



Golden Peak - snow cat and new fan-driven, quieter snowmaking generators

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# VAIL HOMEOWNERS ASSOCIATION

## N o v e m b e r 2 0 0 9

**Vail Economy - Winter of Decline or Recovery?:** The summer and fall have not been kind by most reports. Yet optimism still pervades even after the year-long decline in the local economy. There have been few business closures or storefronts sitting vacant, a tribute to the resiliency of local businesses who have pared back operating costs in response to the consumers' hasty belt tightening. There are near-term bright spots, but few indications of a rapid recovery. Town of Vail revenues continue to sink according to predictions. Granted, much of the economic recovery is beyond the control of the community, but the question remains... is enough being done locally to prepare for a long-term cycle of recovery? There is growing awareness by some, that Vail entrepreneurs must look to the wider world and seek out new markets in order to prosper in the new economy.

**The Wider Perspective:** The already steep economic challenges ahead remain the determining factors as to how quickly Vail's economy will recover. Worries persist that the worst of the global and national economic turmoil are not past. Concerns with America's pressing [foreign policy issues](#) have moderated with a change in administration; Americans are better received in the world, even though the underlying challenges remain unresolved. Influential financial historians and social commentators persist in the view that current government financial policies, along with unrelenting [political cultural wars](#) and [lack of societal empathy](#), could still precipitate a further decline. Expanding government deficits and the prospect of increased taxes and currency devaluation are seen as [worrying parallels](#) with the Great Depression. Vail can not escape these realities, it can however, recognize them and work to turn them to an advantage.

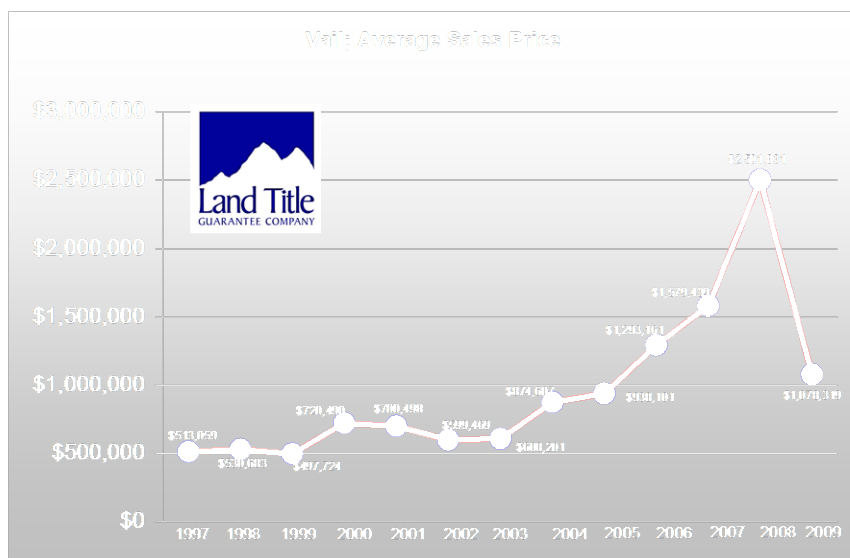
**Falling Dollar - New Potential:** The dollar's decline against the euro offers the prospect of increased [tourism from Europe](#). Much depends on the [cost of air travel](#), which domestically is on the rise caused by shrinking air fleets and special fees. Nationally, increased [business travel](#) is forecast in 2010 for major American cities. Denver is forecast for a business class plane ticket that is predicted to [increase](#) 9%, which could induce a 5% decline in the cost of a hotel room. Projections for rental car and hotel room [rates](#) are to remain competitive across the country.

The rise in business travel and foreign visitors could have a positive ripple effect on Vail. In years past, when the dollar retreated against the euro, Vail's foreign visitors increased. Public interest in winter sports because of the Vancouver Winter Olympics may also have a positive impact, as Winter Olympics have in other years. Vail Resorts' [\(VRI\) marketing](#) effort remains focused on the Epic pass for a second year, which is designed to induce multiple visits from both

out-of and in-state visitors. Even so, the larger question remains to be answered, is Vail doing enough to encourage the international clientele as the dollars falls? This issue is addressed in more detail further on in this report.

**Vail Lodging Occupancy - Positive Signs for Early Winter:** The pace of [hotel bookings](#) for the early part of the winter season are up about 8% compared to last year. It is estimated that Vail lodging properties have yet to book 30% of available room nights for December and January. The average daily room rate for the upcoming season is projected to be slightly down from last year. Vail, when compared to 12 western mountain resorts is projected to out perform the others for the first half of the winter season. In recent years vacationers have shortened the lead-time to book their accommodations, due in part to cheaper airfares. It remains to be seen if airfare increases will affect consumer behavior. [Vail reported](#) that “gross sales” for selected lodging properties in Vail Village and Lionshead were down -33.7% and -17.8% respectively from the summer of 2008.

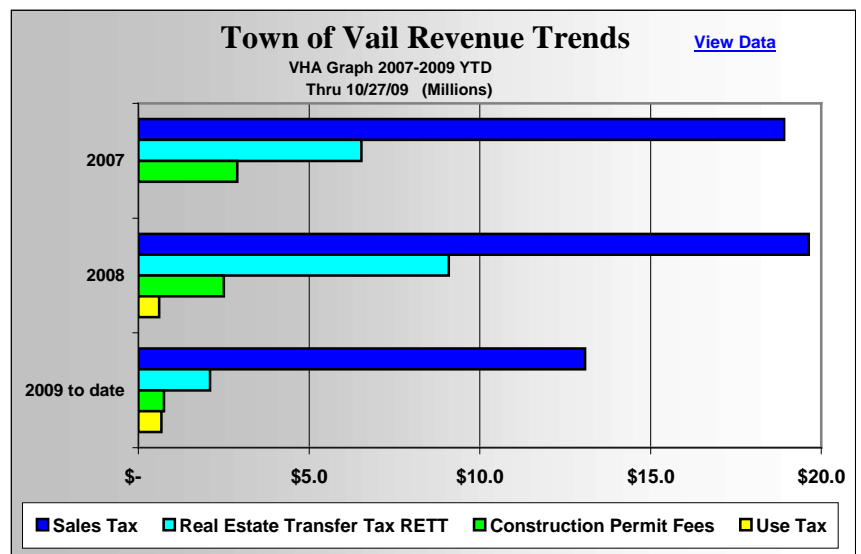
**Retail Merchants and Restaurateurs Weather a Slow Summer:** The "new normal" is taking its toll on Vail Village and Lionshead retail merchants with summer [same store sales](#) off, from summer 2008, by -8.4% and -3.6%. Correspondingly, restaurants reported business off by -16.5% and -9.3%. Some businesses are reporting that they are better prepared financially this year than last because many have trimmed operating costs, bolstering their balance sheets.



**Real Estate Values Down - Sales Increasing:** According to the Land Title Guarantee Company's Market Analysis through Aug, 2009, average sales prices for the year in the Vail area, including East Vail to Minturn, are just above 2005 levels. [September sales volume](#) is on the increase in Eagle County with a predominance of the transactions under \$1 million, Arrowhead and Eagle being the most active areas. Industry sources estimate that in Vail prices have, depending on the properties' location and qualities, lost from 20% - 40% of their peak values. The [Wall Street Journal](#) reports that devaluation is occurring in luxury properties in other western mountain resorts. Across the country, the [Investor's Business Daily](#) says

there are early indications that purchasers of luxury properties are beginning to move back into the market. The effects of [increased government regulation](#) are tightening credit; local availability of mortgages varies by bank. Eagle County's [foreclosure rate](#) increased 36% (248 to 387) from the end of August to the beginning of November, but is not the highest on record. All of Vail's major development projects under construction remain underway.

**Town of Vail and Eagle County Revenues Continue Decline:** The Town reports all [revenue sources](#) in decline and its [projected sales tax](#) revenue continues its double-digit monthly fall. The Town has been adjusting its budget as conditions warrant. Eagle County is experiencing a similar downturn in sales tax revenues. The [Vail Mountaineer](#) reports Eagle County property tax assessments will not catch up to current levels of property devaluation until 2012, when county officials expect a 20% fall in its primary source of revenues. The county is moving now to [reduce their workforce](#). In the meantime, they will continue to collect a windfall in property tax because the reassessment preceded the market devaluation currently underway.





Vail Trade Missions to Shanghai?

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**The Way Back, Along a Different Path:** The shrinking local prosperity is now being felt by workers and investors alike. Already, there are warning signs of the aberrant social behaviors that can accompany hard times. Vail's building boom will be over within the next 9-10 months taking with it some 2,700 highly skilled construction jobs. There is no broad ranging year round economic strategy being discussed that offsets the loss of construction jobs or the effects of consumers' belt-tightening. Some are worried, if Vail's economic recovery is not forthcoming soon, that the population will fall into quarreling among themselves as profit margins continue to shrink and the quality of the Vail experience falls. The way back to prosperity may well follow a path that lies beyond the community's current vision of itself.

**International Marketing Initiatives:** An analysis of the economic productivity of Vail venturing into international markets has yet to be published. While Vail considers itself a leading "world class" mountain resort, it has yet to prove that it is an international one. Some are predicting that the decline in the value of the dollar may become long lasting. If so, it could cause foreign tourism to become much more reliable and economically productive.

Vail's large consumer base of [baby boomers](#) will ski less as time passes. It is a challenge and a necessity for Vail to hold onto their purchasing power as they pursue other interests. Likewise, some predict the recession will shrink the long anticipated lifestyle market coming from upwardly mobile, world-wise American youth. The youth lifestyle market has become globalized because of the Internet and modern communication devices. According to industry experts, financial realities require a typical non-resident purchaser to have reached financial success in their 50's before they can afford to buy into the Vail market. That's not the "new normal" profile of the American youth market, which some had anticipated infilling behind the baby boomers. To make up for a decline in its domestic market and to attract the upcoming generations, Vail has few choices other than pursuing the international market.

There is no known documentation about what would be required for Vail to move into the international market or the implications of such a move. What is said, by those who travel frequently abroad, is that foreign travelers, particularly the youth market, expect "authentic" experiences rather than ones that are packaged, antiseptic or preprogrammed. Vail is already in head-to-head competition over the youth and boomer market with the less expensive, easier to access whether domestic or international, sun and shore resorts.

At this point, it is a matter of conjecture whether South America, northern or mainland Europe, or perhaps Asia offer the most promise as new markets for Vail. There are some who say, that without too much effort or investment, research could be conducted into potential return-on-investment and the required facilities (e.g. international flights) or experiences that Vail would need to make a strategic move into the global arena. Some see value in having the University of Colorado's, or other business schools, do an initial investigation of international prospects, giving the added benefit of a youthful perspective on the issue.

**Chasing the Town's \$9.3 Million Pot of Gold - Grand Plans Abound:** There are now multiple initiatives from groups that have designs on the \$9.3 million Conference Center Fund. There is intense backroom jockeying for political pole

position. To date, few if any of the propositions target the mainstay of Vail's economy, the winter season, where the biggest return-on-investment is to be made with the least effort. Most are aimed at niche summer and offseason markets, important - but in these times of economic crisis, not as essential.

Some believe it is time to ask the questions on how, if, or when the fund should be spent. But the Town Council has as yet to create a level playing field by which each group's proposal can be evaluated according to standard business and financial practices. The Council should, in the view of some, require each group to deliver a business plan for public consideration. The plans must show how they will deliver the fastest and highest return-on-investment to reverse the Town's downward economic spiral.

**Convention and Conference Center Proposed:** There are those holding strong sentiments that the fund be used for the originally established purpose, expanding economic opportunities for the lodging and retail businesses during the summer and off seasons. There is a faction sharing this view that insists that the fund be used for a bricks and mortar project in the form of a conference or convention center. They hold to this - irrespective of the fact that the voters have consistently rejected other similar proposals. These sectors have formed an alliance with another faction that is promoting a realignment and expansion of Vail's health & wellness resources with the hope of building a large convention/conference center. Critics say, the realities of "new normal" give even less reason for Vail to build a large capacity public convention/conference center.



### **Redevelopment of Dobson Arena**

**Considered:** This coalition has led to a proposal to radically alter Dobson Arena by tearing off the roof and replacing it with a high ceilinged two-story addition. One floor being built within the massive trusses needed to span the ice arena. The truss system could be designed to support a voluminous enclosed space above. The Vail Recreation District (VRD) is the current tenant and manager of the Town of Vail (TOV) owned arena. The new floor area could be allocated for VRD public recreation and health & wellness programs offered by the nearby Vail Valley Medical Center.

A redevelopment proposal of this magnitude would further antagonize adjacent residential property owners in the Vail International building. These owners are already chaffing over the glare resulting

from the Town's Design Review Board (DRB) snafu that replaced the arena's aesthetically neutral shake shingle roof with one in gleaming white metal. The existing arena's roof was specifically designed and approved in the mid-1970s by an empathetic Town Council in order to be sensitive to the need to protect the views of Vail Mountain from the Vail International. The proposed multi-floor addition would instead block views. Similarly, the arena roof on the interior was designed to be acoustically perfect, so it could, as it has for decades, host many large musical and entertainment venues. It is highly doubtful that the extent of the proposal could be built for the amount available in the Conference Center Fund.

**Cascade Village Cultural and Athletic Facilities Hold Promise:** Others in the health & wellness faction are considering aligning with a group of fine arts & cultural proponents that are advocating using the Conference Center Fund to purchase the former Colorado Mountain College Adult Education Learning Center in Cascade Village. cursory analysis of the facilities in the 30-year old building shows that it appears to be adaptable to each of the groups' programs. It is available for immediate occupancy with minimal renovation. The purchase price of an existing building is far below the cost of building new or doing a major renovation. Proponents say they can achieve the purchase and minimal upgrade within the monies in the Conference Center Fund. Some see the potential of also upgrading the adjacent Cascade Athletic Club so that it could be adapted to support sports medicine and professional training programs.

None of the advocates for any of these propositions have yet to define the details of their individual programs. They have yet to demonstrate how quickly and to what degree their proposal will contribute to an economic recovery. Assuming each are highly successful, critics say they would still only account for stimulating very limited portions of Vail's overall

tourism economy. Meanwhile, the community is entering its second year of the great recession with no comprehensive long-term proactive strategy to stimulate its qualitative recovery.

**Workforce and Population Indicators Mixed:** Eagle County [unemployment figures](#) show 823 fewer jobs than a year ago. There was a steady increase in jobs over the warm weather months. As winter approaches, the [Vail Daily](#) reports 210 job listing ads for the second week of November, where there were 515 in 2008 and 1,810 in 2007. A state-run local employment agency says many workers are leaving the area because of job shortages. The heretofore high cost of owner occupied affordable housing causes many in the workforce to rent. Rental listings, for the same week, were 856 in 2007 with 1,276 for 2008 and 1,912 for this year. Falling housing prices and increasing available rental housing will have an affect on government subsidized affordable housing policies. The [local government's role](#) in increasing the cost of affordable housing through its land use and other regulatory policies may well cause the affordable housing debate to take a turn toward a more free market approach.

Current 2009/2010 public school [enrollment figures](#) for the I-70 corridor increased by 823 students. School district sources say the increase may be a result of transfers from the five private schools in the area, a reduction in home schooling because both parents are working, and improved educational offerings by the district. Anecdotally, others say the results of a local baby boom are showing up in the youngest grades. Still others say that there is a trend of younger families moving into the area taking newly available management jobs. Importantly, with the official national unemployment rate presently at 10.2% and few options elsewhere, many workers are staying put, choosing to tough it out locally.

Many in the Eagle County workforce are of Hispanic heritage. The [school district reports](#) that for the 08/09 school year, Hispanic surname students accounted for 52% of the student body throughout the entire district, an increase of 1-2% over the past five years. The percentage remains unchanged for the 09/10 school year. The reshaping of the Eagle County recession era workforce will be more clearly understood once the results of the 2010 census are published.

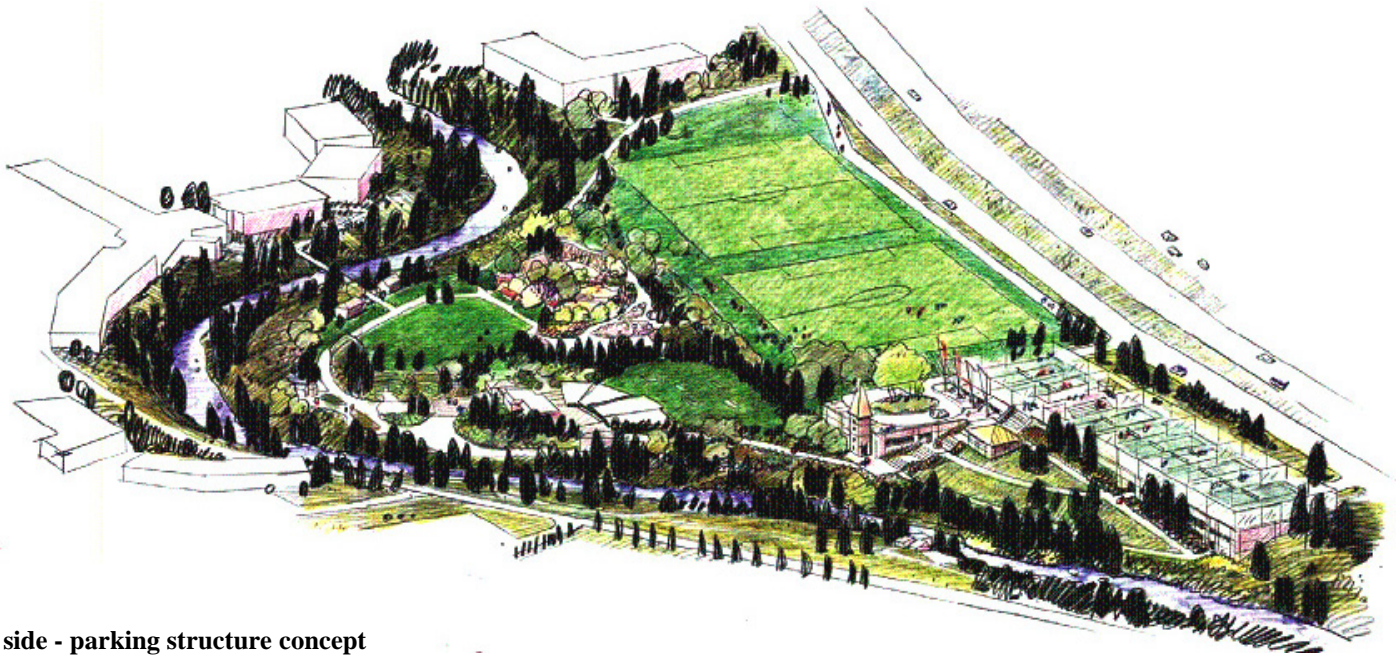


## DEVELOPMENT ISSUES:

**Affordable Housing - Timber Ridge Redevelopment:** Based on a detailed [conceptual plan](#) and the approval of a pre-development agreement, the Vail Town Council has authorized Vail Timber Ridge, LLC (VTR) to proceed through the development review and approval process. The developer is a collaborative of finance, design and operational companies, which have extensive experience with providing affordable housing for colleges and the military. The collaborative will provide its own financing. The project will be built on ½ of the Timber Ridge site, leaving the existing rental units in place and also available for unspecified redevelopment at some point in the future. Importantly, ownership of land will remain with the Town of Vail via a 60-year land lease to VTR. The developers will pay the Town \$11 million for the right to develop the site. The payment will remove approximately half of the \$21 million debt that the Town incurred with the purchase of the site and mold remediation of several of the apartment buildings. Many view the debt reduction as the most important outcome of the deal because it improves the long-term standing of the Town's financial health.

The Town is requiring VTR to provide 359 employee housing units for 570 seasonal workers. The [VTR concept](#) is to build a 5 story, 800 foot long building with parking structure on the 5-acre site. The developer is proposing to provide

1.7 parking spaces per unit, just a bit shy of the level set by the 25% reduction that the Town has recently given itself the right to grant for affordable housing projects in the Housing (H) zone district. Timber Ridge is located in the H zone district. The architectural design of the project, as it was with the Middle Creek affordable housing project, will be of concern to many in the community. Also, similar to Middle Creek, according to the pre-development agreement the Town will pay a \$1 million penalty if it fails to deliver the property (approve the project). The approval process is expected to take 6 months.



East side - parking structure concept

**Ford Park Parking - More Questions Than Answers:** A study of proposed plans to build a parking structure on Ford Park raises more questions than answers. ([Ford Park Presentation](#)) Four parking structure schemes have been studied. The cost for the different structured proposals and supporting improvements vary from \$30 million to \$54.4 million. An additional proposal to expand the size of a surface parking lot was estimated at \$5.8 million. An earlier proposal to build a parking structure on the Soccer Field parking lot on Vail Valley Drive was set aside because of the relative high cost to double the amount of parking in a way that conformed to covenant restrictions on the site.

In response to the study's finding the Town Council, in their budgetary proceedings, removed funding to facilitate moving forward with construction of a parking structure in the near term. They favored instead setting aside monies for additional study. In the coming weeks the Town Council will give further consideration to which direction additional parking in the park should take, if any.

Information developed for the plan provides valuable insight into the long-term possibility of constructing year-round amenities on top of the parking structures proposed for the west and east sides of the park. (See above – east side parking structure concept) These plans, however, presently only show tennis courts on the surface of each of these structures. Both structures could eventually be built, while still retaining much of the grassed playing fields that exist today. This approach could provide for two future public buildings, one for recreation and another for the cultural arts. The opportunity to have these types of year round amenities was offered to the Vail voters in order to gain their approval for the public funding to originally acquire the land for the park.

Under today's economic conditions the cost of any of the proposed structure lies outside of the realm of possibility without first getting voter approval. Some believe gaining such approval would be very doubtful. Critics say that the study was being used to justify building more parking for the community, rather than for uses in the park. This, they say, turns the park into a parking lot. They point out that the parking demand documented in the study was based on peak demand rather than normal usage. Furthermore, there was no documentation of what constitutes normal demand. Peak parking demand was predicated on large-scale athletic and cultural/entertainment events being held at the same time. This scenario no longer occurs because, from past experience, conflict is caused by crowd noise from one event impinging on the other.

In the summer months, peak-parking demand can be easily distributed among existing community (public and private) parking facilities served with the town's existing shuttle bus system. The option of building ever more expensive parking structures can be easily offset with better scheduling of competing events and charging more for event parking at the park.

**Ford Park vs. Frontage Road Parking:** In the winter the Town would be better served in the near term, both financially and logistically, if it resolved its ongoing dispute with the Colorado Department of Transportation (CDOT) over the control of overflow parking on the Frontage Roads. Some view CDOT as attempting a strategy to force public parking to be built on Ford Park so they can ban all parking from the Frontage Roads. They believe CDOT is not in the position to either force or overcome community sentiment opposed to turning its most important town park into a parking lot. The community may be willing to make Ford Park available for community parking needs when it is not being used, as it already does with Donovan Park Pavilion parking. In the long-term the Town would be better served if it had control over parking, particularly on the South Frontage Road between the Golf Course Bridge and Cascade Village. This would require making substantial safety and traffic management improvements: lighting, sidewalks, crosswalks, and variable message signage, among others. While costly, these improvements would be far less expensive than building more public parking structures. Importantly, it would potentially give the Town sole control over when and who could park on the Frontage Road.

The Town now has the ability to increase parking fees as demand for public parking increases. The Town, once it controls parking on the Frontage Road, would be in a stronger position to work collaboratively with Vail Resorts in allocating parking resources. Each would then have the flexibility to attract a targeted clientele that could sustain and grow the community's operating revenues as economic conditions vary.

**Design Review Board Public Notice Procedure Under Review by Vail Council:** The newly installed Vail Town Council is taking steps to consider upgrading its public notice procedure for projects being reviewed by the Town's Design Review Board (DRB). The Association has [raised concerns](#), in recent weeks, over a DRB decision concerning the controversial new roof on the Dobson Arena and the proposed extensive changes to Check Point Charlie in Vail Village. The Association requested that the Town Council consider both a legally required and a non-mandatory courtesy (service) notification for different types and degrees of required design review applications.

The Town took on the responsibility of public design review in 1974. It did so in recognition that architectural design review was a matter of public interest and concern. As such, design review is a matter of public debate and comment. Since its inception in 1962, the community has had a form of architectural review included in the protective covenants of 13 private subdivisions created by Vail Associates. It was from these subdivisions that the Town of Vail was later formed in 1967.

Many credit both the private and public design review with protecting the underlying property values through the notable architectural and design quality of the Vail community. Once the Town accepted the responsibility of public design review, the protective covenant architectural review procedures have remained as a check upon the government process. Since the Town's acceptance of design review responsibilities, the private architectural review has never been used because most property owners believe that the Town has acted in good faith and in their best interests. However, increasingly it has been the Town's lack of required public notice of items appearing on the DRB agenda that has been a source of ongoing conflict among private property owners and the Town.

**Vail Town Council Election Outcome:** It is important to note that those Council candidates that took the time to thoroughly respond, in their own words, to all sixteen questions posed by the Vail Homeowners Association, were the top five finishers in the election. ([See Candidate Responses](#)) Dick Cleveland was returned to the Mayor position and Kim Newbury is the new Mayor Pro Tem. The Mayor opened the first business meeting of the newly installed Town Council stating that as a result of the recent Council election, it was made clear that the voters desired the Vail government be more transparent and open to public participation. As such, it would be the intent of this Council to comply with the voters wishes. [View Election Results](#)

### **Commentary: Bart Cuomo - Vail Town Council Election**

Four seats on the Vail Town Council were up for grabs with 8 candidates running. The Vail electorate demonstrated incredible sense as incumbent, Kevin Foley, was overwhelmingly re-elected and the top vote-getter. In our view, Foley has been the most unbiased and sensible councilman ever in Vail. Also elected were Kerry Donovan who grew up in Vail; Ski Museum Curator, Susie Tjossem; and Kim Newbury - also an incumbent. What is shocking though, is that there were only 1,001 votes cast in Vail's election. Just 1,000 people get to determine the future of Vail. Vail has to change its voting laws to allow property owners who do not reside in Vail to have a say in their government. Presently the political situation in Vail is "taxation without representation". It seems to us that a war was fought and a nation was founded over this very issue sometime ago.



Autumn Leaf in Spraddle Creek

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