



Vail political satirist Packy Walker offers a 4th of July quickie fix for economic woes.

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VAIL HOMEOWNERS ASSOCIATION

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Vail Economy: Signs of Vail's economic stabilization remain elusive, while at the national level indicators are showing positive signs of recovery. [\(See Bloomberg Report\)](#) Many Vail businesses are adjusting to the "new" economy to the fullest extent possible. The panic of last winter has passed. The Vail Police Department estimated the largest crowd on record for the 4th of July parade at 40,000. One local analyst quipped, we hope the summer season didn't begin and end with the 4th of July.

Some local consumers are saying that the "new" economy is changing their lives for the better. They can now, in some areas of Eagle County, afford a reasonably priced home or simply enjoy an evening out in a Vail restaurant. However, concerns over a back sliding in the quality of the Vail experience remain.

According to an informal survey there are restaurants reporting volume off by 20%. Under normal circumstances high summer season discounting would be unimaginable. Nearly every restaurant is offering discounts in one form or another. (Take care to check fine print in advertisements.) Liquor sales, according to one vendor, have shifted away from pricy wines to higher potency hard liquor. [\(See TOV's Vail Business Review for May\)](#)

There are hoteliers expecting summer business at some properties to be down more than winter from 25% to 40% from the norm of recent years. Better performance is possible depending on how well the property is run. Last minute bargain hunting is not having much effect in boosting business. Vail room rates are being discounted but not as much as at competing resorts. [\(See TOV MTRIP Report\)](#)

A positive sign is the concert venues at Ford Park and the Sunday Farmers Market are pulling in sizeable crowds. Bravo's symphony concert series, with rare exception, is seeing increased ticket sales and attendance over last year.

A veteran merchant calculates that all businesses now have to focus on value added incentives for their core customers, which are repeat guests, local and part-time residents. Our second homeowners, he says, are a large and loyal reservoir of customers. They have been historically and remain so, not only fiscally conservative, but fiscally astute.

The Broader View: It is some analysts' view that it will be many years before Vail sees development pressure again. Another "decade of excess" is unlikely any time soon.

Nationally and globally, it will take years to fix the massive accumulation of bad debt, a majority of it individual mortgages, which avalanched into the financial market in the last 10-12 years. Until people get their personal balance sheets under control, which means less consumer spending, the economy is going to be in the doldrums. For many, it is going to be very painful and will inevitably mean a decline in their standard of living.

There is need for radical financial "surgery" that includes increasing exports and consumer spending. The value of the Federal stimulus program is limited. Even when stimulus monies end up in people paychecks, very little will go into consumption. Consumer confidence, unsettled by current events, has shifted from discretionary consumption to paying down personal debt and increasing savings.

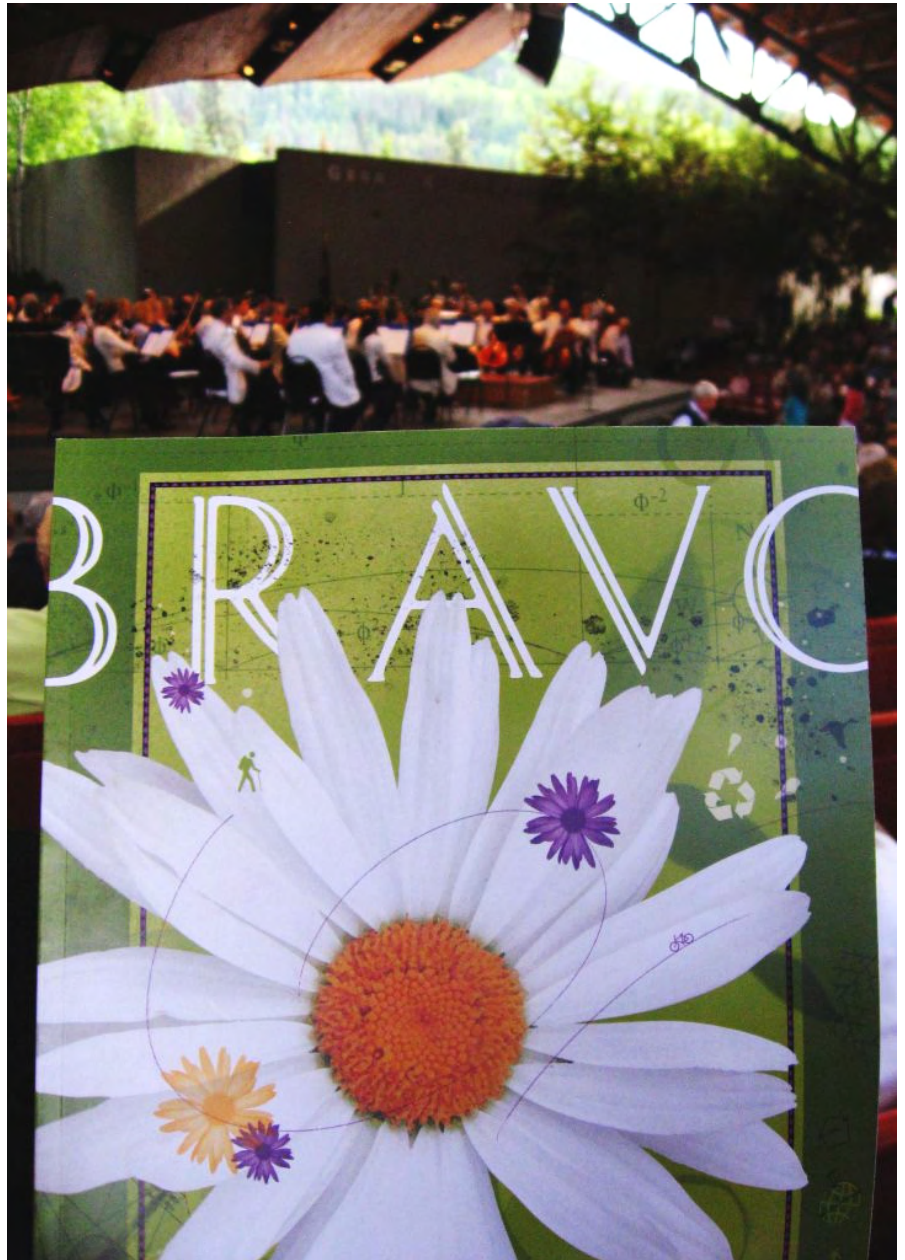
Vail is suffering not only from a downturn in discretionary vacation spending. It is also taking a hard hit from, what some believe, will be a slow recovery of the global financial investment industry, whose many beneficiaries in recent years have become affiliated with Vail. ([See Economist Report](#))

Vail's recovery could be slowed further by the result of national political debate that gambles monetary and fiscal policy, which some see as necessary for a faster economic recovery, against advancing social equity (i.e., universal health care) and environment sustainability (i.e., conversion to green technologies). The outcome, for those who favor a faster recovery, is in doubt.

Looking forward, a local opinion leader has concluded, the "new" economy gives Vail the opportunity to return to being a "resort community" again. No longer do we have to be.... just a resort. Vail has to get over its insecurity complex. It has to accept the fact that it is the number one mountain resort in North American and make its decisions accordingly.

A historic truism for Vail recessions is "last in, first out". Locally, other than cost cutting, there have been no prescriptions for a recovery in the near term. Reforms not possible in boom times may come to the fore, but only when there is a broadly held presumption that continuing business-as-usual and holding fast to passé remedies won't assure recovery any time soon.

Special Events, Promotions and Group Business: Special events and group business are looked to as traditional methods to attract visitors. The Vail Town Council has been told that there are more special event promoters applying for permits than venues in which to hold them. Critics say not all events or promotional efforts meet the desired standards of attracting



visitors whose spending patterns benefit the full range of Vail businesses. The most vocal criticism comes from the ranks of retailers, followed by hoteliers. Market studies consistently indicate that the Vail consumer profile is 50 years or older and affluent whose focus is both body and mind. Yet promoters continue to target a younger, less affluent profile that is competitive sports oriented.

The Town's special events program critics say, is too passive and lacks quality control. There is a need to set standards for economic productivity that give priority to events that benefit the widest possible spectrum of local businesses from the highest valued customer base. Also, it is said there is a need to proactively work to expand successful existing events, while clearly defining the compatibility, content and desired outcome of new ones. Passivity needs to give way to the aggressive pursuit of event promoters who can achieve predefined events within desired specifications. There are those who say political interests too often interfere by interjecting themselves for aggrandizing gain into Town of Vail supported events.

Promoters of group business fall under the same criticism. As one former group business entrepreneur carps, the weakness in Vail's government subsidized group business promotions is that it isn't enough to show up at industry trade shows to attract business; they have to go out and knock on doors, particularly in the Denver metro region.

The recession has decimated the corporate and special interest association conference business, which was once a mainstay of Vail's hotel trade. Nationally, public and political sentiment against holding either corporate or government meetings in luxury resorts, is playing a key factor. Thus far, appeals by local group business promoters to State and Federal political leaders to tamp down the criticism have not reversed business prospects.

Presently, the low hanging fruit for both group and special events business are; sporting events and team tournaments. Some businesses complain that the resulting revenues for participants are more akin to the modest spending habits of the day visitor rather than promotions attracting higher spending destination quests. There are hoteliers who say that frequently sports enthusiasts are disrespectful of their accommodations. The concern is that business promoters will take the undiscerning route of "any port in a storm" rather than "beat the bushes" for qualitative opportunities.

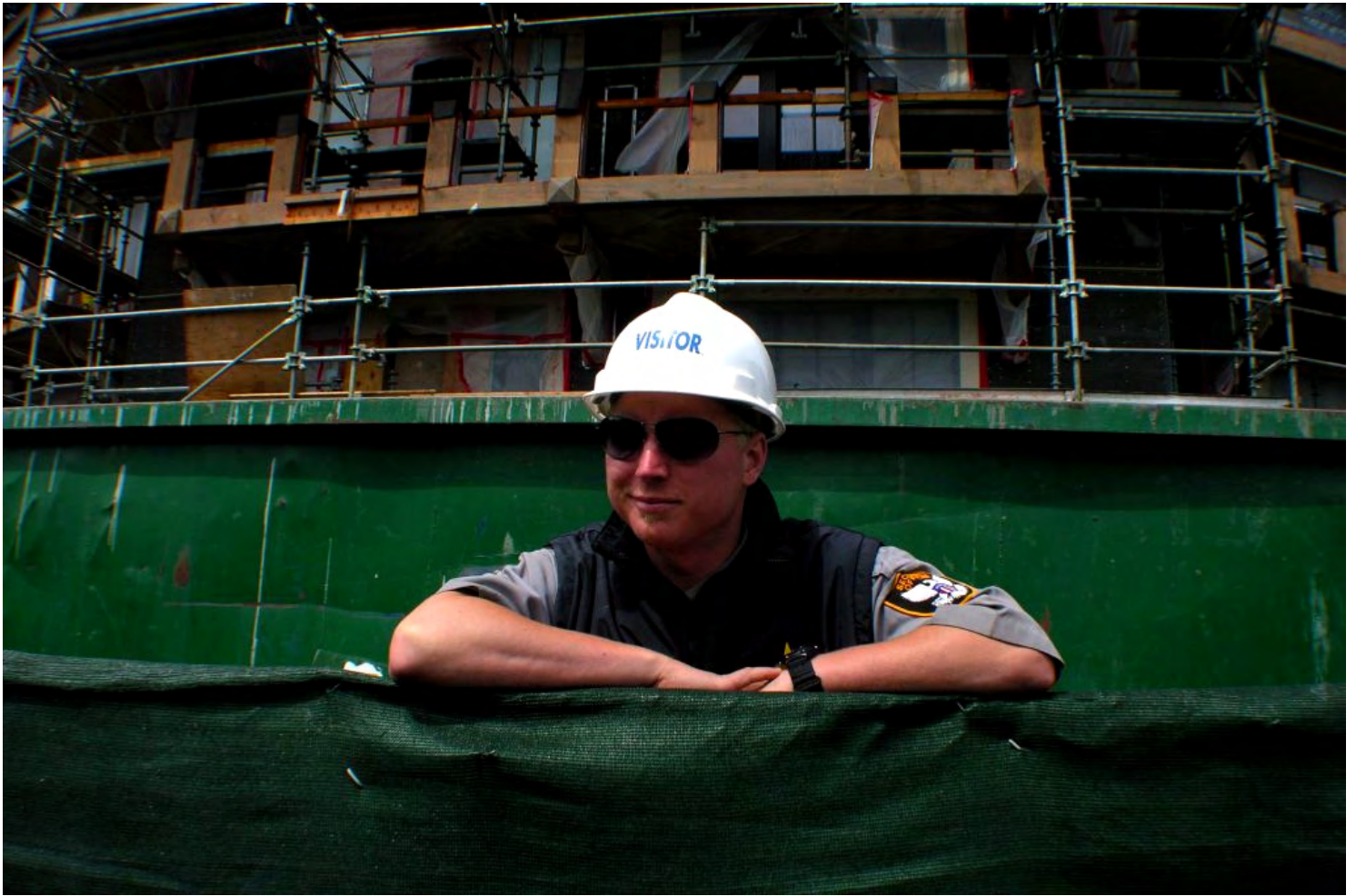
Sports promoters are saying there is need for more sports fields and facilities in Vail to compete with down valley venues. Others have a differing view saying that there has been an over emphasis in recent years on sport facilities, particularly for local use. They see a fading opportunity for Vail to compete head-on-head with major publicly owned athletic facilities, which include sport fields and an indoor field house, that exist or are coming into being in Edwards and elsewhere nearby along I-70.



Former Colorado Mountain College Fine Arts Center at Cascade Village

More Diverse Year Round Amenities Needed: There are those who favor instead, investment in facilities and services that benefit the community's economy by creating year round cultural, entertainment, or recreational venues. Their desire is to attract the participation of a full spectrum of community guests, residents and part-time residents, which would create year round employment as well. The public debate is intensifying. Among all the choices of economic development venues, which ones require the least public subsidy to produce the most reliable and beneficial return on investment for the broadest segments of the community-at-large?

Opportunities exist and should be explored that have opened because of the "new" economy. The repetitiousness of languishing redevelopment projects may need to be reconsidered so that they are modified to add more diversity to the community fabric. There are those who see opportunities in the restoration of the vacant Colorado Mountain College Liberal Arts building in Cascade Village, (shown here) which is well suited to be considered for conversion to a community conference and arts center.



Jobs and Futures Hang in the Balance: A slower recovery means fewer jobs and higher unemployment. While some celebrate the anticipated return to pre-construction boom normalcy, others are paying the painful price of job loss in a dramatically shrinking job market. Eagle County's most currently reported jobless rate for May of 9.6% is tracking near or above the national rate. The April to May seasonal shift from resort to construction employment left nearly 500 Eagle County workers jobless. This unprecedented number confirms that the region has not escaped the national trend for the development and construction industry. The Vail Valley may still be attracting skilled workers from areas in the surrounding region where economic woes are worse according to anecdotal reports.

These worrying questions often come from those who are betting their careers on whether to stay or go. Many are the well-educated, hardworking, upwardly-mobile professionals who see beyond the community's probabilities to its possibilities. Some see Vail's brain drain that has steadily occurred over the years as the lowest common denominator signifying institutional weakness. The root cause is not solely the boom and bust economy, but unfulfilled life style expectations that go beyond putting a roof over ones' head. It goes to the conflict of merit versus seniority, which in its most destructive aspect is described by some as an embittering experience. The blame is often laid upon shortcomings in the community's political life and institutions.

Planning, Real Estate and Development: There are realtors reporting an uptick in inquiries from potential buyers, but little change in the rate of sales. Some are forecasting that the devaluation occurring in some Vail properties, may be reaching the bottom.

All major construction projects currently under construction remain underway. Some developers, in preparation for the recovery, when it comes, are readying their projects to go through the Town's entitlement process. Others doubt whether the recovery of the development industry will be any time soon.

Eagle County/Vail Affordable Housing: Eagle County affordable housing advocates report a brisk business from local employees who are first time home buyers, now able either through savings or government loan programs, to move into new or vacated deed restricted (price controlled) affordable housing. The expanding inventory of unsold vacant homes is allowing existing deed restricted homeowners to sell and move up from deed restricted to "free market" homes. This has been the case in prior recessions for Vail and Eagle County.

The competitiveness of down valley housing values makes it more difficult for Vail to compete in the affordable housing market. Some believe it is inadvisable to embark on construction of major new affordable projects when there is a large inventory of previously built homes on the market down valley.

It is reported that the developer tentatively selected to redevelop the Timber Ridge Seasonal Affordable Housing Project is reevaluating their cursory financial projections in light of more detailed study and information. Their cursory projections were, at the time of selection, highly attractive to the Town of Vail. Should a decision be made not to proceed to redevelopment, some question whether the Town is in the financial position to continue the status quo operation of the rental affordable housing complex.

Town Council Election Upcoming: The slate of potential candidates is filling as the traditional Labor Day kick off of Vail's local election season approaches. There are few new faces, as yet, being touted by local power brokers. Most who are considering a run are known to Town Hall. The crux of the election will reveal if the voters are ready for an economic reform agenda or a rebalancing of power among established vested interests. If rebalancing is the theme, the contest may well be fought out among activists for green (environmental) tinted social equity, a resurgence of real estate/development speculation and the promotion of mass tourism. Vail's political balance of power does not necessarily reflect the majority view of non-residential property owners who have a major financial stake in decisions of local government. It is too early in the recession cycle, some pundits say, to expect any reforms of significance. Those may be more expected to occur as part of the budgetary process should the gap between revenues and expenditures continue to widen.

Public Finance: The Town is budgeting Sales Tax revenues flat for 2010 compared to 2009 (which is projected at a 15% decrease from 2008). 2011 is projected at a 5% increase from 2010. Others' informed opinion thinks revenue should be projected downward by an additional 5% to 10% for the same time frames. Critics are saying that operational costs, including salaries and benefits, need to be reduced in addition to setting aside capital improvement projects. They have yet to see adequate justification for dipping into the Town reserve funds, particularly for those positions that were tied to the building boom.

Needs are shifting from promoting the "hardware" of new development, to creating the "software" to grow the tourism economy. It is difficult to layoff public employees particularly when layoffs are accompanied with service cuts. Employees in the private sector have had their salary, benefits and merit increases either reduced or frozen, some with no reduction in work load. Vail's public employees, as is happening in many other governments, may have to face furloughs, reduced work schedules and benefits, while still getting the public's work done.

Vail government is viewed by some critics as crossing the line by operating much like a private corporation, run for the benefit of the employees. If so, periods of economic stress may have some influence in reasserting public over private interests.

POINTS OF VIEW:

Bart Cuomo: Eagle Co Open Space Fund – Public Money Without Public Access? *Mr. Cuomo is a local Vail businessman with extensive experience in real estate.*

Call us cynical, but it is tough not to be when looking at how the Eagle County Open Space Fund is being managed. The fund was created in 2002 as a result of an election that approved an open space tax. The measure barely passed by a mere 51 votes. Since then, the tax has generated more than \$20 million and gone to preserve 4,106 acres of land, but many locals are now second-guessing if the implementation of the Open Space Funds is consistent with what they thought they actually voted for. An overwhelming majority of the funds spent and the acres "preserved" have been spent on conservation easements on private lands that do not result in public access. In addition, many of the easements granted and funded have done little to change the landscape for the core of Eagle County and the majority of the residents.

For example, the county's last conservation easement was for the Gates Ranch in Burns. (Most of you are probably asking...where the heck is Burns?) Burns is in a remote area of the County along the Colorado River past Bond and McCoy. (Most of you don't know where Bond and McCoy are! Hint, north of Wolcott on the road to Steamboat). The easement was funded, but there is no public access and more importantly...what was the benefit to county residents in terms of open space? A conservation easement restricts the ability to develop or sub-divide the subject property. The property was not adjacent to any major road. There is little demand for property in Burns. So what was the benefit to residents? None as far as we can see.

Most locals believe that Open Space funds would be better spent along the I-70 corridor where the impact is visible. Many insist that the spending of public money ought to result in public access to the land involved. We agree on both fronts.

Now the County is embroiled in another controversy as they consider funding another conservation easement on a ranch that is 12 miles up the Colorado River from Dotsero, once again in "no man's land". The County is being asked by a group of

investors who bought the Colorado River Ranch in 2007 for \$10 million for a \$5.7 million grant from the fund to put a conservation easement on the property. The ranch is just over 1,000 acres. The agreement would call for a 2-acre public parking area to make it easier to access BLM land. The County has responded by offering \$3 million. Again, the land is remote, development demand is limited and there is virtually no public access. It seems to us that the County just cannot wait to spend these funds.

Last year, we questioned the Gates funding and suggested that the money would be better spent for the County to acquire private property along the upper Colorado River at State Bridge and up river at Rancho Del Rio to guarantee river access for this popular recreational rafting and fishing area. The smart-alec response of one county commissioner was “why don’t you raise the money?”

While local communities are taking a practical approach to budget cuts and addressing drops in sales tax collections, our County Government seems completely out of touch with reality. ([Vail Realty Newsletter](#))

Jonathan Staufer - Urgent Need for Expansion of Markets *Mr. Staufer, a long-time Vail Village businessman and outspoken community activist makes the case for marketing reform.*

As is apparent from the Vail Homeowners Association’s [last newsletter](#), Vail has reached a point where it must spend some time focusing on promotion and expanding its markets. While most of the discussion over the past decade has been dominated by redevelopment, the current economic downturn has revealed a number of shortcomings of the “Vail Renaissance’s” focus on development at all costs. These issues were easy to overlook during a period of cheap money that boosted tourism and development spending. However, having overlooked them, Vail needs to address them post haste, or face a further contraction of the local economy that will put not only businesses but property values at risk.

From the standpoint of promotion, Vail is bush league. One would think that a mature resort, with world-wide name recognition and incredible resources at its disposal, would be brilliant at promoting itself as a tourist destination, a second home destination and a great place to live and do business. This is not the case.

Vail lacks any cohesive structure to promote our existing assets, to expand on our offerings and to expand our markets. Rather than cohesiveness, Vail relies upon a myriad of entities that sometimes work with each other, but more often against each other to put on events and promote Vail with varying degrees of success.

While this is a situation that must be rectified, the most urgent effort to be undertaken, and likely the most cost effective, must be to expand our markets. While the entire globe has felt the current contraction, some of the world’s economies will come out of the recession sooner than others. This was the case in 1991 during the first Gulf War. Rumors of terrorist attacks brought much tourist travel to a halt. However, properly positioned with contracts from overseas producers, the Vail Village Inn ran 90% occupancy during a January when most hotels were running 30%. As another example, the impact of Vail’s Mexican clientele can not be overstated.

Yet Vail has no apparatus to reach these people. We have no plan to attract visitors from Japan, though several Denver-based operators focus on this market exclusively; there is no discussion of the European market, despite the fact that the Europeans take, on average, four weeks of paid vacation per year and the Euro is climbing against the dollar; there is no plan for China, despite the fact that it is poised to become the world’s dominant economy. Rather, the bickering over the placement of events in front of businesses helped cost us the 2009 World Championships, which would have broadcast our assets to the skiing public around the world.

An international marketing apparatus should be constructed with the goal of increasing tourism visits. The framework of a group with which I had the privilege of working in the early 1990’s was simple – a group of properties representing the spectrum of what is available in Vail each contributed room nights and \$10,000 to the effort; transportation companies, including Colorado Mountain Express and rental car companies contributed free transportation and cash to the effort; Vail’s airline partners contributed airline tickets and Vail Resorts provided organizational framework and lift tickets. We traveled to trade shows, brought travel agents and press to Vail and increased both awareness and visitation. This cooperative effort did what it set out to do, producing room nights and lift ticket sales.

There is no doubt that such an effort is needed again and must be strategically implemented with both short and long-term goals in mind. Vail cannot afford to sit around and wait for Vail Resorts or anyone else to build this program: this summer has marked what we hope will be the trough of Vail’s recession. With any luck, the coming winter season will be even with last year. However, if we rely on others to promote us, we risk a further downturn from which many businesses will likely not recover.



I-70 High-speed Rail One Step at a Time

Allen Best - Mountain Town News *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.*

Can Colorado get its nose into the tent of federal funding for high-speed rail along I-70? That remains to be seen, but a study being released in August has found that feasible technology exists and high-speed rail on I-70 and the I-25 corridors in Colorado would meet the minimum threshold as specified by the federal government.

The \$1.5 million study conducted during the last year by the Rocky Mountain Rail Authority used federal funds matched by governments from several dozen count and towns, including Vail and Eagle County, along the I-25 and I-70 corridors.

To qualify as high-speed rail, trains must be able to travel at least 90 mph on average. The U.S. Congress has designated 10 high-speed rail corridors across the country, and rail proponents in Colorado hope to make Colorado the 11th. This study's findings make Colorado eligible as a candidate, but do not get it in the door.

"The feasibility study makes no firm decisions," said Harry Dale, a Clear Creek County commissioner who has been directing the rail authority. "What it gets you to is the next step."

Engineers concluded that four types of rail-based technology exist that could handle the grades of I-70, but coming out on top was electric-motor unit trains, often called by the acronym EMU.

Three of the technologies already have been deployed in revenue-producing contexts elsewhere in the world: Japan, Europe, and in the Chunnel, the tunnel below the English Channel.

The second critical question was whether there would be enough riders willing to pay enough – 20 to 30 cents per mile – to pay for operations. Again, the study found no deal-breaker. In fact, surprising to the analysts, the demand for high-speed transit along I-70 was found to be nearly as strong on I-70 as along the more populated Front Range. The Front Range has a population of 4.2 million, but is projected to grow to nearly 7.8 million in a quarter century. I-70 corridor communities are expected to grow at a faster rate, but from a vastly smaller base.

“Even though it’s not very populated, (along the I-70 corridor) there would be significant ridership,” says Greg Hall, director of public works in Vail. “The I-70 group has always said that. The ridership up I-70 and along the Front Range would be almost equal (to I-25).”

In other words, the two segments – I-25 and I-70 – have synergy, working in tandem better than they do individually.

The study found demand strongest for a segment between Colorado Springs and Denver and from Denver to DIA. Based on ridership projections, the second phase would be from Denver to Frisco. A segment from Frisco to Eagle County Regional Airport — but going through Camp Hale — would be included in the fourth and final phase of construction, along with a lateral extension to the gambling casinos of Central City and Black Hawk.

If it occurs at all, work on even the first phase is unlikely to begin for at least a decade. For that matter, money will be scarce even for major highway improvements on I-70 to remove existing kinks such as between Floyd Hill and Idaho Springs. That project alone would cost hundreds of millions of dollars, conceivably \$1 billion, notes Mr. Dale.

Of course, high-speed rail doesn’t come cheap, either. Engineers estimate eventual capital costs of high-speed rail in Colorado at \$19.4 billion. This includes high-speed rail between Pueblo and Fort Collins, DIA and Eagle County Regional Airport.

What likelihood is there of this actually happening? Congress had been allocating \$8 billion annually for high-speed rail, and this year supplemented it with \$8 billion in the stimulus package. But consider also that the cost of California’s high-speed rail project alone has been estimated at \$40 billion.

Taking the long view, Mr. Dale says the study helps Colorado prepare for various eventualities. It’s possible that a new form of technology may supersede high-speed rail. For example, traffic engineers for years have been working on smart cars, which would reduce the spacing needs between cars, allowing greater traffic volume on existing roadways.

Energy prices of the future are also unknown. The study assumes different scenarios, based on prices of \$3, \$4 or \$5 per gallon. Many students of global oil reserves would argue those scenarios are far too low.

Furthermore, population growth is also conjectural. The study sees future population growth, but a counter-argument has been made that global warming will make Colorado and other states in the Southwest much less livable in decades ahead.

Mr. Dale’s primary argument for high-speed rail is that it’s a well-advised investment in transportation diversification. I-25 and I-70, he points out, are Colorado’s major transportation corridors.

“Whether you’re building your retirement portfolio or anything else, you want to diversify your assets. Transportation is no different. Colorado’s economy is built primarily on these two car-and-truck-based transportation corridors. Few of us can remember the state before this was the case. But things change, and we need to be preparing ourselves for a different world that might exist 10 years from now,” he says.

Looking at 50 years, he says he believes there’s a 100 percent chance that high-speed rail will get built.

Keep in mind that boring of an exploratory tunnel under Loveland Pass in execution of an I-70-type vision was begun in 1941. The last segment of that eventual highway, through Glenwood Canyon, wasn’t completed until 1993.



Vail Summer Bouquet

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