

VAIL HOMEOWNERS ASSOCIATION

March 5, 2011

Executive Summary:



Eagle County Economy, 2010 Census - Reading the Tea Leaves: The [2010 U.S. Census](#) reports 10,538 more people residing in Eagle County, a 25.3% increase over the past decade yielding a local population of 52,197. Census numbers do not include non-resident property owners. Vail's population increased by 774 to 5,305.

Minimal Growth Rate Likely to Continue: The census numbers also reveal that, according to the County's [linear growth projections](#), the County has dropped below the minimum threshold for healthy

growth within the last year. County advisors believe that a population growth rate of 2% per year is the minimum necessary to sustain a healthy economy. Within recent years County officials maintain they have experienced a sustained high 9% annual growth rate.

Eagle County's Full and Part-Time Population Approaching 100,000:

A plausible average annual growth rate of 3.5%, as projected in the County's [2009 build-out analysis](#), forecasts that the population of full and part-time residents will expand from an estimated 92,000 today to 150,000 within 50 years. At a 2% rate, the total full and part-time population would rise to 108,000.

Vail Economy - Lodging and Retail: The pace of [bookings and room rates](#) for the winter season is modestly ahead of the past year, with bookings for March indicating a strong 13% rise. In a faceoff over average daily room rates, [Aspen, in January](#), was \$430 - up 2.4%, while Vail's daily rate of \$379 increased 4.5% over the same month in 2010.

Ever Vail Goes to Vail Town Council: The first of the last hurdles for the proposed Vail Resorts [Ever Vail project](#) are lined up before the Town Council. In their [report to the Council](#) the Town's economic consultant hired to examine the project gave it a [positive assessment](#).

Eagle County Airport: December saw a 0.5% increase over the same month in the previous year in a report by [Eagle County Airport](#) officials. The Eagle Air Alliance, a coalition of local businesses and governments, is anticipating increased participation in the subsidization of commercial passenger service to the County's airport. The airport has the highest number of scheduled commercial flights of any resort airport in Colorado and is updating its master plan in expectation of increased business.



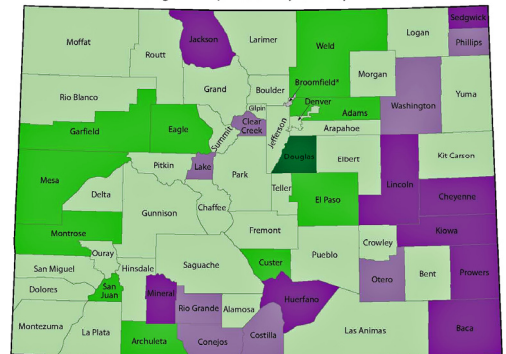
Social Turmoil Demanding Worldwide Economic Progress: The societal movement towards individual advancement is being led by nations with emerging economies. If viewed positively, these conditions open the prospect for new opportunities for Vail in both the emerging and mature economies.

Opening Europe to Vail: Europe, the century old cradle of the modern mountain resort lifestyle is for Vail its greatest inspiration, but conversely its biggest challenge in realizing market expansion. Vail has had limited success in attracting European visitors away from what is the most densely populated and lucrative mountain sports market in the world. Typically, international visitors account for 3% of Vail's destination visits; an increasing number of these are coming from Latin America.



Frontage Road Parking - More Cons than Pros: Frontage Road parking is highly controversial as there are many in the community who view it negatively. Their primary concern is for the safety of both pedestrians and drivers.

COLORADO - 2010 Census Results
Percent Change in Population by County: 2000 to 2010





Vail's deepening snow - pointing the way to prosperity

© Photography - James Franklin Lamont

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Eagle County Economy, 2010 Census - Reading the Tea Leaves: The [2010 U. S. Census](#) reports 10,538 more people residing in Eagle County, a 25.3% increase over the past decade yielding a local population of 52,197. Vail's population increased by 774 to 5,305. Census numbers do not include non-resident property owners. Importantly, when comparing census data with the County's [employment statistics](#), the size of the 31,625 member workforce by the end of the decade was only 4,195 more than the beginning of 2000, which means less than half of the increase is comprised of workers.

Jobs in Decline: The total number of December jobs shows a 3,865 decline from the February 2008 high of 32,965. Even accounting for an increase in non-working dependents, there are fewer jobs for more people. [Unemployment trends](#) have not abated appreciably since the beginning of the Great Recession. [Foreclosure rates](#) in the County's worker communities remain high with many [businesses and families struggling](#).

The census figures don't account for the outmigration of the work force because much of the job loss occurred within the last several months. It is said census officials in Eagle County were more aggressive than in the past towards making their count as accurate as possible. This may have contributed to the unprecedented rise in the County's population numbers.

Minimal Growth Rate Likely to Continue: The census numbers also reveal that, according to the County's [linear growth projections](#), Eagle County has dropped below the minimum threshold for healthy growth within the last year. County advisors believe that a population growth rate of 2% per year is the minimum necessary to sustain a healthy economy. Within recent years County officials maintain they have experienced a sustained high 9% annual growth rate.

It is highly unlikely that even a medium to high growth rate is possible because national economic conditions for housing construction remain deflated. As well, there are few quick fix, magic bullet solutions for other types of economic development. The slowing growth in population and rise in unemployment will most likely be reflected in property values. Local governments, including the [school district](#), are facing downsizing or tax increases as revenues from real estate taxes shrink. Support from the [State government](#) is unlikely as it is having problems of its own.

[Real estate sales](#) in Vail are making progress but inventories remain grudgingly high throughout Eagle County. Construction is a primary employer. Until new construction begins to show strength, it is doubtful that the County's population growth rate will move in a positive direction.

Eagle County's Full and Part-Time Population Approaching 100,000: A plausible average annual growth rate of 3.5%, as projected in the County's [2009 build-out analysis](#), forecasts that the population of full and part-time residents will expand from an estimated 92,000 today to 150,000 within 50 years. At a 2% rate, the total full and part-time population would rise to 108,000.

These numbers can be extrapolated from its [2008 county wide inventory](#) of residential dwelling units using an average occupancy of 3 persons per unit. In round numbers, 43% of today's total population is composed of seasonal part-time property owners. In large measure they sustain the local population of 52,000 residents. Many developers are banking that the draw of Eagle County for part-time residents will most likely continue and perhaps even escalate.

Growing Up Gracefully: With a 3.5% growth rate and all factors remaining equal, Eagle County could adequately absorb 58,000 more full and part-time residents over the next five decades. Especially since that number represents far fewer people than have been drawn to the County over the past fifty years. However, if the average annual rate climbs upward to 7%, expect an additional 150,000 in full and part-time population. This would present the probability of financial stress for government budgets and operations.

Locals have long valued not having to share their turf full-time with the other half of the resident population because most part-time residents don't spend much more than a few months out of the year in residence. If this were to change towards a greater proportion of full-time residents, it would cloud the valuation of their lifestyle.

Eagle County and Western Colorado Urbanizes: A look at where the highest growth has occurred over the past decade in Colorado demonstrates a new pattern of urbanization is emerging. Eagle County occupies the eastern quarter of a four county complex on the Western Slope of the continental divide, which is drawing population away from the increasingly crowded Front Range urban corridor.

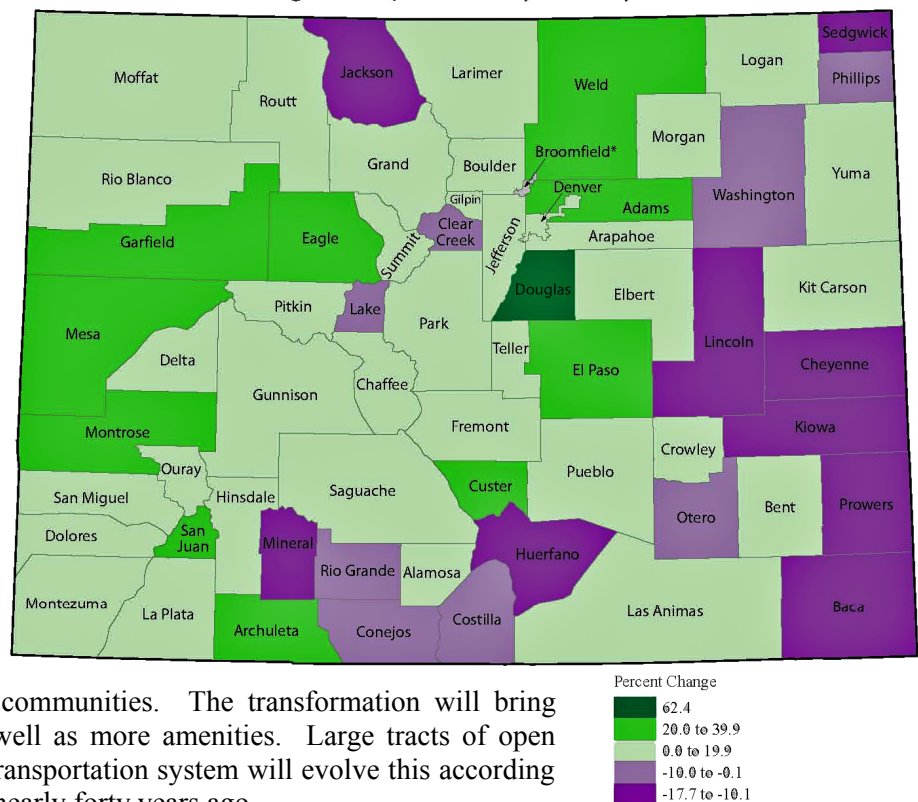
More Density, More Amenities: Much of Eagle County's remaining growth will be infill development along the Interstate 70 corridor.

Redevelopment will occur in existing communities. The transformation will bring higher density to downtown areas, as well as more amenities. Large tracts of open space will remain and a more efficient transportation system will evolve this according to a plan embraced by County residents nearly forty years ago.

Vail Leading the Way: Vail is already well advanced in its redevelopment transformation. The importance of these growth trends illustrate the potential for a significant slacking of demand for affordable housing and public parking coming from Eagle County.

Avoiding Mundane and Mediocre: The abrupt transition from a boom to a bust economy, while painful in the short-term, has formed the foundation upon which new opportunities for greater diversity, self sufficiency and determination are

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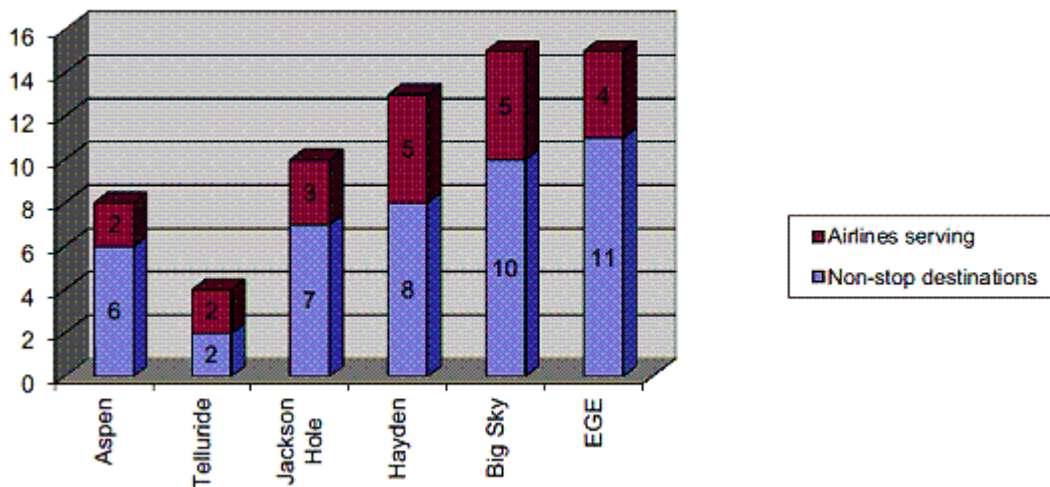


* Comparable data not available
Percent Change for State: 16.9%

a realistic possibility. Eagle County's strength is its recreational lifestyle, which has allowed it to avoid the mundane. If it successfully escapes being distracted by those who would embrace mediocrity, it will remain a special to live... all, or just part of the time.

Vail Economy - Lodging and Retail: The pace of [bookings and room rates](#) for the winter season is modestly ahead of the past year, with bookings for March indicating a strong 13% rise. In a faceoff over average daily room rates, [Aspen, in January](#), was \$430 - up 2.4%; while Vail's daily rate of \$379 increased 4.5% over the same month in 2010. However, the abnormal lateness of Easter vacation is putting a strain on April's performance with a negative -16.5% in occupancy forecasted. [Retailers are reporting](#) consumers are spending more than last year, but are still restrained in their purchasing. Some merchants are saying the Town of Vail's report of [sales tax](#) increases may mean that the Town's revenues are increasing but many businesses are not experiencing the same increase. Some attribute this to increased competition caused by redevelopment. The Town is reporting improvement from all of its [revenue sources](#) through February 22, 2011. [Snow conditions](#) remain superb. Spring runoff could bring abnormally high flood conditions.

Air Service Comparison - Mountain Airports



Eagle County Airport: December saw a 0.5% increase over the same month in the previous year in a report by [Eagle County Airport](#) officials. The Eagle Air Alliance, a coalition of local businesses and governments, is anticipating increased participation in the subsidization of commercial passenger service to the County airport. The airport has the highest number of scheduled commercial flights of any resort airport in Colorado and is updating its master plan in expectation of increased business. Improvements to increased capacity for baggage handling are underway. Summer service is again on the rise now that runway reconstruction and expansion have been completed. In recognition of the importance of air service to the local economy, the Vail Valley Jet Center has begun a feasibility study of an estimated \$3 million project to expand terminal facilities and customs services for international commercial charter flights. It is expected at inception the most likely international destinations to be served are Canada, Mexico and Latin America. The importance of the airport is being recognized by other communities. Aspen doesn't pay anything to cover the cost of the airport, yet an unofficial estimate is that 15 - 20% of its traffic is Aspen bound. The airport could raise landing fees to cover the cost of Aspen passengers, but it would apply across the board to all passengers.

Ever Vail Goes to Vail Town Council: The first of the last hurdles for the proposed Vail Resorts' [Ever Vail project](#) are lined up before the Town Council. In their [report to the Council](#) the Town's economic consultant hired to examine the project gave it a [positive assessment](#). Some are critical of a portion of the consultant's report because it suggests that the project's central hotel needs to make a go of it based on the convention trade. Since the beginning of the recession, the convention and conference business have been hard hit. Nonetheless, the consultant's views on the value of the conference trade aside, there may be other mainstay options available for the hotel at the time development becomes a reality. Development will commence when market conditions improve, which is not projected to be anytime soon.

The Broader View: The Fed continues to avoid an interest rate hike attempting to spur employment. Unemployment remains stubbornly high even though most [U.S. economic indicators](#), with the marked exception of housing, are gaining momentum. Locally, real estate and foreclosures parallel national conditions. Should oil supplies be interrupted, higher fuel prices could dampen the economic progress expected during 2011. Vail maintains its attraction to foreign visitors as the [dollar is pressed lower](#) against the Euro and several other major currencies.

Wrangling Over Collective Bargaining: Nationally, significant [shortfalls in government revenues](#) are setting in motion a collective bargaining power struggle among public employees, their unions and fiscally conservative elected officials. Agitated by operatives from both national political parties, the localized U.S. protests are reminiscence of street demonstrations against cuts in employment benefits mandated by European Union financial markets this past summer in Greece. The wrangling is what some predict will become a common occurrence across the American political landscape for the next several years as class related budget balancing debt reduction measures are sought by factional interests.

First Lady's Visit Lessens Criticism: Vail gained in both domestic and international exposure from a visit by First Lady Michelle Obama over the President's Weekend holiday. Her visit helps lessen the censure that has surrounded visits to luxury resorts by notables since the beginning of the recession. The community has a long history of hosting high security risk political and business elites, which is one of the reasons it has the potential to become a center for high level trade and political negotiations.



A rocky traverse on the slopes of Cairo

Social Turmoil Demanding Worldwide Economic Progress: The societal movement towards individual advancement is being led by nations with emerging economies. The value of what these emerging countries have achieved is having a profound affect in those nations where cultural forces have repressed economic progress by limiting personal liberties. As the world's youth seek freedom to pursue financial and social advancement, made possible through new communication technologies, their dissent is unsettling to conditions throughout Europe and the United States. If viewed positively, these conditions open the prospect for new opportunities for Vail in both the emerging and mature economies.

New Generations – New Opportunities: Vail has the opportunity to appeal to new high value destination visitors and residents that are benefiting from this global phenomenon. It is already attracting fresh enthusiasts from newly rising economies who embrace the contemporary aspirations that personal wealth and mobility bring. Likewise, with mature economies there is the prospect of breaking through entrenched generational behavior patterns found in developed nations. Vail has been successful in attracting the American youth market while continuing to cater, for the most part, to its loyal customer base. However, the high cost of the mountain resort lifestyle limits the growth of this market.

Opening Europe to Vail: Europe, the century old cradle of the modern mountain resort lifestyle is for Vail it's greatest inspiration, but conversely its biggest challenge in realizing market expansion. Vail has had limited success in attracting

European visitors away from what is the most densely populated and lucrative mountain sports market in the world. Typically, international visitors account for 3% of Vail's destination visits; an increasing number of these are coming from Latin America.

Cracking the Code: Vail has had good success in attracting international guests from the United Kingdom. Sharing a common language is a plus to both the visitor and local entrepreneurs. Whereas, continental Europe, particularly Germany, France, Italy, Holland and Belgium are another matter altogether. Cracking the code of why winter sports consumers from these countries are resistant to choosing Vail as a vacation destination sets up an opportunity to gain insight into shaping the community's evolution. Once factors are identified, what are the critical elements necessary to move Vail to a higher level of performance?



Vail's competitive global league - [Zermatt, Switzerland](#) the car-free ultimate European Ski Resort

Continental Advantages: The European continent has the advantage of ease of access to a near endless selection of communities and regions offering a broad diversity of mountain winter sports opportunities. Participation, even as a spectator, in winter sports activities is a strong part of national cultural heritage and identity. Shared experiences become a community building affair. There is openness to multiculturalism that is welcoming and reinforced by a common currency that facilitates trust in pricing practices. Multilingual communication is embraced and tightly woven into guest services.

Factors to Consider: Attracting the European winter sports market for Vail has been largely based upon its predictability of desirable snow conditions along with its large expanse and variety of ski terrain. The media exposure tied to international race competition has been central to exposing Europeans to the Vail brand. For those concerned with marketing initiatives, understanding the nuances of currency fluctuation and dependable air/ground transportation are key factors, but are not an end in themselves. The subtleties of cultural perceptions and prejudices play a dominant role. Language barriers are also important, but are becoming less of an inhibitor as English has become the dominant language of business and foreign travel.

Gaining a Foothold: Contemporary social media could play a central role in altering generational behavioral patterns where shared peer experiences hold increasing sway over travel, vacation and socializing decisions. Gaining a foothold in the consumer's perception requires more than repetitious imagery. Personalized interaction has become more frequently required. Attracting destination guests is only one half of the equation, delivering on the quality of the experience is even more important in shaping consumer loyalty.

Fair Treatment and Prices Important: Vail prides itself on the loyalty of its returning guests; on this point there are different sets of quality expectations between Americans and Europeans. The European visitors expect friendly service,

fair treatment and prices, safety for their health, person and belongings, as well as the intangible things that make vacationing enjoyable and comfortable. Seemingly universal expectations, but when examined through cultural lenses, differing perceptions on the specifics come into focus. To move further into the lucrative European market, Vail is going to have to better understand and adjust to these differences before it can expect to capitalize upon them.

Frontage Road Parking - More Cons than Pros: Frontage Road parking is highly controversial as there are many in the community who view it negatively. Their primary concern is for the safety of both pedestrians and drivers. The Frontage Roads are the only arterial thoroughfares for the entire community. Frontage Road parking, as it currently exists, frequently creates uncontrollable circumstances where pedestrians dart in front of oncoming traffic across multilane roadways that are dimly lit after dark. In the winter, when Frontage Road parking is likely to occur, the roadways are often icy. During both the summer and winter peak seasons they can be very busy, especially during rush hours and special events.



Accident waiting to happen as pedestrians cross 5 lanes of traffic on the Frontage Road in West Vail

Traffic Hazards Rule: Interrupting or slowing traffic flow to provide for pedestrian safety further increases the likelihood of exacerbating traffic congestion and driving hazards. The Town has invested millions in traffic roundabouts, with strategically located exiting for parking structures and accel/decel lanes to ensure that vehicular traffic flows uninterrupted along the Frontage Roads. They are the reason the Town, which is at times occupied by 30,000 - 40,000 or more people, can function without a single stop light. Long-term, unless current attitudes change toward allowing more development, the community will become more densely built, meaning protecting the safety of vehicular traffic flow should take the higher priority.

It is important to note that prior to the main Vail roundabout, when four-way stops were the method of regulating traffic flow, long traffic jams resulted during peak periods. Such would be the case, say some traffic engineers, if, in association with Frontage Road parking, pedestrian crossing traffic lights or other mandatory controls were installed nearby to roundabouts. The proposed I/70 Simba Run Underpass would cause no such delays and, in fact, would aid traffic flow.

Appearance is Perception: The appearance of congestion, caused by Frontage Road parking, cheapens the consumers' perception of the product. The perception of congestion is a detriment to a community whose image is one of exclusivity. Congestion is also a physical deterrent to the community's shops and eateries, resulting in lost revenues, both for the businesses and the Town through lost sales tax. Over the years, Vail has spent millions to keep the automobile out of sight within its resort Town Centers.

Town Public Parking Policy Contradictory: The Frontage Roads are located on Colorado Department of Transportation (CDOT) right-of-way. CDOT has control over whether Vail public officials can allow parking on the Frontage Roads. They have mutually agreed with the Town that, for the time being, 15 days in the winter and 3 days during the summer, over flow parking will be allowed on the Frontage Road within certain limitations. This policy is to be reconsidered by the Vail Town Council in August of 2011.

The Town increased its emphasis on providing free outlying parking to relieve the congestion caused by high numbers of construction workers, a condition that no longer exists. To some, "free" Vail parking has become a way to balance the social equity scales. Typically, rebalancing has taken place through discounted seasonal parking permits.

Lost Town Revenues: Federal standards prohibit charging a fee for parking on its highway right-of-ways. The Town has granted, with CDOT acquiescence, precedent setting daily "free" parking on the North Frontage Road in the area of the West Vail Commercial Shopping Center. Free parking means lost revenues to the Town of Vail. There is limited evidence that the Town recoups lost parking revenues through sales taxes collected from "free parkers" spending in nearby businesses. Other daily, free parking lots also fill before the parking structures, resulting in more lost revenues to the Town.

CDOT Negotiating with TOV: CDOT is presently in negotiations with Town officials to turn over control of all or portions of the Frontage Road to the Town of Vail. In earlier discussions, CDOT had offered the Town a one-time multimillion dollar grant as an inducement to take over the Frontage Roads. The Town has estimated it would take \$65 million to upgrade the Frontage Road.

CDOT also now allows the Town to sell permits for employees parking in limited areas on the Frontage Roads under a "pilot" program. Should the takeover deal with CDOT be consummated, the Town of Vail would have the ability to make Frontage Road parking permanent, setting whatever fees or other standards it desires.

Ford Park Frontage Road Parking Questioned:

The Town Council in another precedent setting Frontage Road parking decision, recently authorized moving forward with preparing an implementation study to build \$12.4 million in improvements at Ford Park, which include extensive Frontage Road parking. The plan reduces the existing traffic flow capabilities of the Frontage Road that serve those neighborhoods east of Ford Park.



Idyllic but unrealistic view of Frontage Road Parking at Ford Park - diagonal parking requires cars to back into traffic on the Town's main, highest speed thoroughfare, slowing traffic and increasing congestion.

Faulty Compromising: The study removed from consideration a proposed large traffic roundabout included in an earlier plan that was intended to be the means of allowing large semi-trailer trucks serving Vail Village to reverse their direction on the Frontage Road. An earlier Council had rejected a closer-in roundabout site in favor of the Ford Park location.

The approval of this study in conjunction with the other foregoing Frontage Road parking efforts is an indication that the Town may intend to begin permanently compromising for the sake of convenience and profit rather than the public safety and traffic flow efficiency of the Frontage Road system. Such approaches are not favored by the Homeowners Association.

POINTS OF VIEW

Bart Cuomo - Comcast Comes Under Fire in Vail - Rates Increase: It seems that the Town of Vail is finding out what we have known for years – Comcast’s service stinks! Armed with an audit to support widespread claims of poor service, the Vail Town Council unanimously approved a measure to require Comcast to post a \$100,000 bond to resolve what the Town has identified as “hundreds” of violations. While trying to resolve the violations, Comcast is negotiating with the Town on a new franchise agreement for Cable TV service. If Comcast does not cure the myriad of violations as is required by legal guidelines (faster than Comcast is accustomed to doing anything in Eagle County), the Town is threatening to condemn the Comcast system, take it over and open up the television franchise to a bidding process. Meanwhile, this has not stopped Comcast from implementing yet another increase in cable rates. [Vail Realty Newsletter](#)



Global Freeze Along the Lionshead Bike Path

[SPECIAL EVENTS CALENDAR](#)

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