

# VAIL HOMEOWNERS ASSOCIATION, INC.



Sunday, 3PM, Martin Luther King Weekend, South Frontage Road at Donovan Park.

## Visioning Vail: Is It Being Oversold?

February 18, 2016

**Privileged Communications:** Linked Version Available Upon Request.

**Executive Summary:** By some measures the selling of Vail has been a huge success. People seem to be flooding into Vail in ever larger numbers boosting ticket sales, filling tourism beds, restaurants and bar seats. While that is unquestionably good for bottom lines, it has other consequences and raises safety and quality of life questions. Both the Town and Vail Mountain have become “crowded”. Traffic congestion has increased, parking issues have multiplied, there is a shortage of affordable housing and on-mountain safety seems to have deteriorated. There are solutions to these problems, but they seem out of reach. Is it time for change and a new vision? The Vail Homeowners Association believes that the answer should be an emphatic “YES”.

**Parking Problems Increase:** If Frontage Road parking is a measure of the success of Vail Resorts (VR) and the Town of Vail marketing programs, then by the record of this season so far, the selling of Vail has been a huge success. Already there have been 16 days of Frontage Road parking because the Town’s public parking structures were full, and a total of 5528 cars have parked on the Frontage Roads. With still two months to go in the season the Town is on pace to have a record year of winter parking on the Frontage Roads, not that that is a record one would necessarily want. One day in particular stands out. On January 17<sup>th</sup> there were almost 1000 cars (969 to be exact) on the Frontage Roads. Questions continue to resound on when the first serious injury will occur.

Historically, Frontage Road parking was limited to 15 days during the ski season, but in 2014 the Town quietly agreed with Colorado Department of Transportation (CDOT) to increase that limit to 30 days. That lease expires next year on

May 1, 2017. What will replace it is anyone's guess at this time. Coincidentally, there is no permission for the Town to allow Frontage Road parking during the summer months but that has not deterred the Town from doing so. It remains to be seen what the parking issues will be this coming summer as Vail Resorts brings on line the full panoply of its new on-mountain summer amusement rides.

Examining the data from this year to date, aside from January 17<sup>th</sup>, on every other day of on-street parking, a 600 car garage would have eliminated any on-street parking. Whether the Town officials will recognize this as an urgent need to be met remains to be seen or that it uses its leverage to ban parking on the Frontage Roads, increase parking rates and improve down valley park & ride bus service to Vail.

**Ski Safety Problems:** Another measure of the marketing success, including the success of the Epic Pass, is the number of skiers that flock to Vail Mountain each day. Vail Resorts declines to release specific numbers, but most believe that the number of near capacity or over-capacity days so far this year seem to also be on pace for a record year. Many believe mountain capacity is 19,900 based on a Town agreement that if capacity exceeded that number a "technical review" was required. Be that as it may, speculation circulated that on January 17<sup>th</sup>, the number exceeded 26,000.



**Powder Day Lift Line Vail Village, 9:00 am Sunday, January 31, 2016**

**On Mountain Congestion:** Packing more people on to Vail mountain isn't all for the good; there are also negative consequences. The anecdotal stories of hits and near misses on the mountain continue to increase. The Association has tried to obtain the actual data, but Vail Resorts will not make its data public. That has not stopped a growing number from questioning whether Vail Resorts is taking enough appropriate steps to ensure safety on the mountain. For example, while VR has increasingly embraced on-mountain technology, it does not video high danger areas for violations. That is certainly technologically possible given the use of video in toll road enforcement and other surveillance situations. And, there is also concern why VR has not gone to a zero tolerance policy for reckless and out-of-control skiers and riders—ski or ride that way, and your pass is pulled; collide with another guest and your pass is pulled; second violation and lose your pass for a year; three strikes and you're out; and leaving the scene of a collision results in being banned from the mountain. For problem skiers and riders who felt there is no obligation to be courteous to others, warnings could be entered into an active data base available on-demand to all safety personnel on the mountain so that second warnings could result in a pass being pulled. Until VR takes steps to seriously enforce mountain safety, guests are going to be unnecessarily at risk which will inevitably have adverse consequences.

**Affordable Housing Shortage Gets Worse Making It Difficult To Find Workers:** A survey by business advocates reports 56% of local employers say there is a housing shortage that negatively affects their ability to attract, hire and retain a workforce. Advocates verify that the problem has been escalating since 2009. Eagle County officials report that 99% of rental residential properties are occupied. There is a two to four year waiting list for County-owned housing for low-



income families and seniors. The national media is taking note of the severity of the local housing shortage, which may contribute to cooling the migration of workers into the area.

**Current Affordable Housing Shortage Is Not Construction Driven:** Over the past 50 years, successive construction booms have been the underlying cause of periodic affordable housing shortages. Today, with few large projects under construction, the current housing shortage cannot be attributed to the construction industry.

The dominant economic driver that is the source of Vail's and Eagle County's current shortage of workforce affordable housing has switched from construction to tourism. Tourism "mass marketing" strategies have been highly successful in the sale of lift tickets, filling restaurants, bars, and tourism beds, but less so the success of retail establishments.

**Tourism Is The Cause Of The Affordable Housing Shortage:** Social media has brought the advent of the "shared economy" via easily accessed rent-by-owner (RBO) websites. Rental housing has shifted toward short-term use and away from long-term occupancy by workers. Rental owners' incomes are higher with fewer days of dependency on rental income. Consumers are seeking a lower cost accommodation than those offered by upscale Vail hotels and lodges which have come to dominate the Vail market in recent years. The degree of displacement by tourism consumers of service workers has not been conclusively documented.

Analysis of the rent-by-owner websites by the Town of Vail and Eagle County are inconclusive because some properties may be listed on multiple RBO websites. Town of Vail consultants believe there has been a steady increase in rent-by-owner properties since 2009, which is near the time when promotional marketing programs aimed at the Millennial generation went into effect and which are still continuing.

Millennials have been the primary target of "mass marketing" social media promotions. The increase in lower cost RBO tourism beds has been a boon for Millennials who are attracted to the less expensive services that the shared economy can offer, because, more so than for preceding generations, they are fighting stronger "economic headwinds".

Rental by owner has likely more than doubled the number of RBO tourists to nearly 6000 since 2009. Local officials appear to have concluded that the shortage of worker housing is a result of the RBO phenomenon. This may be an incomplete perception.

**Expanding Tourism Creates Jobs, Housing Shortage Follows:** It may well be that the "cumulative" increases in tourism, rather than just RBO displacement of workers, is what is driving the affordable housing shortage. The multiplier effect from expanding tourism generates more service jobs that then attract more seasonal workers into the area, which increases demand and rental rates for available workforce housing. Perhaps what is needed are RBO incentives for short-term worker housing, like smaller more plentiful seasonal affordable rental units.



**I-70 East Bound, 8 a.m., Traffic Congestion Stretching From Main Vail To Near The West Vail Interchange – 01/31/16**

**High End Lodging Doing Well:** The RBO trend does not appear to have dented established lodging properties as their business has been vigorous. Industry consultant's report that peak season occupancy in winter, and now summer, are reaching saturation levels, so much so, that they are advising that more emphasis should be directed at strategies to infill lower occupancy periods, articulate seasonal attributes to consumers, particularly Millennials, and ameliorate a discontented workforce. Infilling lower periods of tourism could also be a job creator. Longer periods of above average seasonal occupancy, equivalent to a 65% annual average, could spark new hotel development. Each could put further pressure on stocks of affordable housing.

**Hotel Expansion Creates Jobs:** The recently announced \$35 million renovation of the Vail Cascade Resort & Spa is the first indication that hotel and large scale condominium development may soon reappear. A wave of new hotel and residential construction, in addition to the increased numbers of tourist due to higher occupancy of all forms of rental properties, will add more jobs and strengthen the demand for even more work force housing. This could potentially continue to drive the price of residential housing (for workers or otherwise) higher.

**High Housing Cost Deter Worker Migration Into The Area:** Eagle County officials say that the median home price has increased 17% over the past two and a half years to \$586,250. This price level is a disincentive to would be workers looking to settle permanently in Eagle County and purchase a home. If affordable housing were available, it would add an estimated 41,000 permanent residents to the county's population over the next 25 years according to the State Demographer.

**Shrinking Housing Inventories Increases Cost of Housing:** A leader in the local development and real estate industry tells the Vail Homeowners Association that the current inventory of available housing in Vail is below both normal (1,400 units) and pre-recession (2,400 units) levels, standing at 1,100 units by the end of 2015. It is this lack of inventory that is driving up housing prices.

**Shifting Housing Trend From Speculator To User:** Sixty percent of home purchasers are new owners. Trends have shifted to buyers-as-users rather than, as in the past, for value speculation. This is a huge change across all price ranges. Buyers, who are typically 50 years old when they first enter the Vail market, want newly constructed units; nowadays, they are looking for smaller size properties.

Buyers-as-users could also have the effect of increased occupancy rates in residential units. A pre-recession government study of residential development reported that there was a resulting increase in job creation. It was this study that led the Town of Vail and Eagle County to adopt mandatory requirements that tied new construction to the development of more affordable housing units. Compared to pre-recession levels there has been minimal new construction and therefore a limited expansion of additional affordable housing units for nearly 10 years.



**Interstate 70 closed east bound at Vail, 7 p.m. February 15, 2016. All traffic must exit. Main Vail Roundabout Functioning.**

**Government Will Need To Help Developers If They Want Growth:** Post-recession financing of new construction must comply with more arduous regulatory requirements than those that existed prior to the recession. Developers are saying that local governments, rather than imposing regulatory mandates if they desire new construction, will need to make it easier for development. The private sector, says a development leader, can no longer do redevelop by itself, it needs government involvement. Only one major commercial building has gone into construction since 2007. The government has limited cash to build affordable housing on its own; it will likely need to partner with private developers.

**Town Keeping Pace Others Are Not:** The Town of Vail, while it currently has ample financial reserves, is already tasked with keeping pace with tourism. It has a long list of projects in need of funding. The Town has maintained a positive 1.9% year over year increase in tourism related sales tax revenues for 2015. It has maintained positive growth in revenues, in spite of the recession, due in large measure to the promotion of tourism and tax receipts from real estate sales.

**Retailers Worry:** There are worries among some retailers that they are not seeing as positive returns as lodges, bars and restaurants from the expansion of tourism. They say the consumer mix is no longer right, it is too hard for customers to park and there is too much competition for the types of clients to make doing business profitable.

**Over Selling the Vail Experience:** The increase in traffic and parking congestion, the apparent on-mountain congestion, the concomitant decline in skier safety and the tourism caused worker housing shortage are indicators that the Vail experience is being over sold; that quality is being sacrificed for quantity. There is a growing consensus that Vail needs to return to an emphasis on quality. The Vail Homeowners Association will continue to shine a light on these issues and advocate sensible solutions. [We invite you to join](#) and add your voice to this process.

**Membership Information:**

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