



Vail's Winter Bear Market – Gorsuch Lighting Display

© Photography: James Franklin Lamont

VAIL HOMEOWNERS ASSOCIATION

D e c e m b e r 2 0 0 8

Vail Economy: The realignment of economic conditions continues. Predictions remain soft for lodging occupancy over the winter season, upwards of 28% decline for the season. At the current pace, the Town of Vail's economic forecaster is reporting that lodging occupancy will fall further behind, rather than catching up with prior year bookings.

Recent heavy snowfall brought out large numbers of early season weekend skiers, complete with traffic congestion and extensive parking on the Frontage Roads. Denver weekenders are taking advantage of the Epic Pass and special discount promotions, filling participating hotels and restaurants. In the words of a Vail Resorts executive, "We are rediscovering the value of our Denver Front Range guests." Lodging operators are predicting a strong holiday season followed by a quiet January.

Trends for destination guests show that consumers are deciding to make their travel and lodging reservations at the last moment

VHA Annual 2008 Membership Meeting

Monday, December 29th

3-5 pm, Vail Town Council Chambers

Agenda:

Responding to Lasting Economic Change

Guest Speakers:

Town of Vail

Andy Daly, Mayor Pro Tem
Stan Zemler, Town Manager

Vail Resorts

Rob Katz, CEO

Chris Jarnot, SVP Mountain Operations
Keith Fernandez, Pres. Development Division

Colorado Department of Transportation

Peter Kozinski, Senior I-70 Planning Engineer

Vail Valley Medical Center

John Cassin, CEO

to take advantage of promotions. Bookings from international travelers are also down from last year. The trend could potentially be reversed if a decline in the cost of air travel and value of the American dollar against international currencies continues.

Part-time residents are staying longer in their Vail residences and renting them less, which may benefit retail and restaurant businesses. Increasingly, businesses are recognizing how central the loyalty of part-time residents is to their core business model. If this trend continues, some are speculating there may be reason to believe there could be a positive shift towards giving further participation rights to non-resident homeowners in the political affairs of the community.

Retail and restaurant sales figures are not yet available, but typically are a partial reflection of trends in lodging occupancy. Tight credit is having an effect on some retailers' ability to fully stock seasonal inventory, causing them to turn to their suppliers for credit. The seriousness of the situation is underscored by anecdotal reports that retail sales during the prime retail holiday season could be down by some estimates of 20% to 30% or more. If this proves to be true, the consequences will be extreme for the Town of Vail and the stability of the retail community. Already there are those predicting that there will be empty storefronts appearing by the end of the winter season. It is reported that Aspen is already seeing vacant commercial space.

The Town government depends upon sales tax receipts for nearly 50% of its revenues. Budget adjustments for 2009 have already reduced expectation for revenues by 5%-6%. There are those who strongly believe that the Town should further reduce its budget projections by anticipating a "snowballing" decline in revenues. The Town may find itself, like the Federal government, having to use its reserves to forestall unforeseen events.



Arrabelle Christmas Tree

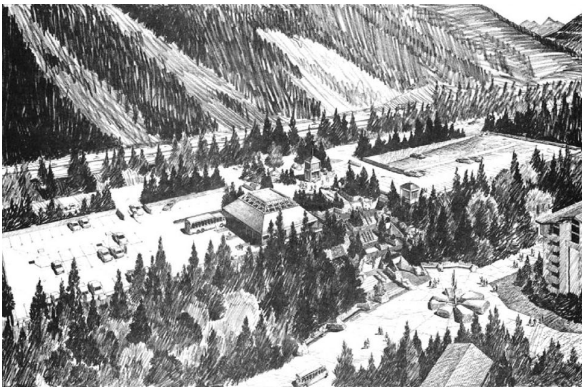
A well-established Vail retailer says bankers have to change their perspective on lending to businesses in ski resorts. Complaints are that non-local banks don't understand the fundamentals of the resort retail business. It is reported some bankers' lending standards wrongly compare Vail businesses with year round urban shopping centers. The comparison they should be making is with retail businesses in rural agricultural towns. Vail's crop is snow. When it snows, there is good business. Like periods of drought in agriculture, merchants need low interest rate "bridge loans" to get them through to the next profitable crop. The failure of Federal government efforts to loosen credit is prompting some to send earnest pleas to the Fed's for timely relief.

Locally, Vail's government has deferred \$5 - \$6 million in spending, while increasing municipal workers wages on average by 6%. The sum, though it is modest and perhaps well-justified, is viewed as presumptuous by those private sector employers and workers who have little hope or expectation of salary increases. Its funding of a special winter joint market effort with Vail Resorts, aimed at the Denver Front Range, is recording an uptick in hits on Internet based promotions. The Town Council recently adopted an Economic Development Plan for the community that continues the quest to develop a year-round economy. The plan has comprehensive sets of goals and action steps, but according to some critics, is short on performance standards. The plan will be put to an immediate test in shaping the Town decisions to prioritize its investments. Critics say, above all else, we must first rebuild the prime profit holiday season, then the remaining winter and summer seasons. ([See Link to TOV Economic Development Plan](#))

One of the first will be a Council decision on how to proceed with the reallocation of \$10-11 million in sales tax revenues that were collected in the early part of the decade to build a conference center. Which, when it was subsequently brought through a citizen referendum, was rejected by Vail voters. The tax was terminated, but the revenue already collected remains to be reallocated by the voters or redistributed back to the taxpayers. Conference center proponents are conceding that a resurrection of a publicly financed center is not likely. They say that the funds should not be reallocated until there is a brick and mortar project that can put "heads in hotel beds", which was the intent behind the conference center. The Town Council will begin a process in January 2009 to determine what and when the funds will be reallocated. One project that lodging interests may pursue is to join with other interest groups, such as the Eagle Air Alliance, to use the funds to upgrade terminal and international passenger services at the Eagle County Airport. The Air Alliance is beginning to study sources to permanently fund methods to underwrite increased air service. They have recognized the need to have a definitive plan to improve both air passenger service and facilities. Critics say that Eagle County Airport authorities have ample funds and should make these improvements themselves.

The global recession has shrunk the available pool of high-end destination guests from the United States. There is now a critical need to take steps to refill the pool from international sources by making it as convenient as possible to access Vail and Eagle County. If this effort is to be successful, the decision must be made soon to upgrade facilities required to process international passengers through customs and to add other passenger amenities, like sky bridges and mass transit service.

The Town Council is beginning to turn its focus upon the need to ready critical infrastructure projects that may be eligible for Federal economic recovery investment funds. The Town has few projects that can compete for funding that may become available from sources expected to be allocated by the Federal government under the incoming Presidential administration. They are moving to prepare for other similar economic recovery initiatives that may follow. The Council has indicated that they will begin preparing for the Simba Run I-70 underpass as one of its priorities to put forward. Projects that would insure the long-term economic and environmental sustainability of the Vail community, such as the Simba Run underpass, Dowd Junction Tunnel and other similar transportation and energy transformation priorities may also receive their attention as the extent of potential funding becomes better known.



Vail Village Parking Structure Redevelopment Proposal: On the 6th of January 2009, in executive session, the legal matters associated with ownership rights of the Vail Village Parking Structure will be discussed. There may not be specific "legal findings" conveyed by the Town Staff, as much as a conclusion that the situation is "confused" and eventually needs to be resolved. Most likely, it will be seen by Town Officials that the "legal confusion" will be eventually resolved in favor of the Town, giving it complete control over the site. It can be surmised that the Vail Village First Filing protective covenants do have influence, all be it, influence that can be removed by

legal action, for a price (monetary or otherwise). The Council, did not take the opportunity to change their minds about wanting to "reconsider" redeveloping the Vail Village Parking Structure berms. They are again in the position, like the Lionshead Parking Structure Redevelopment, of being unable to stop the amendment process that they have already begun. The Vail Planning Commission will again hear the berm redevelopment and amendment proposal on Monday, January 26th. In the initial Planning Commission meeting on the amendment for the berms development, the proposal did not receive overwhelming favor from the commissioners. Adjacent property owners oppose the proposal to redevelop the berms, in part because of



the narrowness of the area and a concern for the further “canyonization” of their Vail Village neighborhood and also because of the loss of valued open space. The debate is about whether conditions have changed in the area enough to warrant even more development in the neighborhood. Some councilpersons want the legal issues resolved about developing the berms so that the Town is in the position to issue a Request for Proposal (RFP) to development interests. Whether they actually agree to issue an RFP is a matter of conjecture. When approving a master plan amendment, which allows private uses, they add "speculative" value to the site. Furthermore, it complicates and adds costs to the future expansion of parking and transportation infrastructure needs already



intended for the site. The Town of Vail has yet to provide an adequate comprehensive plan for its infrastructure requirements based on the long-term demand generated by both the community and the ski mountain. For example, Vail Resorts has indicated that they believe that skier capacity on Vail Mountain can be comfortably expanded from the existing planned peak skier capacity of 19,900 to around 25,000 skiers. Some experts are saying that the Town Council’s rejection of a new transit center for Lionshead on the North Day Lot, will require that the Vail Village Bus Terminal on

the Vail Village Parking Structure will need to be expanded, perhaps into the berm area. On-mountain expansion accompanied by greater projected development growth on the valley floor creates exceptional long-term planning and infrastructure challenges for the Vail community.

Points of View:

Commentary: Lack of Consumer Confidence – Kaye Ferry

Ms. Ferry is an indomitable local Vail political activist, a native of Chicago and highly experienced in the business affairs of the community.

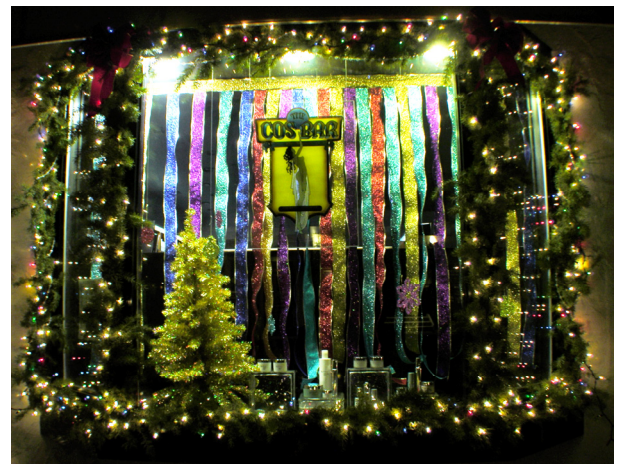
They’re worried...and rightly so. Some are even flat out scared. That’s the sense I get from the Vail business community.

Nationwide, retail sales dropped 2.8% in October - the sharpest drop in one month that has ever been recorded. And with unemployment at its highest in 26 years, there’s little reason to think things will improve in the near future. As a matter of fact, while some economists predict recovery late next year, others say don’t bet on it.

But the story is a little scarier in these mountain communities than in the “real world” for several reasons.

Ralf Garrison runs a company called MTRIP that tracks market conditions in 15 ski resort communities with information from over 200 properties. According to him, Vail’s a little farther behind than the industry averages. Through the end of November, Vail’s destination reservations were down 22.3% vs. 19% and average daily rates were down 7.9% vs. 4% across the industry. But the good news is that reservations have picked up as prospective guests get closer to the holidays. The incentive seems to be that waiting for last minute deals is proving to have positive results as gas prices continue to decline and available product is driving down rates.

Then there’s the international market. As the dollar has strengthened against foreign currency, the international guest is less motivated to travel here, especially when you consider that the international economy is having its own set of problems.



But probably the most relative problems deal with two very specific local issues.

For one, we have the seasonality of business. If a business owner gets behind, the reality is that their ability to “make up lost sales” is severely limited by the nature of the extraordinarily limited windows of activity. Winter is defined by the holidays: Thanksgiving, Xmas, MLK weekend, Presidents weekend, spring break and Easter, with not much in between. Summer, no matter how you slice it, starts with the 4th of July and runs through mid August. That’s not a lot of aggregate time to execute a business plan given the cost of doing business here.

The other problem is that it’s been cumulative. We’ve been under some form of construction for 4 1/2 years whether it’s been streetscape, new development, fountains, roads - you name it, which refers back to the previous point. When the business community gets behind, there’s no time to make it up before they’re in the next cycle. Many of our businesses have gone in to their lines of credit earlier and stayed longer than in years past and that’s not a good sign.

And I personally think there’s a third problem that we skirt because nobody wants to tackle it head on. We have lost track of who the guest is that we want to attract. At one time, Vail represented the ultimate in skiing. That was when Vail was the only product in the company mix. Now that we are owned by a company that has a variety of ski resorts in its portfolio, these resorts have been ranked with Beaver Creek being pushed as the “upper echelon” experience. No question, Vail is still arguably the best all around ski mountain in the world, but marketing efforts have compromised the guest we’re attracting.

So all in all, nerves are on edge as everyone waits for the season to kick in. Unfortunately when it does, there probably won’t be enough to go around. Because as the economy continues to falter, the consumer is increasingly reluctant to pull out that gold card for discretionary spending; some are struggling with the essentials. And while they may opt for a ski vacation, odds are their spending habits will be altered from years past, which does not bode well for the local economy, especially for retail. As a friend said to me the other day, “we’re at the bottom of the food chain”.



Rethinking the Development Plan for Vail: Bart Cuomo

Mr. Cuomo is an extensively experienced local Vail businessman known for backing up his outspoken views with accumulated wisdom and practicality.

A few years ago during the Arrabelle frenzy, we had concern that development projects on the table were only targeting the wealthy. As such, we asked a Vail Resorts development exec “based on your (Vail Resorts) long-term planning, who do you think will be skiing here in 10 years?” The answer to the question was literally “what planning?” Today, the community is a victim of sorts as we have a glut of high-end units that seems to far exceed demand. To many of us, even before the economic crisis surfaced, there was an obvious oversupply of high-end inventory – *Arrabelle, Solaris, Four Seasons, Ritz Carlton, Manor Vail, Vail Mountain Residences, The Willows*. Developers (including VR) seemed only concerned with short-term profits as opposed to the long-term viability of the resort by building more units that might be filled on a regular basis. The concern is that high-end units tend to result in empty beds as they are much less likely ever to be rented. Bearing in mind that most of our clientele is upper-middle class, the units that will be available for rent will be so expensive that relatively few can afford to pay the rates they will seek. Now as the “golden age” appears to be a thing of the past, it seems that for the good of Vail, the community needs to re-evaluate the type of developments that we ought to embrace. Re-development is not going to stop in Vail, but smaller (not small), less expensive (not cheap) units are more likely to be filled on a regular basis and put skiers on the hill. ([Vail Realty December Newsletter](#))



Otto Wiest: "Vail is worried about attracting skiers and guests. As well it should be."

Mr. Wiest is a life long skier and founding member of the Vail Ski School. He is a Vail residential property owner, world traveler, photographer and resident of Lindenberg, Bavaria in Germany.

It's always interesting to read your Vail Homeowner Association newsletter. As I understand it, because of economic conditions, Vail is worried about attracting skiers and guests. As well it should be. Vail isn't run as well as it could be. Let's look at some of the reasons why.

Since the times of Pete Seibert, the goals for Vail have changed. Pete wanted a place for skiers, but instead the "urbanization" of Vail has become the goal. A lot of people have said to me over the last couple of years that Vail doesn't need the skiers anymore. When Vail advertises for skiing, they really mean real estate for sale. In European ski resorts, by contrast, such as Lech, Austria, there are new heated chair lifts and old roads, while in Vail we have new heated roads and old chair lifts!

What importance, in making investment and planning for improvements, does the visitor - the guest - the skier have from the locals' point of view? Vail is very focused on the needs of the local people - even when there are only 4,000 of them. It's their place and the guests are welcome...as long as they accept what they find! Some locals have a bad attitude "If you don't like it here, go somewhere else." If they persist, these locals will be happy because they will have Vail to themselves.



Vail is not as perfect as some local's might think. There is still not enough parking for either skiers or shoppers. Who wants to spend an expensive and extended holiday next to a congested, noisy highway? If you want Vail to be totally for the day skier, then these conditions are no problem. But, if you want it to be for the guest, a beautiful place in the mountains, then these problems, if not solved, are bringing disaster.

Old people and young people, whether they are skiers or snowboarders, all use the same slopes on Vail Mountain. Many guests have asked for years that Game Creek Bowl be set-aside for beginners and older people as a "slow and safe" place to ski. But, they have been constantly ignored. It seems that no one cares to give these guests any

Vail locals' dream come true?

© Photography: Otto Wiest

preferential treatment, even though they have the time and the money to stay in Vail for more than a few days or hours. It is hard to understand, in these difficult economic times, why the needs of people who can spend money today, are ignored in favor of those who "may" have money to spend in the future.

The world economy is changing, do you locals understand your competition in Europe? You should find out; compare yourself to Lech, Austria or other world-class winter resorts. How many nights does the average visitor stay? How many Ski School Passes are sold for one week or longer? How many employees are working for the businesses and the government?

You must ask yourself has Vail lost the dream of Pete Siebert? Is skiing no longer as important as real estate sales and urbanization?

MICHAEL KURZ: FIGHT, FIGHT, FIGHT *Mr. Kurz is the CEO/President of the [Vail Valley Partnership](#), a local business development association. He is a corporate marketing executive and Chicago native.*

Since the latest financial meltdown quite a few people in the community have begun asking, “How do we get through this?” You know, each situation, business sector and balance sheet is different, but, drawing on my more than three decades of experience in brand development and having worked with, or for clients who made it through some pretty tough times, I have a few suggestions. They are all different, but have one thing in common. They rely on your commitment not to become a victim. I believe, that as soon as you think about failure, it becomes a self-fulfilling prophecy. You have to roll with the punches, outthink your competition, strengthen and present your core values and differentiate yourself from your competition. The more you cut back or stay invisible, the more your competition will eat your lunch, and the longer it will take you to recover. Remember, market size is probably shrinking, so you need more of someone else’s share to make it through. Here are the basics:

1. Get out there and stay out there. Use every messaging tactic that makes sense.
2. Resist the urge to discount. You may not be able to win that war against a better-financed competitor and, especially in high-end product and service sectors, you weaken a key brand attribute.
3. Go big or don’t go. Daniel Burnham, the legendary architect and urban planner said, “Make no little plans. They have no magic to stir men's blood...”
4. Lastly, but maybe the most important of all...treat your customers/clients like the gold they are.

[\(See Full Text of Kurz Letter\)](#)



New Fountain on Bridge Street: The incongruous whimsy of Water and Fire, a new fountain debuts on Bridge Street as Vail’s latest public art project. The recalculating 2,000-gallon fountain operates in winter from the heat that also melts snow from Vail’s pedestrian streets. Advanced computer technology is programmed for

three different water shows during the day and after dark, fire is added to the mix. The Town of Vail project, was designed by Wet Designs of Los Angeles, built by local contactors, and jointly funded by the Town and a coalition of Vail businesses, local and part-time residents.

Best Wishes for the New Year: Vail is neither invulnerable nor unfamiliar with hard times. It has always flourished through the worst of times. During periods of difficulty the community, locals and part-time residents come together to support the dream that is Vail. The New Year will bring optimistic hope for a clear path through adversity. The Homeowners Association is pledged to help guide the way in keeping Vail's bright star undimmed. - Editor

ENJOY THE HOLIDAY SEASON!

[TOV Listing](#)

[Vail.net Calendar](#)

[Vail Valley Foundation Calendar](#)



Arrabelle Skating Rink

© Photograph by: James Franklin Lamont

[Contact Editor](#)

[Membership Information](#)

Copyrighted: December 2008

Post Office Box 238
Telephone: (970) 827-5680
E-mail: yha@vail.net

Vail, Colorado 81658
FAX: (970) 827-5856
Web Site: www.vailhomeowners.com