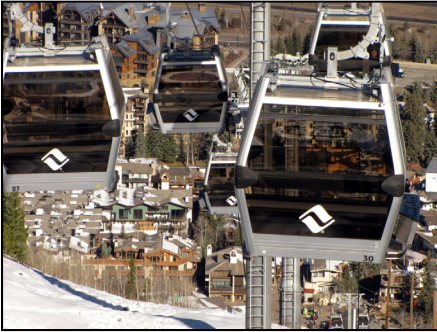


VAIL HOMEOWNERS ASSOCIATION

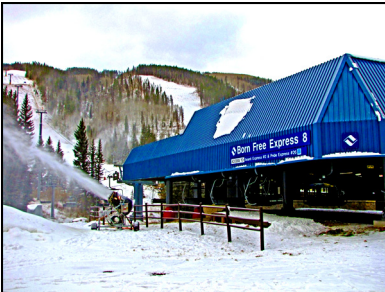
December 14, 2012



Executive Summary:

President's Annual Message: Vail reached a tipping point and has now become a premier year round "international" destination resort community, which is steadily maturing beyond being a small town. This is a categorical shift that is firmly resting upon the legacy of strength set down during the founding decades. The next 50 years will be a dynamic time for the community... [Read on](#)

Adversarial Subsidies are Counterproductive: Adversarial subsidies may bring short term gains for some local businesses, but in the long-term, such subsidies undermine the community's sustainability. Adversarial subsidies that cause residential properties to be devalued for the gain of some commercial interests are not productive... It is the view of affected residential property owners that several development proposals are seeking financial gain to the benefit of commercial interests at their expense... VHA helped organize neighborhoods to address concerns regarding development projects... [More details](#)



Vail Economy:

Summer Sees Record, But the Year May Fall Short: The record breaking success of Vail's summer tourism season [sales taxes](#) have not as yet made up for the losses incurred from last winter's drought with [all Town revenues](#) down 3.4% ... The Town made [final payment](#) of nearly \$12 million in bonds (sales tax revenue refunding bonds). The annual debt service on the bonds was approximately \$2.3 million, paid out of the Town's capital projects fund...

[More on the Vail Economy, Real Estate, Unemployment and Foreclosures...](#)

The Ever Vail Phoenix: The path has been set for the Town of Vail's staged approval of the long debated [Vail Resorts Ever Vail](#) project after struggling for years to gain Town approval...The staged approval is to be activated once Vail Resorts moves to complete the straightening of the South Frontage Road. The road currently bisects the development...Planners still have yet to overcome a potential conflict of having an enclosed Eagle River Water and Sanitation District office/sanitation facility immediately adjacent to the heart of the Ever Vail development. Importantly, the [District requested](#) the Town of Vail include several conditions...[Read more...](#)



Mexico on the Rise: The effect of changes in Mexico's economy can be seen at work today in Vail's local economy. Mexico has become one of Vail's biggest international markets. It is now the [leading growth economy](#) in Latin America. Vail is benefiting from the country's economic advancement through a growth in winter and summer tourism, [business investment in real estate](#) and a bilingual work force. [For More on the Broader View...](#)

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VHA Welcomes International Participation: The Association believes that international residential property owners have an important role to contribute in the public affairs of the community. Our membership includes representatives from several countries and this year we have a Director from Mexico serving on our Board...Join us-VHA Annual Membership Meeting, 4 p.m. December 27, 2011, TOV Municipal Building, Town Council Chambers. [Read on...](#)



Vail Village Gondola Returns

VAIL HOMEOWNERS ASSOCIATION

D e c e m b e r 1 4 , 2 0 1 2

President's Annual Message: Vail reached a tipping point and has now become a premier year round "international" destination resort community, which is steadily maturing beyond being a small town. This is a categorical shift that is firmly resting upon the legacy of strength set down during the founding decades. The next 50 years will be a dynamic time for the community. The challenges to sustain and guide a qualitative tourism economy cannot be accomplished by the Town of Vail or Vail Resorts alone. Success will require new forms of inclusive collaboration and communications that embrace the spirit of internationalism in shaping the future for the entire community. We look forward to being an important part of that collaboration.

Dr. Gail Galvin Ellis, VHA President

Vail In the Next 50 Years - Globally Bound: One of the biggest challenges for Vail in the next 50 years is to encourage the participation in the affairs of the community by a much higher percentage of non-resident property owners. Within the next twenty years, the composition of today's local population will shift toward a higher percentage of non-resident owners. If Vail is to attain and maintain global leadership as a mountain resort community, it will need to make its government and corporate processes inclusive for non-resident property owners both nationally and globally.

The Town of Vail has taken its first steps in that direction by making its Town Council meetings available through the posting of its upcoming [agendas](#) and associated meeting documents on-line, and video live streaming and archiving of its [public meetings](#) on the Internet. More of the Town's Boards and Commissions need to do likewise, particularly the

Planning & Environmental Commission and Design Review Board as these are two entities that directly affect the property owners' interests.

The Next 50 Hold Bigger Challenges: Whether climate warming or normal cyclical weather patterns, the effect of repetitive December droughts upon the community's small businesses could have a lasting impact. The combination of drought and the prolonged affects of the great recession are causing some local business interests to be more inclined to turn to local government for financial subsidies, which occur in a variety of forms. Some of these subsidies are adversarial, including preferential zoning decisions, pitting the commercial and residential beneficiaries of the last 50 years of economic success against each other.

Adversarial Subsidies are Counterproductive: Adversarial subsidies may bring short term gains for some local businesses, but in the long-term, such subsidies undermine the community's sustainability. Adversarial subsidies that cause residential properties to be devalued for the gain of some commercial interests are not productive. They will have the effect of deterring investment in residential properties which is one of the primary sources of capital that has sustained the local economy since its inception.

It is the view of affected residential property owners that several development proposals are seeking financial gain to the benefit of commercial interests at their expense. An example is a residential/commercial conflict which arose when the Town of Vail allowed a cadaver surgery lab in a mixed commercial and residential building in Vail Village. The atypical use and the manner in which the Town applied its review processes offended the sensibilities of the surrounding residential neighborhoods. This and similar actions, heightened awareness that the balance of power in Town Hall appeared to have shifted toward commercial interests and further away from protecting residential quality-of-life and values.

VHA Helped Organize Neighborhoods: Many property owners in neighborhoods affected by these development projects recognized that their only defense was to mount an organized offense. The Vail Homeowners Association took steps to assist property owners to organize, providing them resources with which to assess the proposals, identify concerns and communicate them to Town authorities and the community at large. This collaborative approach has already resulted in a positive outcome for property owners in many instances. The Association is still at work on behalf of others.

Medical Office Building on Town Hall Site: Recently VHA worked to help neighbors affected by the proposed Medical Office building/new Town Hall on the municipal building site. Officials responsible for the planning of the project came to understand the reasoning behind the surrounding residential neighborhood's public safety concerns. They responded positively by doing necessary studies. These studies determined that the proposed Vail Valley Medical Center "helipad" was more appropriately located on the roof of the planned Medical Office Building and, as the Federal Aviation Agency recommends, not within a residential neighborhood. Secondly, the Medical Center's primary vehicular access to their main campus should be removed from Vail Road and West Meadow Drive to the South Frontage Road. The projects have been abandoned, at least for the time being, due to economic reasons. But the Homeowners Association is urging the Town to incorporate these studies into their master planning document to provide guidance for future like-minded proposals.



New Vail Town Hall, not yet to be...

Golden Peak Traffic / Ski Club Vail / Sub Area Master Plan: A rezoning application leading to the proposed redevelopment of the 1970's Ski and Snowboard Club Vail building raised neighborhood concerns regarding persistent traffic congestion and related public safety issues. In recognition of residential property owners concerns, the Town and Vail Resorts through the auspices of a neighborhood management committee have put in place strategies and evaluation tools with the intent to better control traffic flow. Included are modifications of consumer drop-off & pick-up functions as well as improvements to better protect pedestrians at various locations throughout the affected neighborhoods.

Still to be resolved is the need for long-range master planning proposals that respond to the eventual redevelopment of the neighborhood that will necessitate upgrading the roadway and mass transit systems that serve it. There is the potential to increase private on-site parking well beyond the capacity of the existing roadways, which is the larger issue raised by the redevelopment of the Ski and Snowboard Club Vail proposal.

Golf Course Clubhouse Redevelopment: The Town's proposal for the redevelopment of the Golf Clubhouse, which it owns, is the most indicative of the influence that an adversarial subsidy could have upon an existing residential neighborhood. The neighborhood fully embraces the need for a new golf clubhouse. However, confronting strong neighborhood opposition is a proposal to include in the clubhouse a commercial "Event Center." The Event Center promises to encompass the adjacent existing 18th green as a site for party or entertainment functions. The 18th green is to be located elsewhere on the golf course.



Site of Planned Golf Clubhouse Outdoor Event Area

On-site public parking is insufficient to accommodate the proposed Event Center. To date, because of the residential and commercial mix of its resort Town Center, the municipal government has always found a middle ground in accommodating the needs of both classes of users. It has done so without granting others or itself special privileges from parking requirements.

Nearby neighbors have filed suit, claiming the Town is violating protective covenants. Their suit alleges that the Event Center will adversely affect the peaceful enjoyment of their homes and that property values are being irreparably damaged. The Vail Homeowners Association is urging all parties to seek a middle road that does not adversely affect neighborhood property owners.

Vail - Planning By the Seat of Our Pants Not Good Enough Anymore: All of the foregoing projects fall within a long line of Town promoted projects over the last several decades that have been highly contentious. Most have sought short-term economic gain for commercial promoters. The by-product of short term gain does not offset the doubt that property investors have about the security of their investments relative to the integrity of the Town's regulatory enforcement. By in large, it is the Town's apparent inability to look far enough into the future that is stimulating conflict rather than enhancing opportunities for both residential and commercial interests. The community needs to urge the Town of Vail to plan for the future and set aside the short-term opportunistic tactics of modifying their planning and zoning project by project.

Vail Economy:

Summer Sees Record, But the Year May Fall Short: The record breaking success of Vail's summer tourism season sales taxes have not as yet made up for the losses incurred from last winter's drought with all Town revenues down 3.4% from last year at this time. The deficit is due to recession related real estate devaluation reducing the Town's take in property tax revenues, a downturn in parking revenues and a law suit settlement. The last published end of October winter season lodging booking report indicated a modest 3.8% increase in occupancy over last year. A second year of late arriving snow may undermine the projected gains. The weeks before the December holiday season are lagging behind last year; consumers reacting to a previous year's drought don't typically book air and lodging until they see plenty of available skiable terrain.

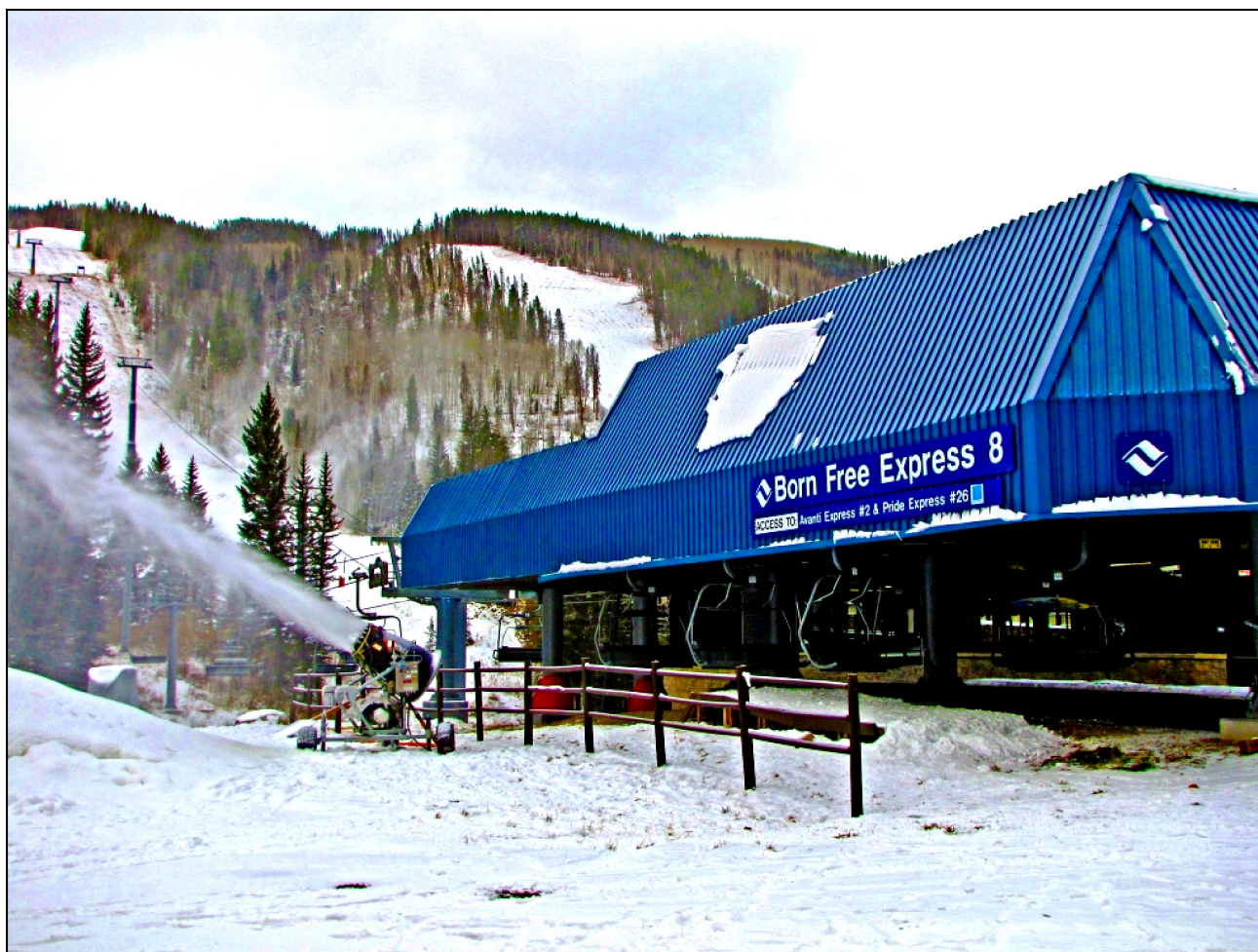
Town Parking Structure Bond Debt Retired: The Town made final payment of nearly \$12 million in bonds (sales tax revenue refunding bonds). The annual debt service on the bonds was approximately \$2.3 million, paid out of the Town's capital projects fund. The cry for more public parking has decreased as the price charged for parking has increased and the private sector is now in the business of providing public parking. It is doubtful that Vail taxpayers would vote to reissue the debt to build more government owned public parking.

Real Estate Sales Expanding: Eagle County real estate sales are seeing a resurgence of growth, reporting a 3rd quarter jump of 24% in dollar volume sold over the prior year. Bank sales continue strong meaning that the supply of foreclosed properties is being steadily cleared from the market, adding a degree of price stability. Contributing to the increase are sales to international buyers, primarily from Mexico. In Eagle County, inventories of properties available for purchase continue to shrink, aided by bargain shopping for appropriately valued properties. In Colorado, the six north central

[mountain counties](#) where the core of the resort industry is located have all shown increases in real estate sales. Other major [western mountain resort](#) areas like Sun Valley, Idaho and Jackson Hole, Wyoming are also seeing strong growth. [Local trends](#) mirror the improvement in [national home sales trends](#).

Eagle County, Challenging Economic Conditions for Locals: Eagle County [unemployment numbers](#) are modestly receding from October of last year, 8.24% down from 8.90%. The unemployment rate has more than tripled from Eagle County's low average annual unemployment rate of 2.87% in 2007. The labor force is down by 1,752 and the number of jobs by 3,146 when compared with October of 2007.

Foreclosure Rate Dropping - A Positive Sign: Across Eagle County, the number of [active foreclosures](#) is down roughly 31.5% compared to this time last year, while the dollar amount is down 41.4%. As of December 5th, 442 foreclosures had been filed in Eagle County in 2012; of those, 22.9% had been sold. Countywide, the [average sale price](#) was 72.1% of total indebtedness. Vail's property values are [holding better](#) than the other communities with an average sale price of 90.1% of total indebtedness. Foreclosures for the past several years have had the highest impact in the work force communities of Eagle and Gypsum as well as the timeshare holdings in Avon. The drop in foreclosure rates coupled with high levels of bank sales clearing the market of available inventory is a positive sign that real estate values for work force housing are stabilizing.



Snowmaking for the second year in a row gets the mountain open on schedule and keeps it open until the snows arrive.

Vail Resorts' 2013 First Quarter Report Sees Normal Decline for the Time of Year: VRI's company [report for its first quarter](#) of its current fiscal year, which included August through October, showed a decline in [EBITDA](#) of 8.6%, a slight .1% improvement over last year's 1st quarter. The first quarter is typically a down period, but VRI's move to more on-mountain summer activity may help reverse the trend over time. The company continues to [purchase ski areas](#) throughout the United States and investigate potential international acquisitions as [ski area investment](#) in Colorado and nationally is in decline.

Review of Summer Vail Mountain Plan Moving Through USFS Approval Process: Completion of the Vail Village Gondola opens new possibilities for summer events to be hosted on Vail Mountain. One proposal is a 200 person outdoor

wedding deck at the 10th restaurant of the company's Mid-Vail complex. Vail Resorts' summer mountain [planning proposal](#) includes an extensive complex of bike and hiking trails as well as zip lines. The full [menu of facilities and activities](#) promises to change Vail's summer business profile. The Vail Homeowners Association has urged all parties to place emphasis on the interconnection between mountain and town, with special attention given to the planning issues of public safety, traffic congestion and parking. An [environmental scoping assessment](#) by the United States Forest Service is currently underway. **Parties desiring to make comment or ask questions regarding the proposal need to have them to the USFS by the end of the year.** You may email comment@vailrecreis.info; please include Vail Mountain 2012 Recreation Enhancements in the subject line.



Ever Vail with waste water treatment plant site located to the immediate right of the proposed gondola.

The Ever Vail Phoenix: The path has been set for the Town of Vail's staged approval of the long debated [Vail Resorts Ever Vail](#) project after struggling for years to gain Town approval. The new gondola served, mountain portal project in West Lionshead designed for urban density has been sequestered in one form or another in the Town's approval process since well before the onset of the recession. The staged approval is to be activated once Vail Resorts moves to complete the straightening of the South Frontage Road. The road currently bisects the development. A multimillion dollar financial impact agreement (Developer Improvement Agreement-DIA) to be paid by VRI to the Town is to be a part of the staged approval. The [Town's resolution](#) approving the process stipulates that should VRI fail to act on straightening the South Frontage Road, approval will lapse within eight years with a one year extension. This provision is similar to the 8 year extension given to several other pre-recession development projects.

Sewer Plant an Obstacle to Success: Planners still have yet to overcome a potential conflict of having an enclosed Eagle River Water and Sanitation District (ERWSD) office/sanitation facility immediately adjacent to the heart of the Ever Vail development. Importantly, the [District requested](#) the Town of Vail include several conditions, one of which to is to hold them harmless from any litigation coming from Ever Vail against impacts from plant operations. The District intimated that it was open to having the plant relocated elsewhere at the expense of the Ever Vail developers.

Ever Vail and Related Simba Run I-70 Underpass Critical to Relieve Town's Traffic Congestion: Ever Vail has been considered by some as a panacea for Vail's traffic congestion because it included major transportation and parking facilities. In a related budgetary decision the Town approved moving ahead with the next stage of planning for the Simba Run I-70 Underpass, located just to the west of the Ever Vail development. The Simba Run underpass is essential to improving the efficient linkage of the transportation system between the West Vail commercial center and the Vail Town Center. Moving forward with more detailed engineering studies keeps it in the queue for matching funding by the

Colorado Department of Transportation. The Vail Homeowners Association has supported these improvements to the community's transportation system as it would relieve traffic congestion in the Vail Village and Golden Peak neighborhoods.

There is no guarantee as to when Ever Vail will start construction. Previously, in recessions where development slows to a crawl, Vail Resorts has led the way in making significant capital investments that have stimulated others to start up competing developments. The company has benefited from being ahead of their competition, being the first to come to market with their development product. Times are different; much depends on the state of the global economy.



San Miguel de Allende - Birthplace of Mexican independence from Spain.

The Broader View: The dynamics of the national election have settled, for the time being, the shape of the American partisan political landscape. In [2013 globally](#), according to some analysts, China will be increasing government funded stimulus, which may be the lynch pin in holding back other teetering parts of the world from recession, giving them time to make structural financial reforms.

For the foreseeable future, United States policymakers will be [burdened with making debt-adverse](#) choices in the aftermath of the great recession. [Traditional economic models](#) are being put to the test and, as some say, their application is slowing and prolonging a recovery. Some economists believe that what the United States needs is an infusion of foreign capital investment and an increase in immigrant workers to replace an aging work force. Vail has historically benefited from this strategy, particularly with respect to Mexico.

Mexico on the Rise: The effect of changes in Mexico's economy can be seen at work today in Vail's local economy. Mexico has become one of Vail's biggest international markets. It is now the [leading growth economy](#) in Latin America. Vail is benefiting from the country's economic advancement through a growth in winter and summer tourism, [business](#)

[investment in real estate](#) and a bilingual work force.

[Immigration](#) to the United States from Mexico has gone into reverse, largely due to economic conditions in each country. Border controls are tightening. There are opportunities and advantages to increasing [two-way legal immigration](#) for citizens between the countries, having mutual economic benefit for both.

Colorado voters created a gateway for a national debate to occur through their approval of a ballot measure to decriminalize and tax the sale of marijuana. If successful, it could help lessen the violence in northern Mexico, where an estimated 40% of the county's poorest live, opening their chances to become part of Mexico's burgeoning new middle class.

Vail is taking steps to increase tourism business from Mexico. Perhaps Vail could play a more important role, becoming a center where business and governmental leaders from both countries negotiate social progress to be gained through opportunities found in the economic resolutions of conflicts.

Waiting for the Town's Backlog of Pre-Recession Development Approvals to Clear: The Town has a large backlog, of nearly 250 dwelling units to be constructed. These pre-recession approvals are sitting on the books because the Town gave them an 8 year extension on their zoning approvals. Most received their initial approvals in 2007 or just prior.

Recently, one of those projects, a 152 unit limited stay suites (with kitchens), has received Town approval for a modification to its original plan. The project is a Marriott Residences Inn on the Roost Lodge site in suburban West Vail. It remains to be seen if the Town's strategy of continuing to give extensions could have a dampening effect, deterring capital from investing in other properties, like Ever Vail.

Historic Preservation in Growth Driven Vail: The Town, in preparation for another round of redevelopment should national economic conditions improve, is [embarking on an evaluation](#) of the need to preserve "historical" assets throughout Vail Village. A desire for lower density has not been a strong sentiment exhibited or practiced by the Vail Town Hall in recent decades. Some Council members are already talking about giving density increase incentives to preserve symbolic landmarks. Density increases in Vail have always meant bigger buildings, which cause some to be concerned that the unique neighborhood character will be changed for the worse.

Some are of the opinion that the push for a makeover of Bridge Street and Gore Creek Drive is because of competition from the adjacent extensively redeveloped East Meadow Drive commercial area that occurred in recent years. Others say consumers don't want mediocrity; they seek out quality. Those businesses in the neighborhoods that do offer quality are doing very well. The advent of the Vail Village gondola could cause a qualitative transformation for the better. The seasonal drought could well bring a shake out of marginal businesses.

Potential Town Projects on the Drawing Board: Special interests seem to be readying for a Town investment push in a conference/learning center, which has been mentioned in recent years as a facility that would assist the Vail Valley Medical Center and the local health & wellness initiative. Others continue to pursue the acquisition of the former Colorado Mountain College building in Cascade Village, perhaps for similar uses as well as for cultural activities.

Ford Park may see an application for a learning center and office building associated with the Alpine Gardens. There are those who oppose more buildings in Ford Park. Others caution that spending down the Town's cash reserves is ill advised as prospects for unsettled national and worldwide financial conditions still lurk.

I-70 to Affect Vail in Summer 2013 and Beyond: The summer of 2013 may have bigger economic challenges to overcome than 2012. Day trippers are a significant part of the summer tourism trade. Construction of an [I-70 tunneling project](#) near Idaho Springs is beginning, which may bring with it heightened traffic congestion. Ironical, since the project is meant to cure congestion. Recession realities are causing the Colorado Department of Transportation (CDOT) to fund studies to determine the feasibility of constructing privatized toll lanes on I-70. Studies are also underway to build a [passenger high speed rail line](#) to reduce traffic congestion on the I-70 intermountain corridor. None appear to include methods to reduce road noise pollution.

Expansion of Chain-Up/Down Stations Under Review for East Vail: CDOT is looking to expand chain-up/down



Prototype High Speed Train Considered for I-70

CDOT Photo

stations near the East Vail Interchange and the Bald Mountain Road neighborhood. Neighbors are objecting to increased pollution from exhaust fumes, lighting and traffic congestion. The Vail Homeowners Association is suggesting a traffic management solution, where smaller truck staging areas are created down valley closer to Vail than the main staging area at Dotsero, located 40 miles west of Vail near the east entrance to Glenwood Canyon. This would cut lag time for trucks given authorization to move to the limited number of chain-up stalls at the Vail chain station. The same system could be applied to the east side of Vail pass regulating the number of trucks using Vail's chain-down stalls. CDOT officials say they will give further consideration to this approach.



Japan excels in see-through and other types of freeway sound barriers.

Doing Something About Interstate Noise:

Some remain hopeful that I-70 traffic noise control will get attention from the Town of Vail. They are suggesting the Town study a defensive strategy combining sound barriers with burying portions of the Interstate. This approach would allow the community to be linked together through a series of vehicular and pedestrian overpasses. The aim is to give long-term protection to the entire community from the environmental degradation caused by the blight of road noise. Another option is to further investigate removing I-70 altogether via a bypass tunnel under Vail Mountain. With CDOT now considering privatization of toll lanes, such an approach could be used to rid Vail of I-70, perhaps a goal for Vail's next 50 years.

Local Elections 2012: Local elections saw a sweep of Democratic candidates voted in. They

now dominate both houses of the State legislature and the Eagle County Commissioners office. Budgetary issues will be watched closely during the coming year, particularly as they relate to the Eagle County airport.

A property tax increase was approved for the Fire District that serves the upper Valley, but will not apply to the Town of Vail, which operates its own fire department. The threat of drought related wildfire has put added importance to fire fighting capabilities, even though some critics say local firefighters would be rapidly overcome in the face of a catastrophic fire, such as those that are happening more frequently elsewhere.

Next Year May See School Taxes Back on the Ballot: In the coming year, some are saying, a school district proposal to increase property taxes county-wide will be back on the ballot. They attribute its likelihood to what they allege is the divisive strategy being used by school authorities to implement budget cuts. Proponents for the tax increase, some critics say, are attributing their failure in 2011 to pass a school tax increase on the poor participation of the parents of school aged children. Critics disagree; saying local economic conditions still remain a motivating factor in curbing tax increases, particularly to cover increased operating costs, as was the intent of the 2011 balloting. Parents of students from Vail's only public school, Red Sandstone Elementary, are complaining of unfair budget treatment in the allocation of operating costs by the school district to their school. The parents unsuccessfully sought funding from the Town of Vail's elected officials, who laid it back on school officials to resolve. Parents worry about potential closure of the school.

VHA Welcomes International Participation: The Association believes that international residential property owners have an important role to contribute in the public affairs of the community. Our membership includes representatives from several countries and this year we have a Director from Mexico serving on our Board. The Association is receiving positive response to its efforts to expand membership through an inclusive outreach initiative. The coming year will see more issues that will affect Vail's residential property owners. The Association will be there to support our members. Your membership assures your influence.

We invite you to learn more about our activities. Join us for the Vail Homeowners Association Annual Membership Meeting, 4 p.m. Thursday, December 27, 2011 at the Town of Vail Municipal Building in the Town Council Chambers. Members, guests and the public are invited to attend; parking and seating is limited.



Fresh snow for the Holiday's - Avanti Run, Vail Mountain

Photographer - Peter Buckley

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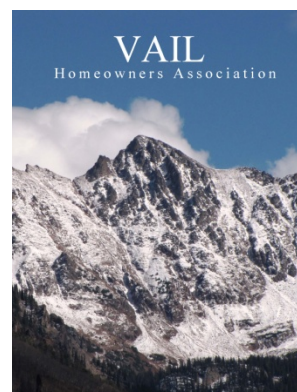
PRODUCTION CREDITS

Photography: James Franklin Lamont
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