



Vail Holiday Shopping: The Survival Test

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VAIL HOMEOWNERS ASSOCIATION

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President's Message – 2009 Annual Report:

In many ways 2009 seems to have been “the best of times and the worst of times”. Our government both local and national worked hard and achieved stability in our financial systems but with the great cost of high unemployment, deep deficits and popular anger. The stock market has bounced back with great vigor and the cost of money is low. But at the end of the day there remains great uncertainty about the future.

You know that Vail has not been immune from the economic problems if you have been reading our Association newsletters. Our Executive Director has done an excellent job of keeping us informed of Vail issues and their impact on our property and our enjoyment of all the community offers. Vail's primary revenue is from [sales tax](#) and year to date that is down more than 15%. The lodging community is the hardest hit. Retail and restaurants are doing better as part-time residents and day visitors provide much needed income.

Your Association worked very hard during 2009 with the Town of Vail, Vail Resorts and the business community to help deal with all the economic and emotional issues of this downturn and it is recognized that we had a positive impact. We arranged candidate forums for the recent Town Council election, asking candidates for written comments on important economic issues to help voters make the best choices. We continue to attend all-important meetings and advocate for those policies that benefit not only the community but also our membership.

During these challenging times we will continue to build upon the strong economic and leadership qualities of our board and membership to help guide Vail and its leadership and protect our investments. We look forward to the challenge and with your help will be successful.

Alan Kosloff, President

VHA 2009-2010 Activities: The Homeowners Association is working to provide information to its members and the Vail community to help put in perspective the changing realities resulting from the “new normal” of the economy. Emerging economic conditions are challenging the standards by which the community has been operating since its inception. The Association is engaged in advocacy collaboration with those who are seeking constructive solutions commensurate with the challenges arrayed before the community.



Calling Vail a ski resort is like calling Paris a city in France. Vail is not only the biggest and the most popular snow sports destination in the United States; it is an American institution, a beacon at the cultural nexus of sport, winter family travel and high society.

New York Times-[Winter Ski Guide 2010](#)

Vail Economy: The source of Vail’s dynamic growth over the past decade is being reshaped by the fall out from the global financial crisis and the accompanying changes in consumer spending. ([MTRIP Summer/Winter Analysis Report](#)) Though the headwinds of a quick recovery are strong, the fear of the unknown has receded. Locally, there are some signs that the bottom of the spiral has been reached. Hotel [occupancy rates](#) for the winter season are on the rise; room rates are on the decline, but Vail is [doing better](#) than most. The rebirth of an appreciation in values may spring from how well Vail proves that it is not only the greatest mountain resort in North America, but in the world as well. Beaver Creek is doing better than Vail at coping with the recession and is capitalizing on Vail’s years of self-renewing construction. The true competitive test of Vail’s \$billion makeover begins next year. Once the hammers and paint cans are ushered away, between both Vail and Beaver Creek - look out world.

Behind the Curtain: Some are saying that, for the time being, the Vail community has lost its appetite for the accelerated growth experienced in recent years. The pendulum of public sentiment appears to be swinging toward the opposite extreme. There are those who feel that enough change has occurred. It is time to consolidate gains. Before venturing on, the community must learn how to make profitable what has been built over the last decade of expansion.

Many believe looking outward for new qualitative markets, creating a bigger pie, is the way forward. Seasonal

fragmentation must be merged into a cohesive year round strategy. This may require institutional restructuring. There is an undercurrent that the status quo is changing.

In an economic storm there is little time for inward contemplation. There are potentially lasting and damaging consequences from either “over” or “under” reacting. Doing nothing for most is not an option. Vail has a new product and image to market. Creating an enticing internet “virtual Vail” that will draw people to travel to the “real Vail” is vital. The necessity to recoup lost value will be unrelenting. Using zoning controls to suppress development long-term is problematic. As Vail’s new skyline gives testament, politically vulnerable regulations bend to economic conditions.

Vail, as it struggles to establish its [new identity](#), must learn how to reshape itself by keeping the spirit and loyalty of the generations that gave it success, while expanding its vision to draw new generations from across the world. There are some useful adages, drawn from the popular business press, which could have applicability to Vail’s economic and political conundrums. This particular set, from the Economist, enumerates the factors that long-lived competitively challenged organizations/communities successfully avoid.

- Flitting from one “silver bullet” strategy to another.
- Seeking a big acquisition to transform the business or organization at a single stroke.
- Embarking on programs of such radical change that underlying strengths are forgotten or abandoned.
- Destroying momentum by constant restructuring.
- Pinning hopes on unproven strategies.
- Hiring a visionary leader from outside with little understanding of what made the organization great in the first place.

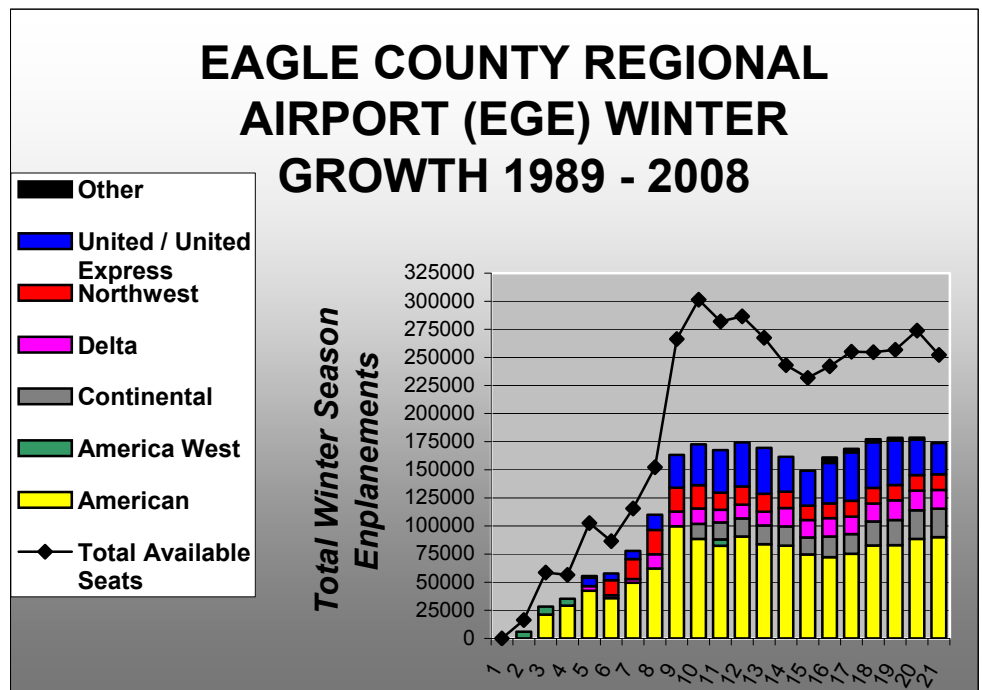
The article sums up a failing business strategy as: jeopardizing a formerly stellar reputation for quality by pursuing volume at all costs and by failing to put the needs of the customer first. The Economist concludes, if an organization’s business model has gone wrong, it is the responsibility of the leadership to put it right.

Local Unemployment On the Rise Again: Local jobs are harder to find and unemployment claims are once again on the rise in Eagle County. The 200 worker [rise in unemployment](#) followed several months of improvement over the summer. The 2010 job outlook in [Colorado](#) is projected to be flat. There are hints of more construction jobs on the way in Eagle County. It remains to be seen if new development will be anywhere close to absorbing the two thousand plus workers currently finishing up several large projects over the next 12 months. The public and some government officials do not appear to be in the mood to encourage more development just to create jobs.

TOV Financial: The [Town of Vail](#) continues to report a decline in its [revenues](#) down 21.6% heading into the prime holiday season. [Vail Resorts](#) posted a wider loss for the second consecutive quarter, [attributing](#) a slide in revenue to the timing of real-estate closings. It cited a quarterly net loss attributable to the company of \$41.2 million, or \$1.14 a share, versus a \$34.5 million loss, or 93 cents a share, a year earlier.

Eagle County Air Service Critical to Grow Vail Business: Air transportation is crucial to the success of Vail’s new tourism model. The convergence of new aircraft technology and recent improvements to the Eagle County Airport has improved its capacity. After years of static winter growth [Airport planners](#) are working to expand service from more hubs

throughout the United States and even to go after International Service. Planners see improving prospects for summer growth. Until, more money is found to subsidize flights and expand the terminal to handle customs for general aviation traffic, some are suggesting that direct service from emerging domestic and international hubs, like Washington DC’s [Dulles International](#) should be moved up on the priority list. The consumer is asking for service from a wider variety of regional carriers like Frontier Airlines. With the potential for greater value and depth coming from the consumer’s outlay for a Vail vacation, there could well be higher demand for more direct flights.





Ritz Carlton Under Wraps for the Winter

Development and Real Estate: Vail will [close 2009](#) with the lowest number of real estate sales transactions on record, according to Prudential Colorado Properties, a respected local real estate sales firm. Changes in competitive alliances within the local real estate industry are occurring with the intent of concentrating sales efforts on individual projects.

Developers who did not take their projects into construction are now asking the Town Council for extensions because they are faced with expiring time limits on their approvals. These projects, some of them large, obtained their approvals just before the Town placed stringent requirements to cause affordable housing to be built or provided by new developments. Developers say if they must conform to the new requirements, their considerable investments in design and gaining Town approvals would be lost. They would have to start all over again. Some say there is need, once the recovery allows, to have new shovel-ready development requirements on the books.

Double Standard Development: Some point to an alleged double standard, stating the Town sets favorable standards for projects that it sponsors, while leaving the remainder of the private sector to shoulder a heavier burden. Suspected preferential treatment often lies at the heart of a public perception that the Town fails to meet the expectation of transparency in the conduct of its affairs. Assurances were given by the Mayor, on behalf of the incoming Council, pledging the Vail government to become more transparent and open to public participation.

The fairness and alleged double standard issue is being tested in a side-by-side comparison of the Town approval process for the Vail Resorts' Ever Vail project and the Town-owned Timber Ridge Affordable Housing redevelopment proposal. Both projects are large and have important consequences for the community. If it fails to deliver the property for development by a date certain, the Town Council has put itself in a position in a [predevelopment agreement](#) to pay its hand picked developer a \$1 million penalty. The Town's Planning Commission, Design Review Board and others have raised vocal concerns about aspects of the project. The Town has used the tactic of self-imposed financial penalty before.

Master Plans Revisited: The incoming Town Council is considering whether to revisit the Lionshead Master Plan. There is a desire on the part of some to dial back the amount of density and other similar incentives that were granted

through zoning changes in the 1990's to stimulate the redevelopment of the area. There are those who believe that the incentives were too generous and point to the Ever Vail development. Likewise, some on the Council believe that Vail Village should be designated as a historic preservation district. They are concerned that character of the Vail Village and its many landmarks need greater protection. Also, some members of the Council expressed similar sentiments about preserving the West Vail commercial center as the community town center. Their aim is to encourage the retention of commercial uses that serve the needs of local residents. The Council has yet to affix these initiatives on their shopping list of policy pursuits. There are no strong indications that the incoming Council will move to increase impact fees, but the adoption of environmental sustainability standards will most likely be pursued further.



Vail Resorts Dedicates Tract K Road and Bridge: The bridge to nowhere now goes somewhere. The long awaited completion of a new access road and bridge for Vail Resorts' fleet of snow cats has been open to traffic. Now, to the relief of property owners along West Forest Road, after nearly forty years of searching for solutions, the snow cats no longer rumble through their residential neighborhood to access Vail Mountain. Since the mid-1990's the Homeowners Association has been working collaboratively with VRI, the Town of Vail and the Glen Lyon neighborhood to find a solution that was environmentally principled. A bridge over Gore Creek, built in anticipation of the up-mountain roadway, stood unused for several years while legal matters were resolved so that the roadway could be constructed.

Economic Development – Health & Wellness Initiative: Now that the redevelopment proposal for Lionshead Parking Structure is no longer a factor, the Town Council may consider the prospect of investing public funds in an effort that could lead to a health and wellness center or some other type of public amenity. Some are suggesting it could be located where the ill-fated voter rejected convention center was proposed on an undeveloped site at the east side of the parking structure.

Others say, let's not get ahead of ourselves. The site is critical to staging the rebuilding or expansion of the Lionshead Parking Structure should that become necessary. One concept under discussion is to build a parking structure on the site, in such a way, that the top deck could be the "pad" for a new public amenity. The new parking structure would be built so the existing Lionshead Parking Structure could be disassembled and rebuilt a section at a time, without reducing the current inventory of available parking for the all important winter ski season. This approach has been the prescription laid out by Vail Resorts for any of the would-be plans to redevelop the Lionshead Parking Structure site. Critics say there first needs to be a well thought out community wide parking/transit master plan before any new grand plan is put into action.

Under question is whether the anticipated health and wellness proposal is really one more conference center proposal under another guise. The conference business collapsed nationwide a year ago and remains so because of changes in behavior resulting from the recession. Local sources confirm that currently, Vail's conference and convention trade is a reflection of national trends.

Critics say that other areas of the country, and the world, are already well advanced in their health and wellness initiatives. Vail would be coming late to the game. These critics believe, because of the very nature of people's health and wellness needs, services are purchased as long-term care packages. As such, particularly for the "boomer generation", who have the highest demand for such care, these types of facilities are already being built where people live, not where they vacation.

Still others have the view that the community can ill-afford to continue engaging in visionary building projects that distract from the immediate economic crisis at hand. They say, find economic solutions for today, not five years down the road. The Association and others recommend that whatever is pursued should have a positive cumulative effect and prove itself in compliance with best business practices.

Environment - Mountain Pine Beetle Scourge: Throughout the community more dead trees were cut, chipped, removed or burned to reduce the threat of wildfire. A small midsummer fire near a cleared firebreak at the forest boundary in West Vail set nerves on edge, rekindling the discussion over preparedness and mass evacuation. The U.S. Forest Service (USFS) now has \$40 million for the Rocky Mountain Region to remove dead trees that are a threat to roads, utilities and the like. The White River National Forest, which includes large areas of Eagle County, is slated to receive some of the money.



The Changing Face of Vail Mountain: Vail Resorts and the USFS are beginning the environmental review process to adopt operation guidelines for a long-term program to remove beetle-killed trees. Importantly, the program will include reforestation of some of the areas to be fully or partially logged. The vegetation management activity, "silvicultural prescription" as it is called by the Forest Service, is being considered for roughly 2,900 acres, or 23% of the permitted area within the Vail Mountain Ski Area. ([See USFS Memo and Map](#)) The final number of acres is subject to change as the USFS collaborative study proceeds over the coming months. The extensive logging, using both selective and clear cutting methods, will change the face of Vail Mountain. Skiable terrain will be increased, thus reducing the density of skiers and boarders. Reforestation and other techniques will be used to prevent wind and sun scouring (icing and erosion) of the snow on the ski runs. Thousands of seedlings are now being grown in Nebraska waiting to be transplanted in designated areas throughout the ski area.

POINT OF VIEW

LOOKING INTO THE VAIL CRYSTAL BALL - FINDING BABIES AND BOARDERS: John Tasker – *A life long Manhattanite and devoted Vail vacation skier for 32 years.*

As long as the nationwide unemployment situation remains as confounded as it is, long-term recovery for luxury resorts will be on hold.

Vail continues to enjoy a thoroughly comfortable reputation - the general consensus is there's no place finer to ski than Vail. But along with that reputation is the general feeling, outside the boundaries of the town, that Vail has idiosyncrasies that contribute greatly to its difficulties when the economy isn't booming and things (401k's, stocks, business revenues, housing, etc) are tanking.

Correctly or not, Vail seems to be painted as anti-youth and there's not much mention of the \$\$\$ that families with kids spend - Aspen, South Lake Tahoe, Heavenly, all are given credit for recognizing the amount of money middle class families with kids bring to a resort and there's an acknowledgment of the efforts made to accommodate the less affluent. Vail seems to forget that (1) right now the less affluent is all there is and (2) today's less affluent just MIGHT, who knows when, become the old-time affluent visitors Vail wants to attract. Remember that boarders are a permanent part of the scene and treating the younger people who board with disdain ultimately will alienate them (and their parents and grandparents).

Consider what your competition is doing. A lengthy NY Times article emphasizing the importance of "kid friendliness" quotes Rob Katz, who points out how significant the role of kids is for a family vacation - but there's not a mention of anything out of the ordinary being done in Vail to attract families other than singing high praises of the "Ultimate 4" ski school program that limits the class to a maximum of 4 children - - but costs \$255.00 per kid. In comparison, the article speaks endlessly of the emphasis Beaver Creek is constantly putting on family visits.

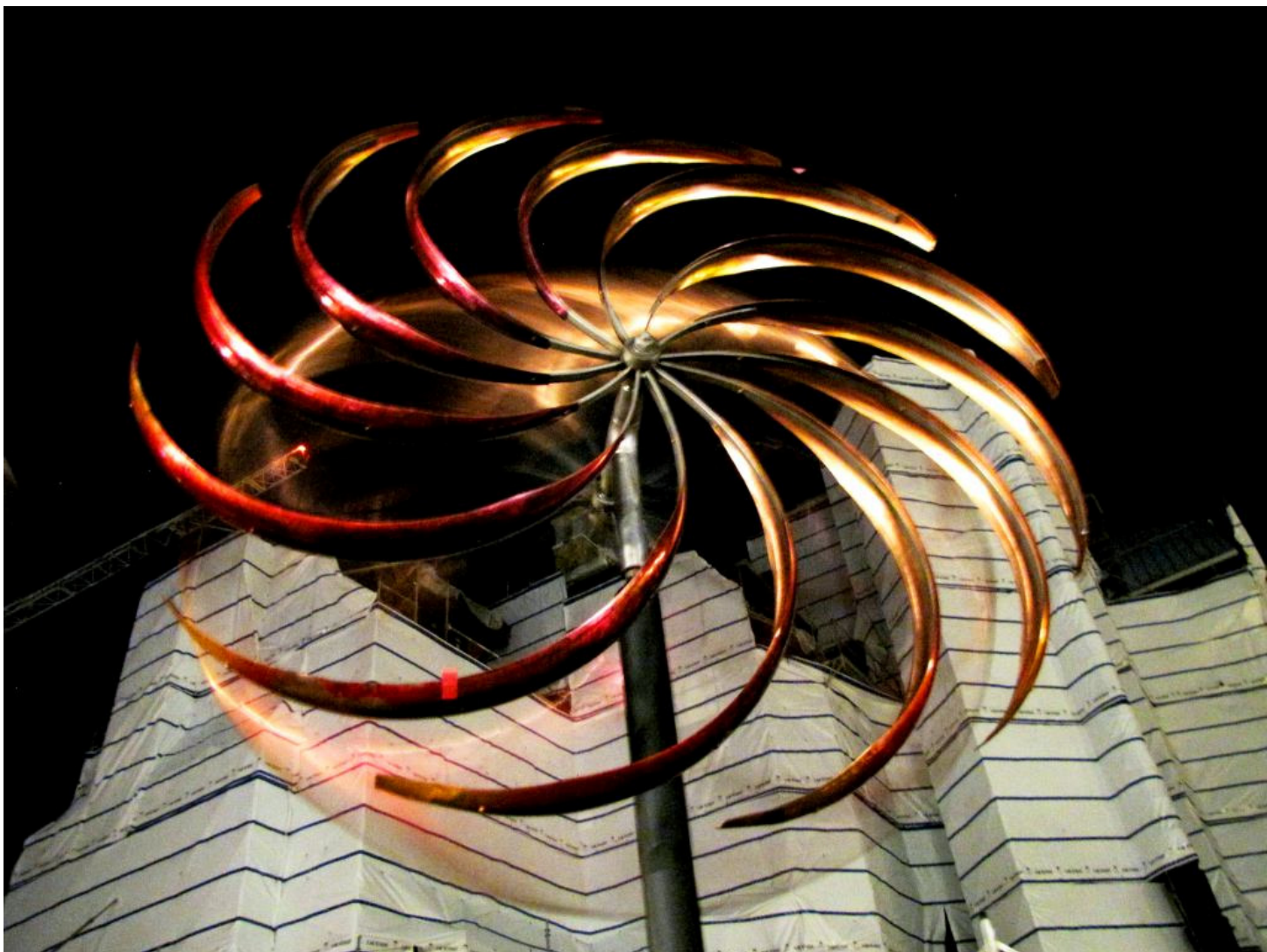
Much is being made of conscious efforts to highlight inexpensive housing, restaurants, and ski lift deals. Many resorts appear to be pegging their lift ticket prices to the quantity and quality of snow; Beaver Creek and Aspen both have lowered ticket prices substantially in an attempt to draw skiers.

Vail has to gussy up Main Street more and realize that beautiful sells. With money tight, families want a "complete package" and, weaned on house makeover reality shows, families have come to expect thrilling visual excitement along with good skiing. The skiing is certainly here - but the reality is that a family is probably on the mountain less than 3 hours a day and the rest of the time is spent grazing in the village which, at Vail's price point, has to be spectacular looking to guarantee "sufficient bang for the buck". Money spent for rehabilitation of faded 1960's and 70's architecture is a wiser and less expensive investment than the new construction, over-scaled condos that have the Frontage Road and I-70 as their backyards.

Airlines seem to be especially eager and cooperative with the ski towns who approach them. Frontier - relatively new on the scene - has great bargains into Aspen and Telluride while omitting the Eagle Airport in its list of destinations. Some sort of arrangement should be made with Frontier to bring planes into Eagle. Direct flights into EGE from JFK and LaGuardia seem to start later and later and shut down well before the spring closing of the Vail mountain.

So what to do? Emphasize family value: control over-scaled construction and instead renovate properly scaled buildings that currently exist with a well thought out and comprehensive visual plan. Accept the boarders and the day-trippers as part of the community fabric that, ultimately, will mature and spend more money. Figure out a way to encourage easy access by US and European airlines - British Air, Air France, Lufthansa should all be flying directly into Eagle from continental Europe.





Solaris: Gift Wrapped for the Holidays.

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