreciated in the years after the event when increased traffic from international destinations, like the United Kingdom after the 1989 Championships, becomes apparent.

The persuasive power from exposure by the international media has grown exponentially since the time of the earlier championships. How Vail chooses to organize the exposure it receives is essential to the long-term economic return it gains. Therein lies the challenge, critics say, organizing competing business interests, a feat that has eluded the community for the last three decades. In good times dysfunctional behavior could be tolerated, even ignored. Not so in down times.

Vail's problem, as these critics observe, is that its business community lacks strong cohesive leadership with a unifying purpose; instead factional cronyism predominates and local government funding perpetuates the behavior. Meanwhile, economic progress lacks innovation and is grinding repetitively along.

The lead up to the World Championships, some believe, is a perfect time to do more than shuffle the deck chairs. It is an opportunity to restructure leadership by shifting responsibility to the business community. It is being discussed by those supportive of reform that a "corporate" entity should be formed representing the principle business segments in the Vail community, which would be responsible for formulating and implementing marketing policies and coordinating investments made in conjunction with the Championships. In the long-term, the "corporate" entity would guide the diverse mosaic of local businesses toward the broader goal of sustaining growth in both domestic and international markets.

Investing the Conference Center Fund on the Championships: A Town Council appointed committee is investigating projects in which to invest the \$9.3 million [Conference Center Fund](#) and perhaps other available revenues. The Association has prepared an inventory of [wish list projects](#) and potential Town of Vail revenue sources that have been under discussion by various community interests. [\(project maps\)](#) Before any of the funds are dispersed, there are those advocating that a long-term return on investment "business plan" must be prepared for whatever facilities are to be considered. A heavier weighting should be placed on those projects that can use the Championships as a launch to future prosperity. For example if the resort company were to make a capital investment in building the long desired Vail Village to Mid-Vail gondola, estimated at a cost of \$10 million, so that the race run-out area can be expanded, it would make practical sense to make supporting public investments. Some are of the opinion that it would be short sighted to reject the idea of using some of the Conference Center Fund for the development of new durable markets via the Championships. Providing more [free or low cost public parking](#) may be a [popular political football](#), but does little to build the destination guest economy and will drain the Town's treasury. Some are now saying that free/low cost parking, as a government-funded entitlement, is no longer feasible. They believe the cost of providing parking needs to transition to private sector projects, like Ever Vail.

Vail Needs to Reconsider its Visitor Centers: Vail's visitor center operator is making an effort to take the first steps in assisting the communication needs of foreign visitors by introducing computerized Spanish language translation

equipment. A far more advanced approach will be needed if Vail is to aggressively move to take long-term advantage of international business opportunities created by the coming 2015 World Alpine Ski Championships. Those who have traveled abroad and seen truly "world class" visitor centers in operation, see shortcomings in Vail's visitor center system. These critics say because the Town of Vail funds guest information, that the measure of services provided is often more about local geopolitics (Vail Village vs. Lionshead) than effectively serving the visitor. Perhaps, with 2015 on the horizon, it is time to bring in independent advisors with experience in providing 24/7 information services to both domestic and international clientele. There are those in the business community who now believe that a truly "world class" visitor center is critical to expanding new consumer loyalty.

There are progressive resort communities mimicking the Nation Park Service by merging their visitor center with a "heritage" museum. Vail is a natural for this approach say proponents. Advocates say with a modest building expansion, already structurally provided for on the Vail Transportation Center, the now independently operated museum and visitor information functions could be consolidated and a Vail legacy exhibition also included. The benefit, they believe, is that a more sophisticated facility, more economical to operate, can attract and hold the interest of drive-by visitors, as well as add greater cultural depth to the experience of Vail's guests and residents. Specialized sub-centers in Lionshead, Ford Park and West Vail could be linked to the main center. Proponents say the Vail Village location is the best location for a central visitor center because of the line-of-sight ease of accessibility from Interstate 70. They say navigating Vail can be very intimidating for the uninitiated first time visitors resulting in frustrated customers and lost business. They point to consumer surveys that say Vail Village is the first destination of choice.

The Town of Vail is highly sensitive to private property owners claiming ownership rights, as this sign portrays, of stream tract lands that are owned by the Town. The public has the right of access to stream tract lands that are the stream banks along either side of Gore Creek, generally from Ford Park to Cascade Village. Private property owners are within their rights to prevent gaining access to the Town's stream tract through their own property.

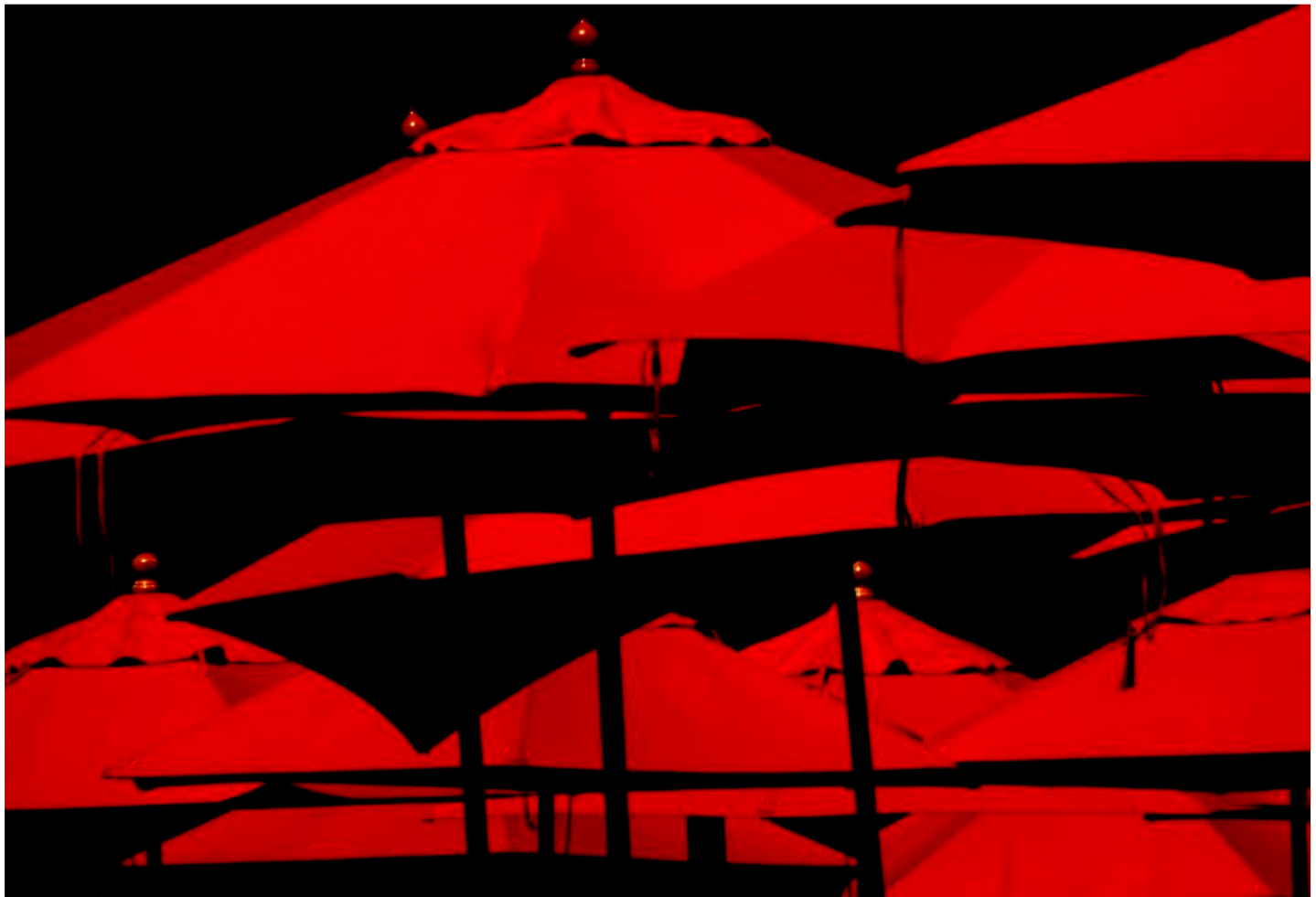
The Town is currently in the process of taking legal action to cause the removal of "improvements" made by adjacent private property owners on the stream tract.



POINTS OF VIEW:

Economy Taking Its Toll on Local Businesses - Bart Cuomo *Mr. Cuomo is a local Vail businessman known for backing up his outspoken views with accumulated wisdom and practicality.*

While summer season tourism is sluggish, we are seeing signs of visitor numbers improving for the coming winter season. Although we are optimistic about vacation rental business and other ski tourism-related businesses such as those based in the Vail, Beaver Creek or Avon; not everyone in the Vail Valley is going to benefit. Over the years, the Vail Valley economy expanded beyond tourism and has come to be over-reliant on construction and development. However, higher-paying construction-related jobs have dried up and even a boost in tourism-related jobs cannot begin to make up for those losses. Not only are businesses that target locals' support struggling, many well-established restaurants that target both locals and tourists alike are under pressure or closing. Earlier this year, the **Outback Steakhouse** in Avon shut down and in early July, **Chilly Willy's** a long-time fixture in downtown Minturn closed its doors. Unfortunately, not only did real estate go up too fast in the Vail Valley, but the same could be said for business growth. As a result, while we see tourism picking up this next winter, we regret that it is likely going to take some time for local businesses to rebound. For many we fear that things are likely to get worse before they get better. [Vail Realty Newsletter](#)



Lionshead Patio Umbrellas

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