



USFS slurry bomber makes a drop on the West Vail – Stephen’s Park Fire

© Photography: Vail Fire Department

VAIL HOMEOWNERS ASSOCIATION AUGUST 2009

West Vail Wildfire: Luck, firefighter training and favorable weather conditions, according to the Vail Fire Chief, narrowly averted a potentially catastrophic wildfire in West Vail. The Chief believes happenstance helped prevent a very serious incident. A Bureau of Land Management (BLM) aerial firefighting helicopter unit was passing en route from Summit County to Grand Junction appearing on the scene in the first crucial moments of the fire suppression operation. The helicopter was able to bucket water from a nearby Vail Resorts snow-making reservoir on Vail Mountain. Again, luck was on the firefighters’ side because the snow-making reservoir would have typically been empty this time of year, undergoing routine maintenance. USFS fire officials, because of the risk to hundreds of nearby homes and availability of un-deployed aircraft, pledged all necessary support and quickly dispatched a slurry bomber. The adjacent neighborhoods’ first line of protection was from a newly constructed 250’ wide firebreak that had been cleared of aspen and beetle killed lodge pole pine over the past two summers through the joint action of the Town of Vail, USFS and Eagle County.

The steep terrain where the fire had taken hold was difficult for ground crews to access. Fire fighters were on scene within forty minutes of notification. The fire was most likely caused by a lightning strike the day before. The fire occurred in area cleared the prior summer in an extensive helicopter tree removal operation as part of the Town’s firebreak defense. It was at the edge of a large, densely forested area heavily laden with beetle killed pine which covers the western flank of Vail Mountain. As a precaution, Vail Resorts closed the gondola and their public facilities on Vail Mountain. The Fire Chief concluded that had some key variables been less favorable, like the weather or lack of aerial support, a far more serious outcome could have resulted. [\(More on Fire\)](#) The Chief’s conclusions are shared by those who reason that a community mass evacuation is only one lightning strike away.

Subsequent to the incident there have been no public recommendations made to adjust contingency plans based on what was learned from the fire. It has been observed that either downed or stacked timber cut for the firebreak could impede firefighter access or become itself a fire danger. To augment helicopter bucketing, should other strategically located reservoirs be

constructed? Will more of the beetle kill on USFS land be removed; if so, how? Should the proposed West Vail Fire Station be built as a central command location to coordinate and provide housing for emergency workers during calamitous events? The Town Council, in budgeting for the proposed new fire station, recommended reducing or eliminating these functions with an eye to reducing construction costs. Progress is being made in clearing dead trees from private property throughout the community. A relative few property owners have yet to submit a Town required removal plan.



Vail's thorny economic dilemmas

© Photography: James Franklin Lamont

The Vail Economy: Vail business as reflected in the Town of Vail's (TOV) June sales tax receipts, is following the Town's predicted trend of a 20% monthly drop over the summer ([TOV Report](#)). Forward-looking indicators are showing little indication of a reversal of fortune over the next 6 months.

Strategic economic moves for the coming season are beginning to appear. Taking a page from Vail Resorts' (VRI) Epic Pass play book of advancing the collection of pre-season revenues, some lodging properties have begun to offer discounts to pre-book the winter season. They hope to reduce their vulnerability to last season's phenomena of last minute bargain hunting.

Vail Resorts has continued its cost cutting measures by, in part, putting further restrictions on salaries. The Town of Vail, on the other hand, is using \$3.2 million in reserves in the hopes of keeping its \$32 million operational costs "flat" for the coming year. The Town Manager is saying if further budget cuts are required, that \$1.6 – \$2 million in funding requests from community groups will be on the block before making additional reductions in capital improvements or staff budgets. Community contributions are made to service groups who provide economic, cultural, social and recreational benefits to the Vail community.

Others, outside the government, say that the Town's revenue projections are overly optimistic and additional cost cutting measures should be considered, like delaying expensive capital improvement projects. Their suggestions include an across the board reduction in salaries and benefits in order to avoid more staff layoffs, which could result in service cuts. Also, investments should be made that attract more summer and winter guests. Budgetary priorities will be a focal point of the upcoming Town Council election, where four of seven seats will be decided.

The Broader View: Wall Street pundits speculate whether the national economy is in a modest upswing or if another decline is on the horizon. The Gallup poll reports consumer confidence exhibits a pattern in which, "...greater optimism

about the direction of the economy appears to be out ahead of economic reality...Consumer spending has not improved on a sustained basis in Gallup's measures all summer...". ([Gallup Report](#)) Other sources report that consumer sentiment, which is essential to the pace of a strong recovery, remains negative in the face of several challenges, including large job losses, weak income growth, falling house prices, rising energy prices, and too much debt. ([Market Watch Report](#)) While the rise in unemployment is slowing, projections are being reported by Bloomberg that the housing recession could cause nearly half of America's homeowners to owe more than their home is worth by the first quarter of 2011. ([Bloomberg Report](#)) Prospects remain dim for the construction industry as commercial real estate and some big banks remain on shaky ground. ([Huffington Post Report](#))

Elsewhere in the world, some European and Asian countries are passing out of recession because they were less affected by the collapse of America's subprime mortgage market. Even with a reported retreat of recessionary trends in Europe, there is a decline in tourism throughout many European countries ([Economist Article](#)) as well as other international destinations. Egypt's tourism, a perennial favorite among world travelers, was reported to be down nearly 50% during the prime spring tourism season. A general downturn in tourism globally, increases the competitive pressures on Vail to look both towards and beyond its traditional markets.



Cultural tourism: [Vail Spotlight: Greats on the Rise, Magos Herrera, Vail Jazz Foundation](#)

© Photography: JF Lamont

Transformational Change in the Vail Economy: The severity of the Great Recession, as many now predict, will be long-term and permanently transformational. The aggregate loss of wealth by the well-to-do is having a profound effect not only upon America, but also particularly on the Vail and Eagle County economy, which are very dependent on the wealthy. ([NYT Article](#)) Whether it is tourism or real estate, an anxious world has plenty of underutilized tourism capacity bidding for the consumers' attention. The Town's loosening of its density controls throughout the last 15 years created an economic policy anchored in speculative development. Many of the assumptions upon which the community's redevelopment was predicated are, for the foreseeable future, no longer valid. The challenge for Vail, always considered a cut above, is how to remain competitive without downgrading its image, experience, or product.

The Homeowners Association, in conjunction with others, is working to encourage local governments and business leaders to rapidly alter their methods and modes of providing services and developing their markets. The sustaining of Vail's traditional business models, even with the most rigorous cost cutting, may not be sufficient without an aggressively innovative marketing effort. Some advocates are saying the community's leadership needs to risk and reach beyond their comfort zone. They believe it is time for local business leaders to consult with internationally recognized marketing consultants to formulate a strategy to project Vail's brand worldwide.

Expand Marketing and Improve Asset Management: The proposed down valley move of the Vail Valley Medical Center (VVMC) caused community leaders to begin to understand the importance of reversing the trend of letting valuable community assets drift westward. Similar alarms were set off with the potential loss of the Vail Film Festival, which has been showing progress since its inception in 2003. These and other similar circumstances are causing some to begin to reassess the economic potential of existing community assets including both facilities and programs.



Market Vail as an Enriching Experience: There are those who see Vail's marketing images as too sterile and, given a recession mindset, targeted at the wrong demographic and generation. It is their belief that an image needs to be conveyed that vividly portrays the variety and depth of texture that come with vacationing and living in Vail. They see Vail well positioned at an international crossroads with high expectation and desirability for the lifestyle it offers.

Do What You Do Best: The Town consultant's report recommends a strategy that builds collateral activities around a central event or facility. The community has several successful cultural and athletic events with proven track records. As the effects of the recession take hold, there are those who advocate putting more money into broadening the scope and duration of these events. They see a need to attract those demographic groups with disposable income. In their view, every event should be held to a standard that delivers a premium experience and an improving "return on investment".



Vail's Cultural Tourism is Already World Renowned: Vail International Dance and Bravo Music Festivals have become world renowned ([New York Times Article](#)). They attract sizable contributions from patrons and provide outreach programs to the community and region. ([Bravo 2009 Season Report](#)) These, along with many other cultural and intellectual happenings that thrive in the community, many for several decades, are now being viewed as valued economic assets. They are part of the enriching experience that

causes people to invest in Vail real estate and high-ticket vacations. Promoting what is already available via a global public relations initiative, some believe, is the most effective and efficient method to open new markets and attract attention as a "must experience" world class destination.

Crisis Mode - Put the Emphasis on the Winter Season: There are those who believe, in the short-term, marketing emphasis should be put on the prime consumer-spending season: winter. They say it will, snow willing, with the least cost investment per visitor, create the biggest financial return. Winter provides the financial safety net for local businesses during the remainder of the year.

The Town's one-time investment in winter marketing of \$500,000 failed to return the desired income, netting only \$200,000 in sales tax revenues. Because the marketing program didn't yield enough revenues, some say; a more effective strategy is needed if public participation is to continue.

Health and Wellness Agenda: The Town of Vail funded an independent consultant study that estimated the economic importance of the Vail Valley Medical Center (VVMC). The study reported mixed financial results, concluding that the medical center was more important as a community quality-of-life asset than as an economic generator. ([TOV VVMC Report](#)) Importantly, the financial benefits derived from the VVMC partnership with the Steadman Hawkins Clinic were not as yet available to be included in the Town's study. It is speculated by some that the Clinic's economic contribution and its national prestige would add significantly to VVMC's importance to the community, particularly to its non-resident property owners.

The VVMC, a private non-profit corporation, commissioned a consultant economic study of its future prospects by [James Chung](#), President, Reach Advisors. The Town of Vail, some months later, also commissioned a similar study by the same consultant. The outcome of the Town's report concluded that "health and wellness" should become a focal point of its summer marketing effort. The effort should emphasize competitive sporting events, women's adventure sports bonding experiences joined with wellness education and training. ([James Chung Town of Vail Report](#)) Chung is to facilitate introductions to corporate and event sponsors that would have interest in participation. There are those involved in the effort who are promoting the use of the Town's \$10 million holdover fund from the failed conference center proposal to assist the VVMC in developing its "health and wellness" effort.

Critics say commingling public and private funds could be politically problematic. The public will have expectation that they will have full access to whatever programs or facilities are created. Others criticize putting “health and wellness” at the center of a resort marketing campaign. Others note that the women’s adventure sports bonding trend has been making the rounds in the popular media for the past few years. Experience indicates to some in the resort industry that consumers always say they want to improve their “health and wellness” as part of their vacation, but like New Years resolutions, don’t follow through.



New Vail Mountain snow cat access route under construction in West Lionshead.

Real Estate and Development:

First Phase of Ever Vail Under Construction: Vail Resorts is well underway in its construction of the new Vail Mountain snow cat access route in West Lionshead. The route will allow snow related maintenance equipment to access Vail Mountain without going through the West Forest Road neighborhood. The route is an integral part of the proposed Ever Vail development. The plan is to build a new underground maintenance facility within the development that will utilize the new route. The existing maintenance building and yard will make way for the straightening of the South Frontage Road. The company is engaged in the Colorado Department of Transportation (CDOT) approval process for the reconfiguration of the alignment of the frontage road. The intention is to begin construction on the frontage road relocation in 2010, followed by the building of a gondola and other supporting facilities, including parking and a hotel. Negotiations remain underway with the Town of Vail for the approval of the estimated \$1 billion Ever Vail development, which was conceived as a new Town Center for the community.

All Major Construction Projects Underway in Vail Continue: The completion dates of all major construction projects remain in place, with the exception of the Four Seasons hotel and condominium project in Vail Village. The Four Seasons project has pushed back its end-of-the-year 2009 opening to June 2010 because of construction delays. Since the beginning of the year the project has seen Barclay’s Capital moved into the primary financial position replacing the construction managers and general contractors. It is reported that among other items there is a need to replace damaged drywall and exterior windows flawed in manufacturing. About one third of the 35 residences have been sold.

Real Estate Sales See Uptick But Remain Slow: Vail and Eagle County real estate sales remain a shadow of the 2007 market high. The New York Times recently reported that in the Vail zip code there have been “only five homes sold for more than \$2 million in the first half of this year, down from 34 in the first half of 2007”, according to MDA Dataquick.

Realtors report an uptick in June sales volume with favor being given to the down valley residential resale market. Overall, Eagle County's year-to-date transactions are down 54% and dollar volume is off by 64%. Realtors are having difficulty selling properties because values continue to be highly volatile towards the down side, with recent auctions of high-end properties setting new trends.

Renewed Commonality of Interest: There is a renewed commonality of interest between the real estate and lodging sectors of Vail's economy. The lodging industry has the greatest potential to deliver their high-end destination guests as clients to local realtors. Neither can afford to let their assets remain idle or become stale. In the short-term, unsold residential properties can be fitted out for the short-term rental market. Should larger residential units remain resistant to sale, some local Vail architects are beginning to say that they may need to be divided up into smaller, more affordable units.

Sell, Plan and Pay Before Blasting Off Again: Major inroads must be made into selling down the inventory before the development industry will reawaken. In the meantime, developers are looking to local government to roll back development fees in an effort to jump start new construction. Some believe the rollbacks may help stimulate residential construction and remodeling, thus saving a few more jobs. Given the volume of available inventory, others say rollbacks will have little benefit or effect on motivating larger scale developments.

Blind Ambition: This is second major development recession for Vail and Eagle County in the past forty years. It is being discussed by some, whether the Town of Vail and other local governments can learn to dampen the negative affects of the irrational exuberance of hyper-speculation. They have the ability to index the increase of impact fees from super heated speculative development to cover the cost to the public of desirable planned new growth, as it occurs. It remains to be seen if the affects of the recession will give them the political resolve.

Eagle County Work Force and Government May be Hardest Hit: Some believe Eagle County will be hardest hit by both falling sales taxes and property values. County officials say, according to the Vail Mountaineer, they will have to "broaden and diversify" their revenue stream. Vail and Eagle County governments, even though they recognize the decline in revenues, continue to estimate static operating budgets. Local governments are the most reluctant to give up powers accumulated through local political agendas that incentivize more development so that the non-wealthy can attain increased social equity and greater environmental preservation. As an example of diversifying revenue streams, this fall County officials have put on the ballot a tax question that creates a loan fund for energy upgrades to buildings, like solar panels, paid for by increased property taxes paid for by the owners receiving loans from the fund. For the foreseeable future it is doubtful that many social equity advocates and supporters of environmental preservation will be able to survive the recession without a concerted effort to replace development with tourism. Even so, tourism historically is a modestly rewarding activity for workers. It will take a quantum leap in tourism to offset the loss in income from the development sector. The economic decline for the local work force has already begun and will accelerate as predicted national trends like higher rates of inflation continue to dampen a recovery.



Lions Square Lodge North construction

Growth of Development Jobs Shrinking in the Next 12 Months: Even though Eagle County reported a shrinking unemployment level with 500 back to work in June, the increases in development related employment over the summer does not necessarily indicate that there will be longer-term growth in permanent jobs. The reported issuance of new building permits, an indicator of demand for development jobs, by all local governments over the past 12 months has been minimal.

As Vail's large development projects are finished over the next 12 months there will be upwards of 2,700 specialized construction workers looking for work. Other than smaller scale residential buildings, Vail's large urban development projects are some of the last remaining under construction in Eagle County. It is doubtful that real estate will sell quickly enough to save development jobs.



POINTS OF VIEW:

Biomass Article

Allen Best: *Mr. Best is a Colorado based journalist, with strong ties to Vail and Eagle County, reporting on growth and environmental affairs. His articles have appeared in the New York Times and a variety of national publications. He is publisher of the [Mountain Town News](#), an online magazine reporting on development issues in North American ski resorts.*

In the early 1990s, the main four-way intersection in Vail was a nightmare of congestion during Christmas week and annoying at all other times. For years the town agonized about what to do. Finally, town officials rolled the dice on a controversial and expensive device called a traffic roundabout.

Many predicted mayhem. This was uncharted territory. Few roundabouts existed outside of Europe or in Australia. But critics were wrong. The new roundabouts were a grand-slam home run, soon emulated across Colorado and eventually the West. Vail was the early adopter.

Another idea, a biomass plant, could have broad ripples. Hayden-Cary King, a forest products company, has applied to the U.S. Department of Energy for a grant of \$20 million to create a co-generation plant. Proponents say the plant would produce heat for buildings and sidewalks during winter and generate electricity during summer.

The Town of Vail has provisionally agreed to a 100-year lease of a 2.7-acre parcel of land north of I-70, adjacent to the town's bus barns and other public works facilities. The proposal calls for maximum production of 6.9 megawatts of electricity and 20 to 24 megatherms of heat.

Heat would be piped under I-70 and then along the South Frontage Road to be used in several large buildings in Vail village and Lionshead and potentially new developments to the west. This would be a district heating system. Holy Cross Energy, the electrical supplier for Vail, would purchase the electricity.

The idea is being pitched to the federal government as a demonstration project. The technology is not risky. Such biomass plants are common in parts of Europe. A delegation from Vail returned from a tour of Austria four years ago raving about the efficiencies of such a biomass in the resort community of Lech. This proposal calls for essentially the same technology.

But proponents say that such a plant in Vail could demonstrate how such co-generation plants could more broadly be located amid forested landscapes.

The economics of such plants have become increasingly attractive. First, Congress during the last year has appropriated several pools of money for development of renewable energy.

Second, both coal and natural gas will likely become more problematic as fuel sources owing to scarcity, cost of extraction, and the growing movement to put a de facto price on the greenhouse gases produced by burning them. Heat and electricity produced by burning wood would be largely if not entirely exempt from such tax disincentives, because burning wood is carbon neutral. Whether by forest fires or by simple rotting, greenhouse gases will be released from the forest.

Third, the pine beetle epidemic has drawn attention to the broader issue of living within the context of disturbance-dependent forested ecosystems. Fire can occur in forests at any time during their life cycle, if drought conditions persist. Now, with vast expanses of trees dead and dying, and the climate changing to warmer temperatures, the potential for catastrophic fire has become too obvious to ignore. That has created a new interest in managing forested landscapes, to reduce fire potential.

But where will the logs and branches go? A factory that produces wood pellets opened last year at Kremmling, on the north side of the Gore Range. It is reported to be at maximum production already. A sawmill operates at Montrose, 210 miles to the southwest of Vail. Transportation costs are huge, however, and that sawmill has been on the ropes economically. And finally, the Eagle County Landfill this autumn will start charging the normal rate for debris, \$47 per cubic yard, instead of the former \$27 for wood products. A biomass plant would provide part of the answer.

However, the plant proposed for Vail could accommodate only a portion of dead trees. Hayden-Cary King's Andrew King says the plant would be relatively small, as biomass plants go. "You want to have it large enough that it pencils out, but at the same time small enough that you will have available biomass for long-term operations", he said. Within 10 to 20 years, the shallow-rooted lodgepole pine are expected to topple and begin rotting.

Whether beetle-killed pine or other woody debris, biomass plant developers say they need long-term guarantees of wood to justify their capital investments. In the Vail area, and most of Colorado, that means access to national forests. The Forest Service has begun to offer such longer-term agreements, called stewardship contracts.

Vail Resorts has lent quiet support for the project. However, a minor fire in West Vail during early August more clearly demonstrated the company's concern about potential for forest fires. Resort officials ordered the evacuation of Vail Mountain. Fire officials called out 63 firefighters and ordered 50 water dumps on the area by a helicopter. As well, a slurry plane dropped two loads of flame retardant in the area.

Is this biomass plant in Vail a sure bet? Not necessarily. Town officials have warned of devilish details. Other biomass developers have remained on the sidelines. But the problems with fossil fuels make biomass increasingly attractive. And, from purely a Vail perspective, you'd probably want to see it if you hope not to see dead trees stacked all over the place.

Lodging Update - Summer slow and winter discounting started already

Bart Cuomo: *Mr. Cuomo is a local Vail businessman with extensive experience in real estate and property management. He is a keen observer of the Vail economy.* [Vail Realty Newsletter](#)

To be blunt, summer business stinks. Tourism is way down as people everywhere have tightened their belts and watched their spending. Condominium properties are especially suffering as they are confronting with stiff competition from hotels that are offering deep discounts. Hotels like the Marriott, Vail Plaza, Sonnenalp and Arrabelle in Vail, are all offering great deals as well as the Hyatt in Beaver Creek. Rates are as low as \$99 per night for some of these 4-5 star properties and even with these rates, the Villages of Vail and Beaver Creek are very quiet. Dining specials in some of the valley's most popular and upscale restaurants have continued throughout the summer. The outlook for winter is uncertain. While we are all optimistic that the nation will be well on its way to an economic recovery by the time winter season hits, lodging properties are still concerned about the lack of consumer confidence and how it may impact winter season. As such, we are already starting to see some discounting of winter rates to entice skiers to book early. Still in the end, it always seems to come down to snow. We are confident that...if we have it (snow), they will come. However, the big question is...how much are they willing to spend?



A hidden corner of the Vail/Betty Ford Alpine Garden

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