

VAIL HOMEOWNERS ASSOCIATION

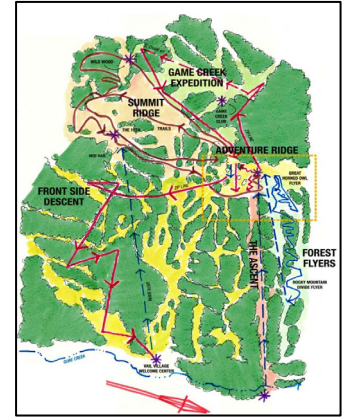
August 6, 2012

Executive Summary:



Residential Real Estate Sales Rising: Eagle County [June real estate sales](#) were on the rise, reflecting a nationwide trend showing [housing values](#) on the increase in many metropolitan areas. Home values have shown the first [year over year increase](#) since before the 2007 crash... [Read on](#)

VRI Planning Ahead: Vail Resorts is exporting the image of its US resorts to increase its import of luxury international destination guests, principally from selected Latin American markets... In a recent [announcement](#), company executives debuted its initial program to take advantage of a recent change in policy that allows winter resorts on United State Forest Service lands to expand their use permits into the summer months. Among the included "family oriented" summer experiences on Vail mountain are... [Details](#)



Town of Vail: The Town is spending around \$4 million this summer on attracting and entertaining guests... Increasingly demands are being put on the Town to fund the soft costs of promotion and economic development for a special interest business lobby... [Town reports](#) the winter season was the strongest since 2007... Some see this as a justification to increase Town spending on business promotion... the special interest lobby wants a permanent source of taxpayer funding for the millions of dollars in annual funding it receives for marketing and special events. [More...](#)

Draw Down of Town Reserves Could be Risky Business: The Town Council has directed staff to maintain 25% (of annual revenues) as a minimum balance within the General Fund. The current [reserve fund balance](#) is at 77% and projected in 2016 at 64%. The Town has nearly \$22 million in unfunded capital projects on its to-do list... The Town could be pushed to its own fiscal cliff, If the fiscal cliff were ever encountered, it could have a substantial impact on the broader business community... The Town is now being drawn into subsidizing certain public infrastructure improvements to help in the expansion of health care services.... [Read more...](#)

VVMC/TOV Redevelopment Issues: It is the desire of the coalition of property owners in the affected neighborhood to avoid conflict by forming a collaborative working relationship with Town and VVMC officials in order to avoid confrontations that could impede improvements that would extend the competitive life of the VVMC in the community and neighborhood. The coalition has provided a suggested [planning procedure to assess their concerns...](#) [Read on](#)



Golf Course Redevelopment Debate Continues: Because of neighborhood opposition, Town and VRD officials are seeking solutions that recognize the objections. Neighbors have yet to be placated and have submitted a [letter of objection](#) based upon deed restrictions, ballot language and design issues. They are requesting that the Town of Vail abandon its current plans for reconfiguration of the 18th fairway and conversion of the Vail Golf Course clubhouse into an event center and focus instead on the project as approved by

the voters of the Town of Vail, which was the expansion and improvement of the clubhouse within its current footprint. VHA suggests a management plan with guarantees that the interests of the neighborhood will be protected. [For more...](#)

Betty Ford Alpine Garden Educational Center Proposal for Ford Park:

Per the [proposal submitted to the Town Council](#) - The new building is intended to provide a permanent year round supporting indoor space for the Garden to serve primarily as an interpretive educational visitor's center... the site to the west and south of Betty Ford Way extending to the Manor Vail Bridge is being proposed as an enhanced landscape and informal garden area.. [For more](#)



WILDFIRE - Preparing for the Worst: Within hours, Colorado Springs experienced a mass evacuation of 34,000 people, a number that would approximate evacuating Vail at the height of the July 4th celebration. Much has been learned from these fires that is [causing reorganization of the State and Federal response](#). We urge you to [read on](#).



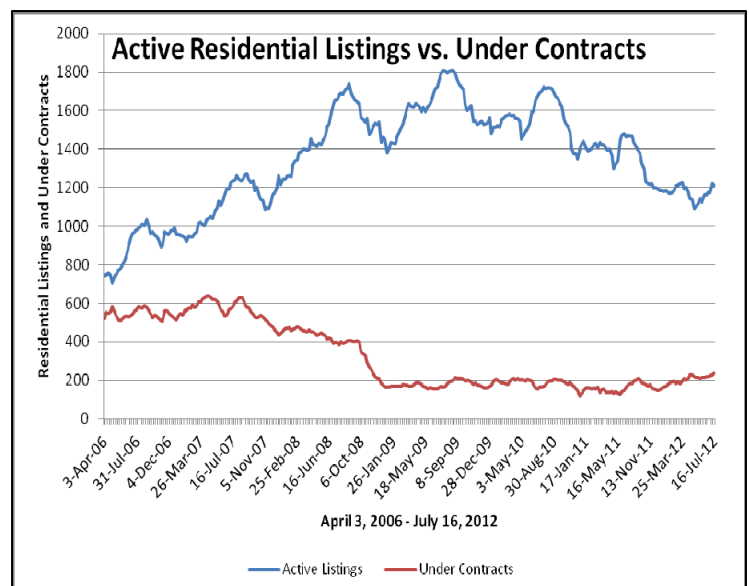
[Vail Jazz Festival](#) adds dimension to the diverse summer cultural experience throughout Vail.

VAIL HOMEOWNERS ASSOCIATION

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Residential Real Estate Sales Rising: Eagle County [June real estate sales](#) were on the rise, reflecting a nationwide trend showing [housing values](#) on the increase in many metropolitan areas. Home values have shown the first [year over year increase](#) since before the 2007 crash of home values. The [lack of new home inventory](#) nationwide has slowed sales and is an indicator that new construction will intensify. Some authoritative sources are saying the bottoming of the housing market has occurred.

Locally, [Prudential Colorado Properties report](#) current inventories are 19% lower than a year ago while unit sales and dollar volume are up 14%. A drawn out long-term intensifying recovery is now possible. The strengthening of the dollar and low interest rates have contributed to a strong influx of foreign investment in American real estate. Credited with stimulating the upward trend is a decline in the supply of housing stock as the rate of foreclosures abates, increasing construction employment and mortgage rates remaining low. The dollar value of [foreclosures in](#)



Eagle County Home MLS Sales and Inventory on the rise
Source: Prudential Colorado Properties

[Eagle County](#) has declined by 33.6%, but the number of transactions is up 9.6% over the same time last year. There is minimal new construction countywide. County employment and job numbers are near even with the same period last year indicating seasonal stability in work force availability.

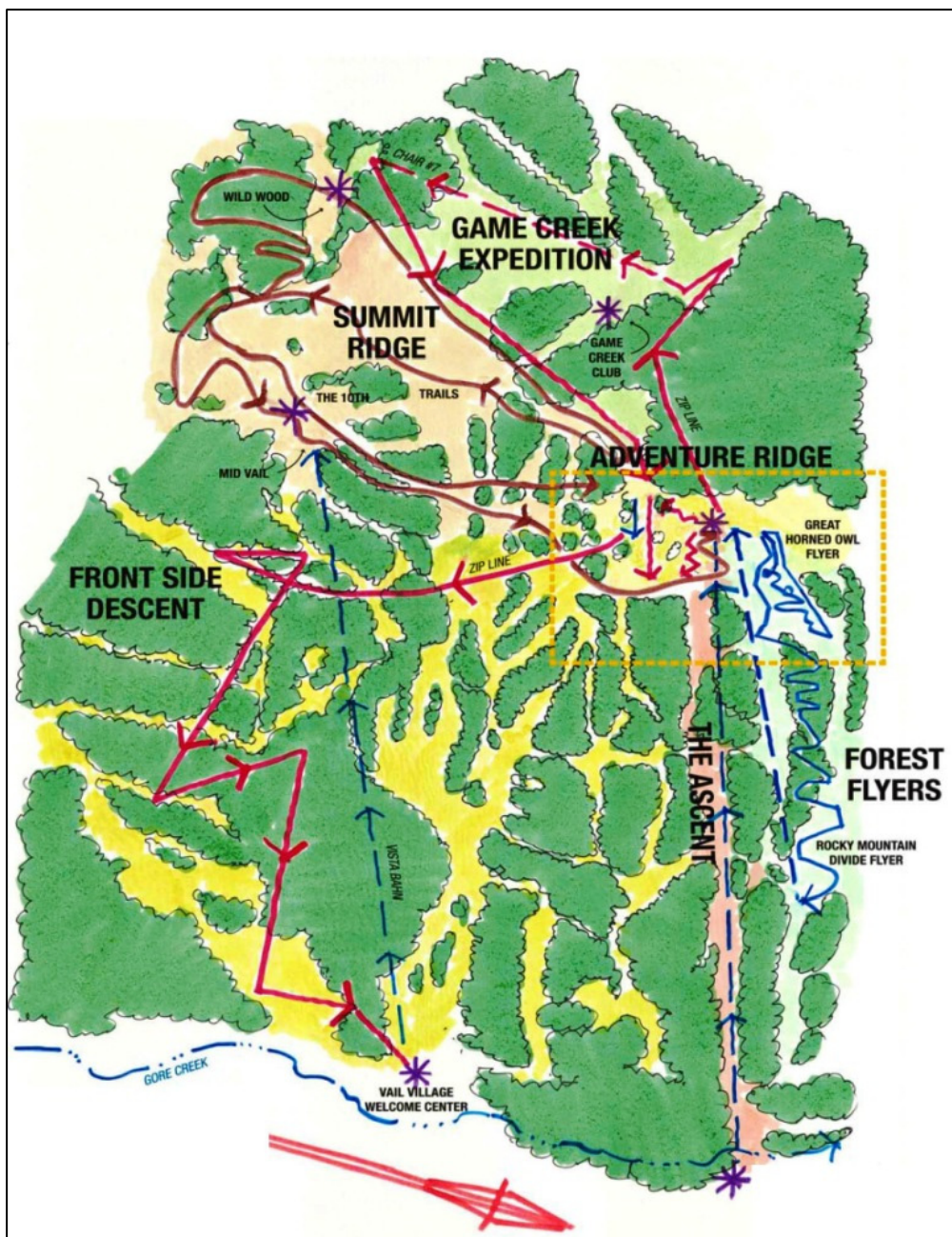
The Broader View: Nationally, [business investment is static](#). Worries are that another recession could take hold as the recovery from the Great Recession is slowing down. To induce growth, [central banks](#) may stimulate inflation by printing money according to some analysts. Unsettled confidence is caused by the European sovereign debt crisis, the probability of escalating energy and food consumer prices and impending national elections with the prospect of falling off the "fiscal cliff" into even greater political turbulence because of dramatic tax increases and cuts in government spending. The drumbeat of the doomsayers needs to be weighed against the view of some international market forecasters that see the [United States doing well](#) in transforming some components of its economy by backfilling a marked decline in domestic consumption with global exports of goods and services. The shift in emphasis has not translated into improved national employment percentages as the jobs created thus far are high paying technical positions.

VRI Planning Ahead: Vail Resorts is adroitly responding to this trend by exporting the image of its US resorts to increase its import of luxury international destination guests, principally from selected Latin American markets for both its winter and summer seasons. The success of their efforts could be augmented by a program to promote [international tourism](#) in the U.S. through a Federal initiative seeking to overcome a downturn in visitations caused by restrictive visa regulations.

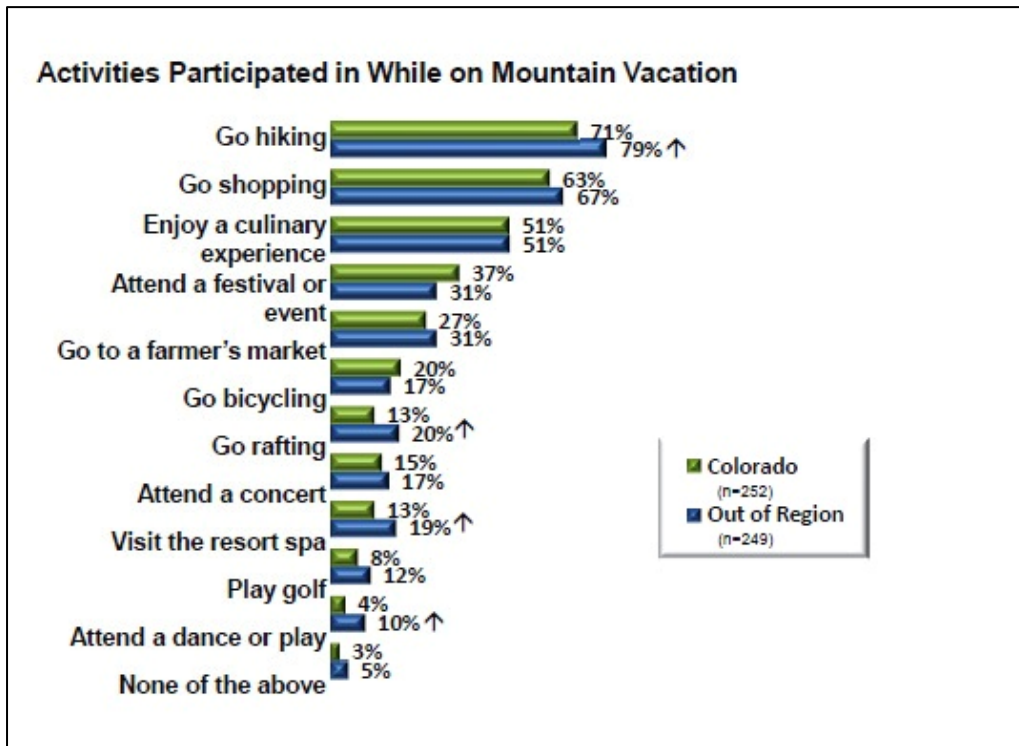
In a recent [VRI announcement](#), company executives debuted its initial program, submitted to the USFS for review, to take advantage of a recent change in policy that allows winter resorts on United State Forest Service lands to expand their use permits into the summer months. Among the included "family oriented" summer experiences on Vail mountain are zip lines, exercise courses, coaster facilities, interpretive exhibits, including expanded hiking and mountain biking opportunities.

VRI's summer on-mountain attractions are designed to create an appeal for the millions of family oriented visitors who travel to the State's national parks.

Rocky Mountain National Park attracts over 3 million visitors annually. It has yet to be determined if additional revenue will flow to the Town from lift ticket tax or charging for summer parking should the success of the new on-mountain attractions increase the number of summer visitors significantly. Some local business owners are concerned it will draw business away from Town's resort business center.



VRI plan for proposed zip lines, rope bridges, trails and coasters



Visitor activities on mountain vacation in Vail

Improved Year Round Employment: Company officials see their planned [expansion into the summer season](#) as an opportunity to improve the area's year round economy and in turn, increase year round employment opportunities. Year round employment, particularly in the early and late warm weather season, is a major challenge for the area and during the off season, [unemployment numbers](#) tend to spike.

Town Studies Summer Tourism Activities: The Town is spending around \$4 million this summer on attracting and entertaining guests. A recently completed Town study of the activities visitors do while they are in Vail, shows that most gravitate to the simple relaxations of hiking, shopping and dining. Beyond these, considerable sums are spent ensuring that Vail has plenty of specialized activities to hold consumers' attention to merit an extended stay from both in-state and out-of-the-region visitors. Summer cultural fare plays a large role in attracting high end destination consumers from both domestic and international markets. Competitive sporting events draw a strong following from the region.

The Town will expend nearly a half a million dollars on its 50th anniversary and nearly \$2 million on the 2015 World Alpine Championships. The prospect of setting aside funds to participate in a Denver bid for the 2022 Winter Olympics is no longer necessary as it has become more unlikely that there is a chance they will occur in the United States. As a consequence, hopes have dimmed to see relief from weekend traffic congestion that would have resulted from investment by the State and Federal government in Winter Olympic related transportation improvements to the I-70 intermountain corridor.

Government for Business by Business: Increasingly demands are being put on the Town to "permanently" fund the costs of market promotion and economic development. The impetus primarily comes from a local special interest business lobby. The lobby, holds sway over a complex array of Town funded service contracts with consultant firms, vendors, event promoters, administrators and Town sponsored advisory councils composed largely of local beneficiary businesses.

The special interest business lobby would like to play a more central role in setting the Town's economic policy and thereby gain and distribute the permanent funding. Over the years, the lobby has been unable to consolidate the local business leadership at the volume necessary to support a unified Vail Chamber of Commerce that could operate independently without being subsidized by the power of the local government's financial, political and administrative patronage.

It appears to be the Town's intent to formalize its Economic Development Advisory Council into a third body having some official authority in the oversight of business development. Currently, Advisory Council Members are mutually reinforcing and are often used as campaigners to publically advocate to the Town Council for positions favored by the Town or the special interest business lobby.

Critics say that the lobby, intentionally or not, is transforming the local government into a version of a "for-profit" corporation to benefit special interests more so than the entire community. This could cause a skewing of public policy toward special interests rather than to the fair and equal benefit of the community. They question whether the Town Charter allows such activities and if it does, should it?

Some in the lobby do not recognize all taxpaying property owners as being part of the community, 80% of whom are non-residents having no electoral voice or vote. They overlook the substantial investment residential property owners have made in their homes, which contributes to the community's financial sustainability. As a consequence, the resulting conflicts increasingly stunt the mutual economic growth and social furtherance of the entire community.

There well may be a broad commonality of interest to ensure that economic development does have a flexible source of local public funding. The Homeowners Association is interested in exploring methods by which permanent funding can be set aside for economic development in a manner that ensure the broadest diversity of constructive participation and encompasses viewpoints from the entire community.



July 4th crowd waits through the fits and starts of a commercially dominated community parade.

Vail Economy on Modest Upswing: The [Town reports](#) the winter season was the strongest since 2007. Summer months project growth in occupancy (+18%) and room rate (+3%) for lodging businesses. [Group business](#) decimated by the recession is once again back on the incline. The modest rise in Town [sales tax numbers](#) and some [other seasonal economic indicators](#) are pointed to as an indication that Vail tourism is on the upswing. Some in the community's leadership see this as a justification to increase Town spending on business promotion. The Town's other major revenue stream, [Real Estate Transfer Taxes](#), is rebounding, up 12.1% over same time last year. Other [key funds](#) do not paint a totally positive picture; [across all funds](#) and revenue accounts, revenue is down 4.8% from this time last year.

Special Interest Seeking Permanent Funding from the Town: The special interest business lobby wants a permanent source of taxpayer funding for the millions of dollars in annual funding it receives for marketing and special events, one that is not dependent upon the political maneuvering of elected officials. Earlier in the year, elements within the lobby had the Town poll the local electorate about whether there was support to increase lodging and sales taxes to raise \$4 million annually for arts, cultural and entertainment programming. The findings predicted an overwhelming failure if the tax increases were put before the voters.

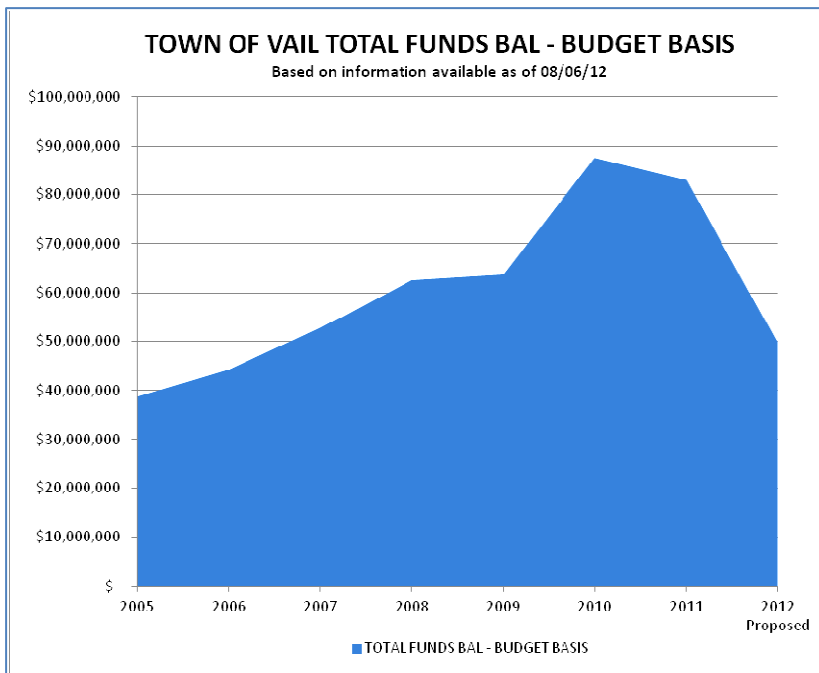
Never Take No for an Answer - Charter Amendment in the Works: The fall back strategy of the special interest lobby to achieve a permanent political unassailable revenue source is to weaken the ability of the Town Council to

manipulate annual budget allocations that are funneled to the special interest entities. Two Council Members can bring pressure to create the need to hammer out a budget compromise, which in recent years has focused on Town employee salaries/ benefits and economic development programs. The tactic is to have the voters void a provision in the Town Charter that requires a 3/4 majority of the Town Council to override a 50/50 split between annual operating and capital expenditures. For the better part of a decade the split has been closer to 60/40 operating to capital expenditures. The strategy would allow the lobby an improved chance of gaining support for larger annual budget allocations and the ability to dip into the Town's financial reserves. Some Council Members appear to favor doing away with a split altogether.

Critics Say Bad Move at a Bad Time: There are those with the view that intensifying Town spending, particularly from [reserve funds](#), is premature and predicated on a false sense of security when viewed against the backdrop of national and global economic markers. A bad move at a bad time, they say. Particularly when considering predictions that Federal budget cuts and tax increases could have a significant affect downstream upon [downsizing funding](#) for state and local governments.

Draw Down of Town Reserves Could be Risky Business: The Town Council has directed staff to maintain 25% (of annual revenues) as a minimum balance within the General Fund. The current [reserve fund balance](#) is at 77% and projected in 2016 at 64%. The Town has nearly \$22 million in unfunded capital projects on its to-do list. If the current budget proposals are approved at the August 7th evening Council meeting, government wide [fund balances](#) would decrease by approximately \$33 million.

Another \$10 to \$12 million is under discussion for a new municipal building. Any combination of these capital projects, or newly added ones, could further reduce reserves. The Town has recently called upon to fund special events like the 2015 Alpine Championship and 50th Anniversary celebrations, another drain on fund reserves. Lowering the reserves excessively could mean indefinitely delaying important



capital projects or causing political avoidance of new projects, projects such as, a new roundabout intersection for the South Frontage Road improving traffic flow by better safe access to the Town of Vail and VVMC sites or an urban runoff storm drainage treatment system necessary to reduce the problematic pollution of Gore Creek.

Painted into a Corner: Currently, nearly all new construction projects in Vail are funded by the municipal government and are therefore tax exempt. The latent effect, if reserve fund revenues become depleted and if revenue replacement is not forthcoming from real estate sales or sales tax, would be the underpinnings for a property tax increase. Tax increases, particularly property taxes, have never been popular with local voters.

The Town could be pushed to its own fiscal cliff, hurried there by overly aggressive entrepreneurial interests who view the Town more as a business entity, than a government. Increasingly since the late 1990's, the Town has been expanding and changing its role by going into business ventures that compete against other businesses in the community, particularly in the meeting, wedding and private event venues. Some are questioning whether this behavior is allowed under the Town Charter. They are concerned that the municipal government has come to serve and favor particular business/political interests over the general welfare of the entire community. They raise the fair and equal treatment issue.

If the fiscal cliff were ever encountered, it could have a substantial impact upon the broader business community, who through a variety of Town programs receive millions annually in direct or indirect subsidies. Core elements of Vail's business infrastructure are Town subsidies for public parking, mass transportation, marketing, hosting of special events, the development of cultural and recreational amenities and affordable employee housing.

As an example, consider the findings of a recent [economic consultant study](#) sponsored by the Town's Housing Authority. The study was to demonstrate its worthiness to business interests of continuing to receive municipal funding for capital expenditures to acquire and build more deed restricted employee housing. The Town, as an outcome of nearly two

decades of underwriting affordable housing acquisitions, has 727 units of deed restricted employee housing in its inventory. The report finds this is a core element in Vail's business infrastructure, allowing local businesses (within Eagle County) to avoid paying \$12.6 million per year to house their employees. These employees spent \$6 million per year locally in retail sales. Because many live in Vail, they commute by bus, saving the Town \$9 million that would otherwise be necessary to expand commuter parking. And now the Town is being drawn into subsidizing capital improvements for health care and medical tourism that could have larger public obligations than is readily apparent.

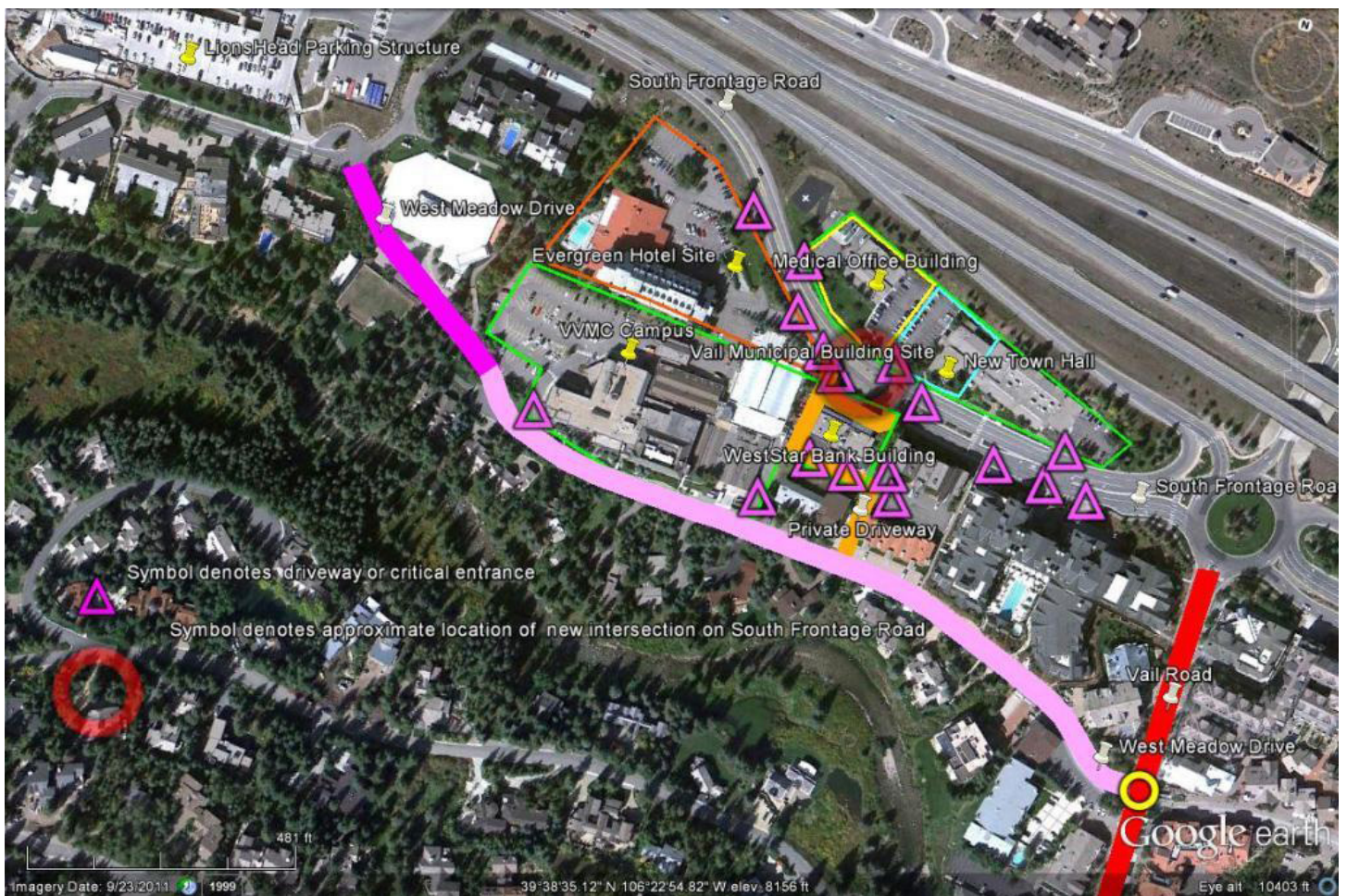


A study in contrasts - Proposed new Vail Town Hall (above) and Steadman Medical Office Building (below).

VVMC/TOV Redevelopment Issues:

Documents have been filed with the Town for the redevelopment of the [Municipal Building site](#) to include a new [Town Hall](#) and [medical office building](#). The filing begins the official Town of Vail public review process. The project is scheduled to be heard by the Planning and Environmental Commission on August 27th. The proponents' purpose of the joint project is to ensure that the Vail Valley Medical Center hospital presence is retained and that it will continue to contribute to the community's health and financial wellbeing. However there are many complex details to work through before the larger goal becomes a practical reality.





This map identifies the importance of ensuring the proper functioning of traffic circulation on Vail Road, West Meadow Drive and the South Frontage Road with respect to the creation of a new intersection on the South Frontage Road to serve essential points of access to the VVMC campus and the Vail Municipal Building Site.

Concerns of Affected Neighborhoods: Many property owners who are impacted by both the Town of Vail and Vail Valley Medical Center redevelopments have registered their concerns with both Town and VVMC officials. Most are supportive of the proposed redevelopment providing that developers invest in the resolution of long-term problems with parking, back of the house loading & delivery and public/neighborhood safety concerns. A neighborhood coalition has been formed to assist in the negotiations of these concerns with both Town and VVMC officials. The concerns forwarded to officials are as follows:

1. Growth in VVMC traffic could cause the Vail Road intersection to experience unacceptable levels of traffic congestion affecting Vail Village, Forest Road, Rockledge Road, Beaver Dam Road, and West Meadow Drive neighborhoods.
2. Ensure traffic safety on Vail Road and West Meadow Drive by moving VVMC traffic to the South Frontage Road and take other necessary appropriate steps to assure that unacceptable levels of traffic congestion do not occur.
3. Ensure that access to VVMC holdings from the South Frontage Road does not impede or constrict thru traffic nor constrain the right-of-way so that future traffic flow safety improvements may be incorporated, including a roundabout, mass transit stops and a separated grade crossing for public/private pedestrians and associated conveyances.
4. Remove safety and other threats, nuisance or otherwise, to adjacent and surrounding residential neighborhoods from VVMC helicopter operations.
5. Contain circulation on-site for VVMC truck deliveries, trash and back-of-the-house operations within indoor enclosed facilities.
6. Guarantee TOV zoning and planning protections for adjacent and affected residential property owners. (Setbacks, landscape, height, site coverage, open space and construction technology protections).
7. Ensure VVMC/TOV compliance with equivalent the development standards imposed upon private developers, such as the provision of on-site or off-site affordable housing requirements, parking and roadway improvements.
8. Assure VVMC/TOV performance guarantees for affected property owners.

It is the desire of the coalition of property owners in the affected neighborhood to avoid conflict by forming a collaborative working relationship with Town and VVMC officials in order to avoid confrontations that could impede improvements that would extend the competitive life of the VVMC in the community and the neighborhood. The coalition has provided a suggested [planning procedure to assess their concerns](#). The coalition has requested that necessary traffic studies for a street accessing the VVMC begin immediately, so that summer vehicular and pedestrian counts can be gathered now rather than waiting another year.



Event tent at Ford Park, which has no immediate residential neighbors to impact, is similar to the contentious Vail Golf Clubhouse Outdoor Event Center proposal for summer weddings and comparable festivities.

What Were They Thinking - Short Memories: The Town, upon its own insistence on spending the \$9.2 million of the 2005 voter sequestered Conference Center Fund, went back to the voters in an election to release the fund before they had detailed costs and designs on the projects recommended to be developed. The result of being ill-prepared is now showing up in at least one of the election's promised projects, the rebuilding of the Golf Clubhouse.

The project, as a result of electioneering promises morphed from a proposal to rebuild the age worn municipal golf clubhouse, overreaching to also include an outdoor tented event center created by re-jiggering the 18th green. Some business interests want taxpayers to fund their ability to benefit from booking more wedding trade into town over the summer season at a significant cost for relatively limited use. The proposal for the tented event center for a time included paving over the existing 18th green for a parking lot.

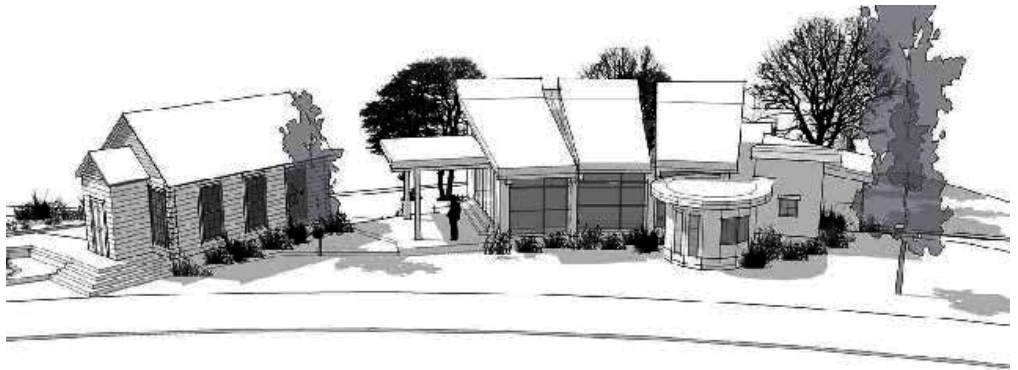
The nearby residential neighborhood, which places high value on the location's picturesque serenity, objected, resulting in a spirited [letter writing campaign](#) and contentious public hearings before the Town Council. They were supported by many golfing locals who want no changes to the 18th fairway and green. Most in the neighborhood are non-resident owners, who are not allowed to vote locally and were not consulted until after the fact on the expanded development proposal. The Vail Recreation District that operates the club house and golf course brought out a [proposal based on safety concerns](#) which they believe necessitates realignment of the 18th fairway and relocation of the green. The neighborhood is still chafing from a 1990's battle, which they won, to remove a massive 30' high white inflatable bubble to house an indoor skating rink, which the Town and VRD had pushed on them.

Because of neighborhood opposition, Town and VRD officials are seeking solutions that recognize the objections. Neighbors have yet to be placated and have submitted a [letter of objection](#) based upon deed restrictions, ballot language and design issues. They are requesting that the Town of Vail abandon its current plans for reconfiguration of the 18th fairway and conversion of the Vail Golf Course Clubhouse into an event center and focus instead on the project as approved by the voters of the Town of Vail, which was the expansion and improvement of the clubhouse within its current footprint. VHA suggests a management plan with guarantees that the interests of the neighborhood will be protected.

If all parties are not more circumspect, they may lose the project all together. According to some legal authorities, the Town is not obligated by the election to build the project. The ballot vote was only advisory; it did not mandate that the Town spend the fund on a particular project. Neighbors being twice burned are not in a trusting frame of mind towards the Town, VRD or their special interest business lobby.

Betty Ford Alpine Garden Educational Center Proposal for Ford Park:

Per the [proposal submitted to the Town Council](#) - The new building is intended to provide a permanent year round supporting indoor space for the Garden, to serve primarily as an interpretive educational visitor's center for visitors, residents, and secondarily as office space for the BFAG administrative and operations staff. In association with the new building, the site to the west and south of Betty Ford Way extending to the Manor Vail Bridge is being proposed as an enhanced landscape and informal garden area that will reclaim under-utilized and un-maintained park land and open space, restore riparian vegetation and stream banks, and allow better access and public enjoyment of Gore Creek.



There are deliberate [architectural design](#) gestures to keep the building at a small and intimate scale appropriate for the site and park context while being sensitive and respectful of other uses and user groups of the park. These design gestures include delicate site design with preservation of existing mature trees, framing and screening of sensitive views, response to solar aspect, and use of appropriate materials and forms.

The new building would also encompass a partially covered outdoor patio oriented to Gore Creek to complement and expand on the interior interpretive space. As much as possible, the building would exemplify best practices in energy efficiency and design, and serve as a model of the Town of Vail's commitment to sustainability and improving the quality of the built environment.

Project proponents would like to move forward with their fundraising efforts. Questions will be raised by some about constructing more buildings in the park, particularly those to be used year round and the project's operational and ongoing funding needs.

WILDFIRE - Preparing for the Worst - Holding Feet to Fire:

The calamity of two catastrophic Colorado wildfires have left an indelible impression of the limitations that local governments have to respond to epic natural disasters that can quickly escalate beyond human control. The



ferocity of these fires displaced thousands from their homes. Within hours, Colorado Springs experienced a mass evacuation of 34,000 people from suburban neighborhoods, a number that would approximate evacuating Vail at the height of the July 4th celebration. Much has been learned from these fires that is [causing reorganization of the State and Federal response](#).



The Homeowners Association has requested local officials to prepare a report and public presentations of changes, based on what has been learned from these two fires, have and should be made to improve the Town, Vail Mountain and Eagle County response to calamitous wildfire with respect to mass evacuation and the removal of beetle kill timber. The Association has suggested that authorities investigate the installation of an audible community-wide air raid siren alert system be installed as a backup to the telephone reverse call 911 phone and Eagle County email alert systems. Similar systems have not proven to be failsafe in other areas of Colorado where they have been used in wildfire incidences. You are urged to [add your cell number](#) to the list. Time is of the essence as the fall dry season is rapidly approaching.

Photo Credits: AP above left and Reuters Above right



Monsoon rains arrive, breaking the drought. Wildfire danger is reduced but water supply and stream flows remain stressed.

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VHA Collaborative Consensus Guidelines

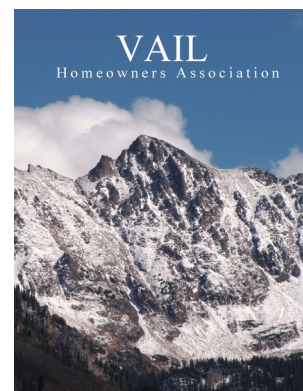
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