

# VAIL HOMEOWNERS ASSOCIATION

March 29, 2011

## EXECUTIVE SUMMARY



**Town Sales and Lift Tax Revenues Up:** Sales tax revenues are up 4.4% and estimated to finish 8.3% over the prior year for January. Lift Ticket Tax revenues this season (November - January) are up 15.3%. Town of Vail figures indicate the lift tax revenues are strong with some predicting the potential for a record setting year in skier visits, which hasn't happened in several years. The season's better than average snow fall is a major contributing factor.

Mid-season analysis from Vail's marketing establishment attributes a boost in business coming from Latin American countries. Mexico and South America are focal points of Vail Resorts' (VRI) winter marketing strategy, which to many, can be credited with expanding Vail's winter tourism business. Progress is being made

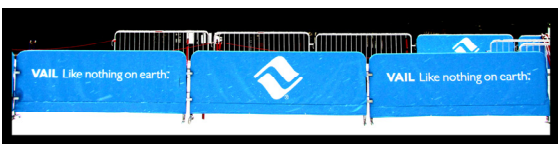
to link the Town of Vail's summer marketing effort into VRI's Latin American initiatives. Discussions have begun among marketing technicians about the need to become more responsive to the advanced "cultural sensibilities" of the community's international guests. The Association sees these actions as progress resulting from its ongoing advocacy to transition economic development towards high-end international tourism.

**Vail Resorts 2nd Quarter Report:** The Company says it had positive growth in the 2nd quarter ending January 31st across all segments of its resort properties. The stock price is strong remaining near its 52 week high of \$54 (see chart). The Resort segment (mountain and lodging) reported for the same period in the prior year an 18.5% increase in earnings before interest, taxes, depreciation, and amortization (EBITDA).



**Year End Real Estate Report - Eagle and Pitkin Counties:** The home counties for Vail and Aspen, the two dominant winter ski resorts in Colorado, showed strengthening real estate growth. In a head to head comparison of total dollar volume of real estate sold, Eagle County sold \$1.5 billion over 2009's level, an increase of 67% compared to Pitkin County with a \$1.3 billion increase amounting to a 17.75% rise. However, average sale price of single family homes dropped -4% in Eagle County and in Pitkin, -11%. January sales numbers for Eagle County were on par with the prior year, with inventories remaining high. Foreclosures continue on the rise as is seasonal unemployment with over 400 fewer jobs available than a year ago.

**2015 World Alpine Ski Championships:** Budget strapped organizers promised \$100 million in local economic impact. This gave the Vail Town Council sufficient reason to move forward with funding the first \$250,000 installment of a \$1.25 million pledge toward the event's \$50 million cost. The controversy as to whether Vail will have a premium race venue during the championship remains a matter of conjecture.



**Conference Center Funds Voter Re-appropriation:** Refinements are nearing completion to project proposals for a spending program needing voter approval to redistribute the \$9.4 million in the conference center fund. Informed observers believe there is only "one shot" at gaining voter approval. If the redistribution measure fails at the polls, some legal

advisors are saying the money has to be returned to the taxpayers, a complex issue in itself.

**Ever Vail Review Proceeding:** The Town Council is working its way through the labyrinth of details associated with the proposed new mixed use Mountain Portal in West Lionshead. The Homeowners Association has said the project cannot reach its full economic potential until the Town Council requires the adjacent sewer treatment plant to be master planned to eventually become aesthetically compatible with the \$1 billion investment being made by VRI in Ever Vail.

**PARKING POLICIES EXAMINED:** Parking has become an important revenue generator for both the Town and the private sector. The advent of privately owned public parking has dented the Town's forty year monopoly over public parking. Town officials are reluctant to engage in a major overhaul of parking policy. (See overview of VHA Parking Concerns)







Vail: Avoiding the Economic Desert - Which Way to Turn?

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# VAIL HOMEOWNERS ASSOCIATION

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## VAIL ECONOMY

**Town Sales and Lift Tax Revenues Up:** [Sales tax](#) revenues are up 4.4% and estimated to [finish 8.3%](#) over the prior year for January. Lift Ticket Tax revenues this season (November - January) are up 15.3%. Town of Vail figures indicate the lift tax revenues are strong with some predicting the potential for a record setting year in skier visits, which hasn't happened in several years. The season's better than average [snow fall](#) is a major contributing factor.

The Town reports that its parking [revenues](#) through February 22nd were down 30% from 2010. The daily "free" Frontage Road parking in West Vail for over a 100 vehicles could account for some of the loss.

Beaver Creek became a favorite for day visitors during Vail's construction boom parking shortages because of its free parking. Now, according to anecdotal reports, it is experiencing a "softening" in its winter business activity. Some observers are saying that because of Vail's renaissance makeover, the decades-long visitor migration westward to Beaver Creek and down valley communities may be headed back up valley to Vail. Skeptics doubt that Vail's turn towards offering more "free parking" can fully explain the change in patterns.

Mid-season analysis from Vail's marketing establishment attributes a boost in business coming from Latin American countries. Mexico and South America are focal points of Vail Resorts' (VRI) winter marketing strategy, which to many, can be credited with expanding Vail's winter tourism business. Progress is being made to link the Town of Vail's summer marketing effort into VRI's Latin American initiatives. Discussions have begun among marketing technicians about the need to become more responsive to the advanced "cultural sensibilities" of the community's international guests.

The Association sees these actions as progress resulting from its ongoing advocacy to transition economic development towards high-end international tourism. With the downturn in the development economy, high-end international tourism is the most direct means to protect and improve the quality-of-life investments made by residential property owners in the community.

#### **Vail Resorts 2nd Quarter Report:**

The Company says it had [positive growth](#) in the 2nd quarter ending January 31st across all segments of its resort properties. The stock price is strong remaining near its 52 week high of \$54 (see chart). The Resort segment (mountain and lodging) reported for the same period in the prior year an 18.5% increase in earnings before interest, taxes, depreciation, and amortization ([EBITDA](#)). Real estate showed a slowing in its decline over the prior year same period, down a negative -\$0.2 million as contrasted against a negative -\$6.5million. The company reckons it will end the fiscal



year up 13% to 19% for mountain and lodging segments with Real Estate projected down -\$10 million over the prior year. On mountain investments for the coming season include the construction of a fine-dining restaurant at Mid-Vail.

#### **Year End Real Estate Report - Eagle and Pitkin Counties:**

The home counties for Vail and Aspen, the two dominant winter ski resorts in Colorado, showed strengthening real estate growth. In a head to head comparison of total dollar volume of real estate sold, Eagle County sold \$1.5 billion over 2009's level, an increase of 67% compared to Pitkin County with a \$1.3 billion increase amounting to a 17.75% rise. However, average sale price of single family homes dropped -4% in Eagle County and in Pitkin, -11%. [January sales](#) numbers for Eagle County were on par with the prior year, with [inventories](#) remaining high. [Foreclosures](#) continue on the rise, as is seasonal [unemployment](#) with over 400 fewer jobs available than a year ago.

#### **Cost of Doing Business in Vail a Problem:**

There are those in the Vail construction industry who are analyzing the cost imposed upon development by the Town's regulations and fees. The Town is in the process of computerizing its development related customer service functions to speed up the paper handling processes. Critics say it's not paper handling that's the problem, it's the cost of doing business in the Town. There are those in the industry who are say they are being priced out of the market. Other say, these developers don't have the right product. Meanwhile, the local employment picture remains bleak.

#### **Town Local Hiring Preference and Discretionary Spending:**

In a related issue, the Town has reduced its \$53 million in reserves by \$6 million to fund improvement projects. Some say this was done in order to keep the Town's staff construction professionals employed. The Town's bidding process, which does not have a "local preference" stipulation, stirred up a controversy when the staff recommended awarding a \$1 million plus frontage road widening project to an out-of-county contractor. The project adds or repairs bike lanes from Ford Park east to Bald Mountain Road. The Homeowners Association questioned whether the Town has appropriate criteria to objectively evaluate the "wants vs. needs" for discretionary capital projects such as the road widening project.

The Association reminded the Town Council that they had requested a "local preference" employment provision when they approved construction of the West Vail Fire Station a year and a half ago. The Town Council rejected their staff's recommendation. They instead awarded the project to a local contractor who, once the Council removed discretionary add-ons, closely rivaled the price quoted by the non-local low bidder.

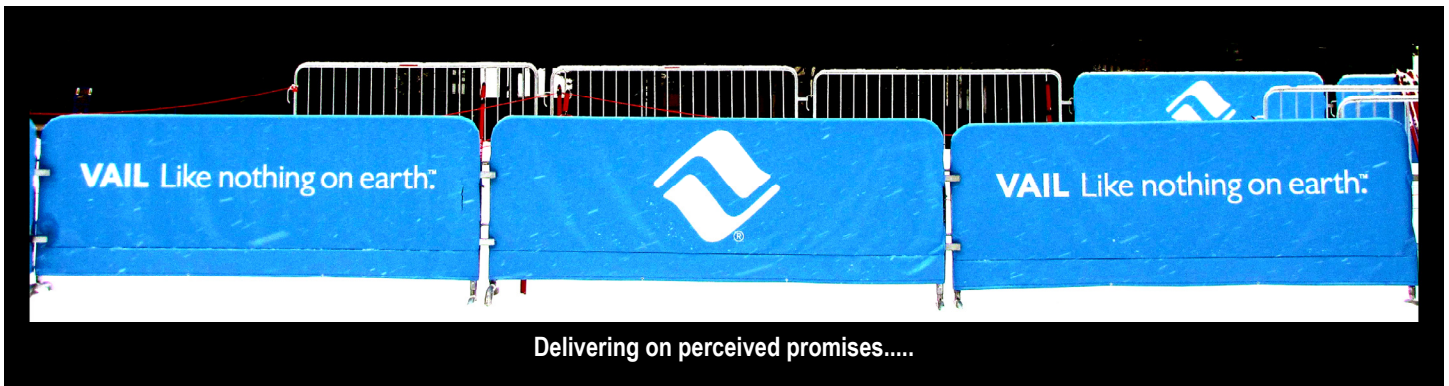
Many in the local contracting business are critical of the Town staff for appearing to look out for their own jobs at the expense of the local labor force. There are those saying that the Town does not does fully factor in the cost of doing business in the Vail Valley. Some believe there is a need for the Town to adjust its development policies so that the local development industry remains competitive.

#### **2015 World Alpine Ski Championships:**

Budget strapped organizers promised \$100 million in local economic impact. This gave the Vail Town Council sufficient reason to move forward with funding the first \$250,000 installment of a \$1.25 million pledge toward the event's \$50 million cost. The controversy as to whether Vail will have a premium race venue during the championship remains a matter of conjecture. Potentially, if the International Ski Federation ([FIS](#)) agrees,



Golden Peak would be the site for a novel head to head race between national teams. This prospect has, for the time being mollified local critics, that is, until the FIS signs on or not.



**Conference Center Funds Voter Re-appropriation:** Refinements are nearing completion to project proposals for a spending program needing voter approval to redistribute the \$9.4 million in the conference center fund. Projects looked on favorably by the advisory committee include investing in improvements to the Golf Club House, Ford Park and a guest enhancement program that included a major make over of the Village Village welcome center and ski museum. The public involvement in shaping the proposals has been limited to government officials and affected vendors. Informed observers believe there is only "one shot" at gaining voter approval. If the redistribution measure fails at the polls, some legal advisors are saying the money has to be returned to the taxpayers, a complex issue in itself.

The voters can readily grasp "bricks and mortar" projects. Vague and open ended concepts will have a difficult go of it. Given the mood of the electorate towards government spending, ill-defined proposals riding on the coattails of those that are well thought out could bring all down in defeat.

Of concern is a highly jargonized and obtusely defined guest enhancement "draft" concept paper making the rounds privately in local political circles. It contains inferences about "data mining" and "participating parties" as financial beneficiaries; this, because of their proprietary communication technology or other preferred positioning. The approach raises shades of "big brother" and conflict of interest. For example, there are scant details on how, *if* funded by the voters, the "participating" parties would serve the "public interest" by getting newly arrived I-70 travelers to their Vail destinations, be it parking or otherwise. Voters will want to see specifics along with firewalls between public and private interests.

Voters may not be pleased to know that the artificial turf, proposed for reconfigured playing fields at Ford Park, is not maintenance friendly; particularly for events that would put large crowds on it, like a rock concert where trash, drinks, chewing gum, cigarettes and the like become ground into its complex layers of synthetic surfaces. According to knowledgeable technicians, artificial turf is far more costly to repair; it's not just a matter of hosing it off. As a consequence, the use of the playing fields will most probably be limited to athletics and not used for special events. The value of extending the athletic season for a month longer in the Spring may not be worth the maintenance headaches and the potential for a loss in sales tax revenues from special events on the site. Natural turf still may have greater benefits and flexibilities. There has been limited public discussion on these issues.

**Ever Vail Review Proceeding:** The Town Council is working its way through the labyrinth of [details](#) associated with the proposed new mixed use Mountain Portal in West Lionshead. Some members of the Town Council are questioning whether the project has enough hotel rooms and office space. Opinions are being expressed that a much larger conference facility is needed. Some in the public are asking for more owner occupied affordable housing. The Homeowners Association has said the project cannot reach its full economic potential until the Town Council requires the adjacent sewer treatment plant to be master planned to eventually become aesthetically compatible with the \$1 billion investment being made by Vail Resorts in Ever Vail. The Town Council has the power to adopt a Master Plan for the entire neighborhood, including the sewer treatment plant. Any citizen of the Town is able to initiate a master planning proceeding.

**I-70 Upgrade, Coming to a Decision:** Recreational commuters won't see large scale relief anytime soon from the weekend traffic jams that populate the I-70 intermountain corridor between Denver and Vail both summer and winter. After years of public hearings and the deliberation of [special study](#) committees, the Colorado Department of Transportation (CDOT) is embracing some form of higher speed train service. There is little hope of getting the \$20 billion in public funding estimated to make all of the desired projects. In the interim, managed solutions to spread out traffic volume and increase vehicle occupancy will get further attention. Advocates frustrated with the seeming lack of

progress are talking of limiting truck traffic. Scarce construction dollars will be meted out in an attempt to cure "pinch points" where congestion and traffic backups occur. Others don't see any substantive resolution until, like Europe, critical portions of the interstate system are "privatized" or tolled.

## **PARKING POLICIES EXAMINED**

### **Current Public Policy:**

The Town of Vail owns two public parking structures/transportation centers (Vail Village and Lionshead) each with an estimated parking capacity of 1,100 vehicles. Except for the ski season, public parking is free in these structures. In winter, standard hourly/daily rates apply and seasonal parking passes are sold. Recently

completed private development projects now provide modest amounts of public parking, some with rates lower than those charged by the Town. ([See overview of VHA Parking Concerns](#))

Parking has become an important revenue generator for both the Town and the private sector. The advent of privately owned public parking has dented the Town's forty year monopoly over public parking. The recent building boom-gone-bust delivered an inventory of hundreds of new privately owned public parking spaces. Hundreds more spaces are on the drawing boards of private developers.

In winter, the cost of daily parking is a point of aggravation to many consumers, most notably locals and day visitors. Some go to great lengths to avoid paying for parking. Many Vail merchants do not like parking fees because their competitors, in nearby communities with free parking, gain a competitive edge. On the other hand, the "winter only" parking fees are a frustration to developers because the Town's parking policies inhibit their ability to collect revenues year-round. Capturing a return on investment from parking fees is their motivation to build more private public parking.

Town officials are reluctant to engage in a major overhaul of parking policy. Their principle aim has been to build their own or obtain it from private developers via "exaction". Neither is proving to be politically or financially feasible. The Town's attitude may be driven by a desire to protect an important revenue source. Revenues from Town owned parking structures/transportation centers have grown from \$1.5 million per annum in 1999 to \$4.5 million ten years later. The Town uses these revenues and its Ski Lift Tax to operate Vail's transportation centers and extensive bus system.

**Countervailing View - Yield Management Pricing:** There are those in the private sector who believe that competitive market forces can provide for public parking rather than relying solely on Vail's government monopoly. They believe that public parking has become a highly valued commodity, which guarantees that an ongoing adequate supply of public parking spaces will be provided by the private sector. They see the government's pricing policy for its public parking as dysfunctional because it generates revenue only in the winter season.

They propose a "year-round" fee and abandonment of the "winter only" rate. A year round fee could, in their view, reduce winter parking rates, thereby increasing non-peak utilization and annual revenues overall in both public and private parking facilities. Furthermore, the year-round fee would fluctuate based on market demand. It would be decreased in periods of low demand and increased in periods of high demand (a.k.a. yield management). The current ability to track real time parking space inventories, wedded with advancing cell phone technology, opens the opportunity to use flexible pricing to either attract or deter consumers so that the quality of their Vail experience is assured.

Proponents believe that both utilization and revenues would be increased. They note that currently, day skiers patronize nearby resorts that have "free" parking or they park in Vail's "free" outlying parking lots and along the Frontage Roads. In their view, using yield management pricing would make the convenience of a closer parking facility more attractive on low demand days. This could entice day-skiers away from the outlying lots and into parking structures that serve the community's resort town centers.

Pricing becomes a much more complex issue, if the Town were to become dependent upon parking revenues to fund its general operations. Some speculate this may already be the case. If the Town relies on parking revenues for non-parking related expenses and there were a fall-off in demand, it could lead to serious consequences. On the other hand, there is a





continuing chorus from some consumer segments for ["free" or low cost parking](#). The Town must weigh its policy decisions against the parking fee policies of Vail's competitors.



**Objective and Independent Analysis Necessary:** There is now a need to identify and authenticate other approaches; all credible strategies should be on the table. For new approaches to gain a foothold, viable business models need to be provided to community leaders. A change in approach will be unsettling to those who have institutional or self-interests in maintaining the status quo, therefore a phasing in period should be a consideration in any method that is recommended.

**Futures Past, and Beyond:** Vail in the early years (1960's) of its founding was planned and developed to avoid having on-street public parking. Mixed-use commercial/residential villages (Vail Village and Lionshead) were developed to be pedestrian friendly with public parking on their periphery in large centralized parking lots. As these areas grew, private parking was required by the newly formed municipal government to be off-street and enclosed in all new buildings.

The centralized public parking lots in the 1970's were developed into multi-story parking structures by the Town of Vail on land provided by the ski mountain operators, Vail Resorts, Inc. The parking structures became known as Transportation Centers as they incorporated mass transportation bus terminals along with support services.

These large parking structures were strategically located adjacent to the community's Frontage Roads, which are arterial roadways with the highest speeds and traffic capacity that provide access to the entire community. Importantly, particularly during rush hours, they give ready access to Interstate 70, which bisects the length of the community. Interstate 70 is the route to the Denver Front Range, Vail's primary regional drive market and airport portal.

**Better Becomes Bigger:** In recent years new, bigger buildings with large parking structures were allowed by the Town government to be constructed along the Frontage Road. Many more remain to be built when economic conditions warrant. Several of these developments have added significantly to the inventory of public parking. These developments' proximity to the Frontage Roads was the reason that they were allowed to be expansive traffic generators.

In recent years, parking shortages during both winter and summer peak tourism seasons were in large measure caused by the workers constructing these projects. The last of the building boom projects were completed in December of 2010. The construction workers have departed, as have parking shortages. It remains to be seen if summer parking shortages will be correspondingly affected.

Similarly, in the community's lore, skier traffic has also been a cause of parking shortages. The Town and Vail Resorts have scrimmaged over the degree of culpability since the inception of the community. This winter season (2010-2011) Vail Resorts has demonstrated under favorable snow and improved economic conditions, their business plan for Vail is less of a factor in creating public parking shortages than many had presumed. Typically, it is a blue sky, powder snow day that brings out the locals, which causes overflow parking to occur.



#### **Town of Vail's Affordability Entitlements: Employee Housing and Parking**

There are those who believe that public parking in Vail has now become a resource management issue rather than a shortage of supply. There are political interests demanding "free parking", which, until the construction boom shortages, the Town discouraged. The Town, through its public parking policies has created a political and financial quandary both for itself and the private sector. Free parking is lost revenues. Few of those demanding free parking own property or vote in Vail elections.

**Frontage Road Parking Adding Complexity:** There is overflow parking for an estimated 1,000 vehicles on the North and South Frontage Roads. The parking is for the most part free, as the Frontage Roads are located on State and Federal highway right-of-ways. Federal and State highway guidelines, with rare exception, prohibit parking for a fee on their right-of-ways. The Town of Vail limits Frontage Road parking to 15 days in winter and 3 in the summer. Rarely does Frontage Road Parking exceed 400 spaces. However, in winter there is daily parking allowed on the Frontage Road adjacent to the West Vail shopping area for an estimated 100 vehicles. These spaces are filled on a daily basis either by employees or skiers. There is limited documentation as to whether the Town recoups lost parking revenues through sales tax generated by benefited businesses.

The Frontage Road overflow parking policy has taken on a political life of its own and therefore cannot be ignored in assessing parking pricing policy. Particularly since the Town is in negotiations with State and Federal authorities to take over ownership of the Frontage Roads, which would be a game changer.

There could be significant revenue potential for the Town, if they begin charging a fee for Frontage Road parking. Federal and State authorities, sidestepping restrictions in their guidelines, have granted a special "pilot" program that allows the Town to sell permits for Frontage Road parking to local employees.

**Parking Options Studied:** Over the past year the Town has developed a broad array of options to increase its inventory of public parking. Building new, or expanding existing, parking structures comes with a hefty price tag, some costing as much as \$50 million. Costly new construction is politically beyond reach. It is unlikely that Vail voters would approve any large expenditure. Pressed on all fronts for new sources of revenue, fee parking along the Frontage Roads could become a long-term revenue source for the Town.

**Short-term Gains Potentially Long-term Losses:** There is longstanding community opposition to Frontage Road parking for reasons of safety, traffic congestion and image. Critics are saying that the Town's "more parking, more revenue" approach is misguided because it ignores the competitive role that the private sector's inventory of public parking now plays. There are even those saying that the Town of Vail should shed its costs altogether for operating its two large public parking structures by contracting their operation out to private entities.



In recent years Vail has grown to urban densities, which is attracting increasing numbers of consumers who expect urban prices and experiences. Property values have appreciated to a level where any type of structured parking is a highly valued commodity worthy of private investment. This, in contrast to the 1970's when the Town's initial parking structures were built; at that time there was limited demand with low return on investment to the private sector. The public bonded indebtedness that funded the original construction of the Town's two parking structures will be fully retired in 2012. There are those wanting the Town to roll over its debt into building more public parking while others want the private sector to take on the responsibility.

**Shift Parking Costs From Public to Private Sector:** Any new large scale private developments that may be constructed in the next decade or so, will more than likely continue the practice of building public parking. One development, the proposed Ever Vail mixed use Mountain Portal in West Lionshead, will provide an estimated 1,100 parking spaces, more than half of which will be available for public parking. The developer has rejected any notion of giving the Town ownership of the public parking to be provided in their project. Some public officials see this as withholding Town parking revenues from the Town, unless, as some suggest, the Town finds a method to impose a sales tax on parking transactions.

**Mandates vs. Incentives:** If the Town adopts the tactic of using paid parking on the Frontage Roads as an ongoing revenue source, there will be less incentive for private developers to invest in building public parking. In a move that could also result in the dampening of private public parking, the Town has begun discussions regarding increasing the amount of required employee parking in new developments. Some reckon, constrained by the lack of available land and high construction costs, it is less expensive for the Town to provide employees with developer-subsidized parking, than it is to build them affordable housing.

**Priorities, Timing and Competition:** There is the potential in the Town's quest for new revenue sources to create difficult contradictions in the conduct of its regulatory "public protection" responsibilities, revenue generation and choices of capital investments. For example, the Town has approved moving forward with the study of improvements that add 134 spaces of Frontage Road parking at Ford Park (Vail's Central Park), which in turn, creates the opportunity to make other park improvements for a total project cost of \$12.4 million. In contrast, the Town has yet to decide on building an estimated \$15 million Frontage Road/Interstate-70 Simba Run Underpass. The proposed underpass would create a safe route for employees to cross from their affordable housing project to their jobs, as well as allow for more efficient operations of the Town's commuter bus system. The Town owned employee housing project is in negotiations to be doubled in size, becoming one of the biggest residential buildings in the community.

The Town, in the view of some, lacks the appropriate "wants vs. needs" criteria to rank the importance and timing of its capital investments. Taken another step, they say this is further evidence of the Town confusing its role as protector of the public's welfare and safety with becoming itself an expansive, profit-motivated developer in direct competition with the private sector.



Frontage Road Parking - For Better or Worse?





Spring Snow - Lionshead

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