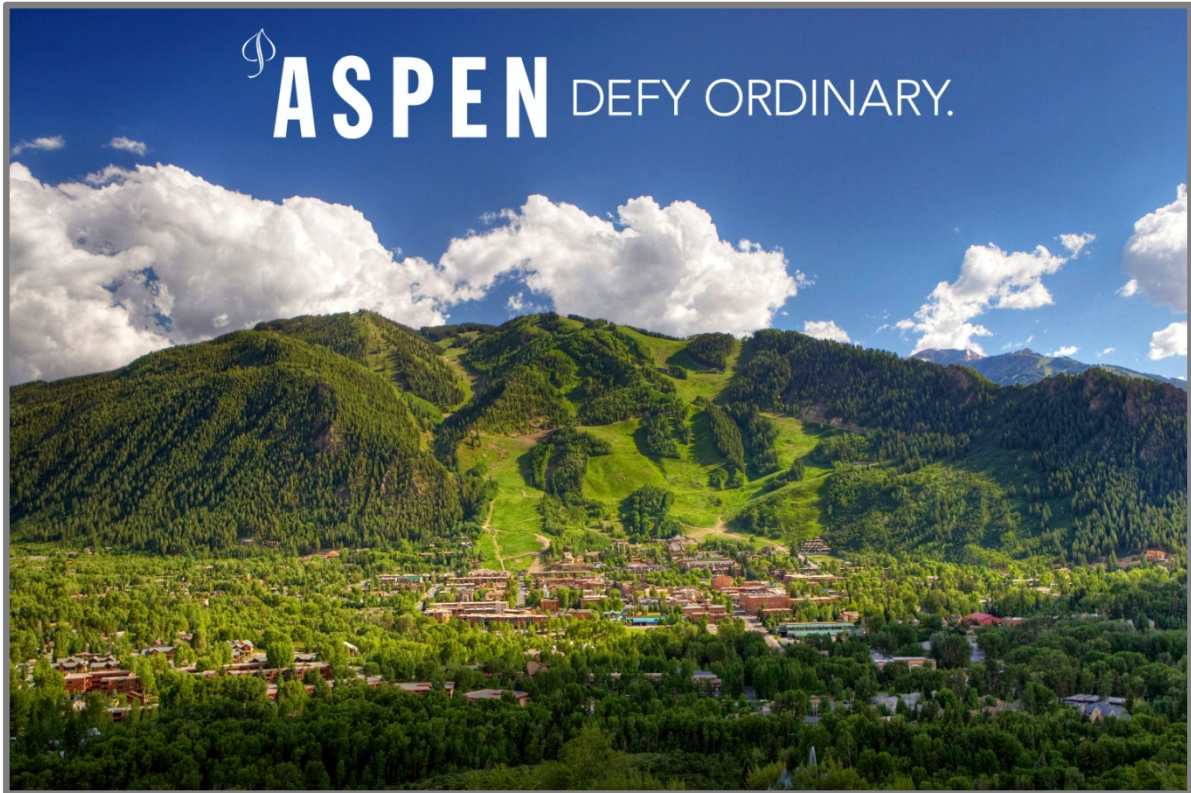


# **REPORT AND RECOMMENDATIONS**

## **2013 Economic Sustainability Committee**



**Aspen Chamber Resort Association**  
**April, 2013**

# Introduction

In September 2002, the Aspen Chamber Resort Association (ACRA), the City of Aspen and the Aspen Institute Community Forum jointly published the Aspen Community Sustainability Report, documenting challenges and opportunities facing the Aspen community and recommending a series of public policy initiatives intended to support the community's long term economic viability.

In the spring of 2013, a decade later, the Aspen Chamber Resort Association has completed a new strategic plan against a backdrop of ongoing Aspen market changes as well as notable local, national and international economic uncertainty. In this planning process, ACRA representatives reviewed issues identified ten years ago, evaluated progress made to date, discussed current trends and implications and devised a new set of community initiatives with the intention of stimulating discussion among all interested parties in the community. This report is the product of that process.

As in the prior 2002 Sustainability Report, ACRA took the lead in this new effort, relying on a series of formal and informal meetings and personal interviews, as well as discussions with public and private interests outside of ACRA to consider current Aspen conditions and make recommendations. BBC Research & Consulting was retained to help stimulate this process, spur internal debate, expand the base of available data and objectively synthesize the views of participants.

Beyond the basic value that generally comes with organized introspection, the objective of this report is to continue the discussion about what constitutes appropriate economic public policy in light of changing challenging business conditions. Although these policy ideas have been widely discussed within ACRA and the broader resort community, recommendations set forth here are not formal recommendations of the Aspen Chamber Resort Association. Over the next few months, ACRA hopes to engage its members, the larger Aspen community and the city of Aspen in a discussion about market and competitive conditions, the sustainability of the Aspen resort and the specific recommendations developed here. Ultimately, ACRA may choose to formally adopt these initiatives, modified them, or develop revised or additional initiatives as discussions continue. This report is step one. The ACRA Sustainability Study Committee members are:

## Study Committee Participants

| Participant Name | Participant Business                             |
|------------------|--|
| Helen Klanderud  | Committee Chair                                  |
| David Perry      | Aspen Skiing Company                             |
| Adam Fortier     | Community Banks of Colorado                      |
| Donnie Lee       | The Gant Hotel                                   |
| Paul Taddune     | Taddune P.C.                                     |
| John Sarpa       | Aspen Snowmass Sotheby's International Realty    |
| Warren Klug      | The Aspen Square Hotel                           |
| Charlie Bantis   | Vectra Bank                                      |
| Kenny Smith      | Meridian Jewelers                                |
| Dave Ressler     | Aspen Valley Hospital                            |
| Debbie Braun     | Aspen Chamber Resort Association                 |
| Maria Morrow     | Oates, Knezevich, Gardenswartz, Kelly and Morrow |
| Jill Teehan      | Praxidice P.C.                                   |

# SECTION I. The 2002 Aspen Sustainability Report

The 2002 Aspen Sustainability Report identified socioeconomic and market trends shaping the community's future, defined economic sustainability issues arising from these trends and recommended a series of community actions. The findings and recommendations of this 2002 assessment are summarized here.

## 2002 Socioeconomic Trends and Issues

**Ten trends.** Ten socioeconomic trends, considered the most prominent factors likely to shape the future of the Aspen resort community, were identified in the 2002 Report. These were:

- Continued maturation of the ski industry with declining growth rates and increased competition;
- Local economic shift from ski industry and visitor based economy to real estate driven economy;
- General Aspen market shift to very high end consumer;
- A shift in retail offerings to higher-end stores with limited broad appeal;
- Continued resident and shopping migration down valley away from Aspen;
- Renewed vigor of Aspen cultural and not-for profit institutions;
- Increasing financial challenges for local governments;
- Ongoing ground and air transportation/traffic issues;
- A chronic lack of institutional coordination; and
- Susceptibility to unfavorable national economic trends.

**Needed community investment.** In 2002, the Sustainability Committee considered the above trends, solicited the input of other Aspen citizens and business operators and ultimately identified five specific local conditions that the Committee felt undermined Aspen's competitive positioning and the community's sustainability. These were targets where the Committee felt community investment of time, energy and/or financial resources was needed:

- Deteriorated inventory of lodging and tourist facilities;
- Lack of competitive air service;
- Increasingly narrow community economic base;
- High land values and high commercial rents undermining the vitality and diversity of core area retail offerings; and
- Loss of unique Aspen identity.

**Recommendations.** Each of the above issues was discussed and specific recommendations made for addressing these concerns. These 2002 recommendations are summarized below:

- **Lodging:** Encourage, locate and stimulate replacement and renovated lodging units.
- **Air Service:** Improve Aspen/Pitkin County Airport functions and expand variety of air carriers.

- **Commercial core:** Support commercial core vitality by encouraging locally serving retail, infilling underutilized space, improving visitor experience and stimulating new affordable retail.
- **Branding:** Expand marketing efforts and marketing funds; consider the prospect of a conference/performing arts center or other gathering place; expand efforts to create a new generation of Aspen visitors.

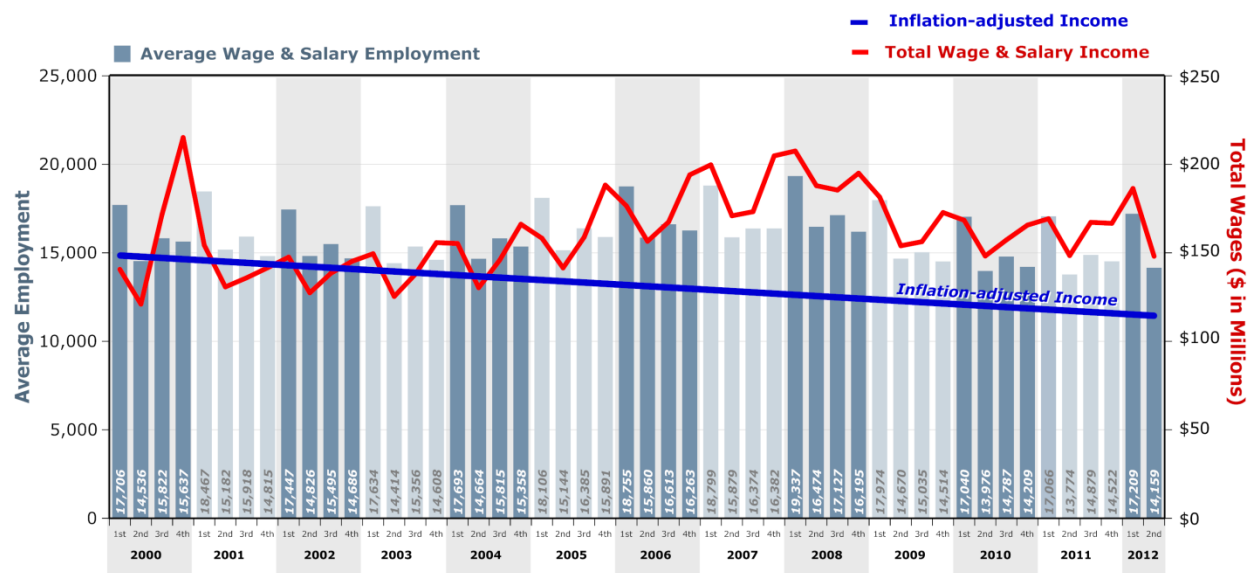
These recommendations were refined and restated as twenty specific “action items” that the Sustainability Committee viewed as critical to sustaining Aspen’s position in the mountain resort marketplace.

## Retrospective: Economic and Demographic Trends 2002-2012

In retrospect, perhaps the best measure of Aspen’s success over the past decade does not involve assessing the appropriateness of the of 2002 strategies, but rather the actual performance of the economy in terms of sustaining economic prosperity, community health and competitive positioning.

**Jobs and income.** The story of Pitkin County in the years 2002-2012 is one of economic stagnation and, by some metrics, slow decline. Figure I-1 shows wage and salary jobs and related household income for the period 2000 to 2012. Employment levels rose modestly during 2005-2008, before returning to prior levels during the recent recession. Simply put, there has not been substantive growth in Pitkin County employment in over a decade. The story of wages and salaries is even less compelling. The real value of personal income, adjusted for inflation, has declined significantly over the same 2000 to 2012 period.

**Figure I-1.**  
**Pitkin County Employment and Income Growth 2000-2012**



Source: Colorado Department of Labor, Quarterly Census of Employment and Wages; BBC Research & Consulting: Wage and salary employment does not include proprietors (business owners). Wage and salary data is considered the best measure of local employment trends because resort area proprietors’ employment includes persons who may have a business registration in Pitkin County but are involved in national business activities or professional services that are independent of the local economy. Total Pitkin County employment, including proprietors, was 21,246 in 2001 and 21,821 in 2011 a very similar pattern to the employment data arrayed above.

An economy where employment levels do not grow substantively for over a decade and the real (adjusted for inflation) value of household income falls steadily is not a sustainable foundation for the kind of community Aspen aspires to be.

**Retail Sales.** Retail sales trends are an important measure of overall resort economy health. Sales data indicate that Aspen has largely recovered from the 2009 downturn and nominal 2012 retail sales tax collections have returned to prior years' levels. Although, applying even modest inflation rates during that period, the Aspen retail economy has witnessed no real (post inflation) sales growth for six years.

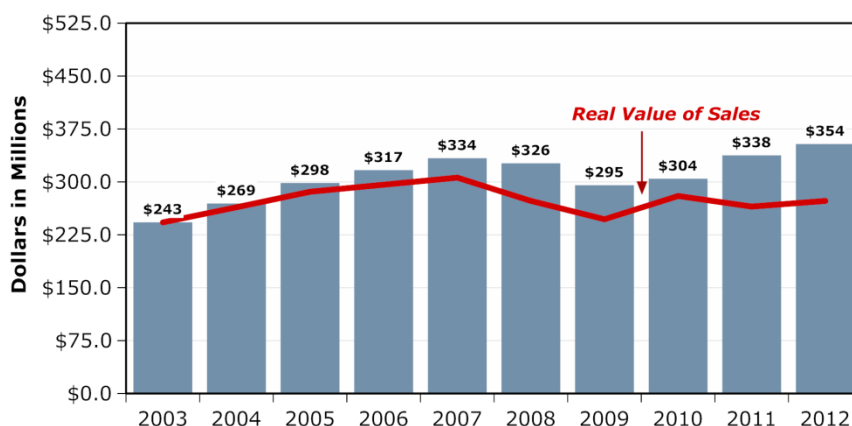
**Figure I-2.**  
**City of Aspen Retail Sales**

Note:

Data do not include sale of utilities (electric, gas) or accommodations.

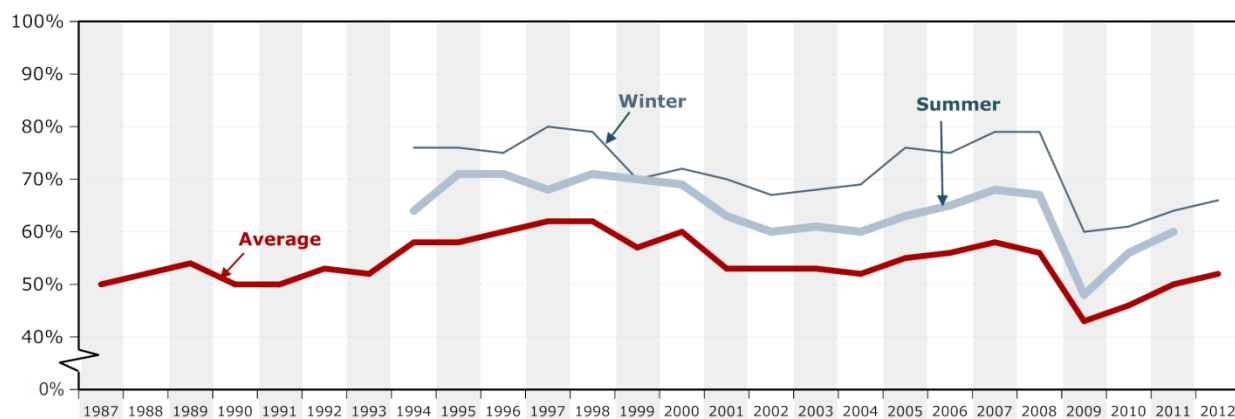
Source:

City of Aspen, City Finance Office



Aspen transient lodging occupancy data (Figure I-3) show a similar but longer period of sluggish performance, with the community's highest annual occupancy levels occurring in the late 1990s. Over the past few years, summer occupancy has rebounded notably, most likely the result of successful investment by the community in events, programming and marketing.

**Figure I-3.**  
**Average Annual Resort Occupancy Rate**



Source: Stay Aspen/Snowmass, Central Reservations. Data includes all properties in the central reservation system. Annual average includes fall and spring off-seasons.

The above occupancy data supports the same observation as did the prior trends in employment, income and sales. Aspen's economy over a lengthy period, in this instance nearly 20 years, has witnessed a slow and steady erosion of its economic vitality. These are not measures of a sustainable economy and do not suggest a vibrant and vital community.

## Sustainability in Retrospect

In 2013, in light of now known economic trends, the ACRA Sustainability Committee took a fresh look at the 2002 findings, and offered observations on the community's success in tackling these concerns. From this now current vantage point it appears that some of the original concerns remain virtually unchanged; others have diminished and some have expanded. Not unexpectedly, new issues have also arisen. The committee's observations for each of the 2002 initiatives are summarized below:

### **#1. Address deteriorating lodges and tourist facilities.**

Progress has been made on this issue over the past decade. The St. Regis, the Little Nell and the Hotel Jerome have all been privately renovated. The Limelight and the Grand Hyatt were completed and effectively expanded the community's transient bed base. The advent of Internet rental services, such as VRBO, has increased the availability and diversity of overnight accommodations. Never the less, significant problems remain with Aspen's transient bed base, which continues to age, particularly in comparison with new products in other mountain resorts.

A tangle of city regulations makes new development, redevelopment and even simple renovation challenging and expensive. The City sponsored a recent study that identified this regulatory quagmire and its stifling effect on redevelopment and renovation of individual condominiums<sup>1</sup>. The same entanglements stifle change and renovation of commercial lodging.

From a community enhancement and betterment standpoint, the failure of the planning process to find a community revitalization solution at the 1A Lift is notable. This remains a redevelopment opportunity, which if handled appropriately could expand the city's transient bed base, improve connections between the mountain and town, assure the continuance of Aspen's World Cup races, and help revitalize a somewhat incoherent and underutilized portion of city core. The result of the city's review process—continued stagnation—was an unfortunate missed opportunity to improve our bed base quality and mix.

### **#2. Improve air access.**

Airport operational improvements and a new Pitkin County Airport Master Plan represent real progress in making the local airport more accommodating and successful. Nevertheless, Aspen continues to struggle with maintaining multiple carrier airline service, which is critical to maintaining affordable fares. A broader community effort is still needed to restore and ensure multiple carriers and increased flight frequency.

### **#3. Expand economic support beyond tourism.**

Attracting non-tourism business into a remote, relatively expensive and isolated resort area will always be challenging. Aspen's costs of doing business, limited housing options and restricted commercial space present challenges for small entrepreneurs and locally owned businesses. The economic downturn of the past few years has made this goal more difficult, but the opportunity remains to better enlist this community's entrepreneurial talents. The "Aspen idea" has always embraced entrepreneurship and risk taking. Economic diversification remains a worthy objective and needs community support to create affordable locations and outlets for the next generation of local businesses and startups.

---

<sup>1</sup> Alan Richman; *Overcoming The Obstacles To Upgrading Condominium Lodging In Aspen*; September 2012.

#### **#4. Stimulate vitality of the local commercial core.**

No area of the city is more important to the common experience of visitors and residents alike than the commercial core. Supporting the vitality of the core and finding a balance between preservation of Aspen's highly valued downtown and still encouraging experimentation with local business has been a community challenge for many decades.

In response to the 2002 Sustainability Report, the community undertook a series of initiatives to encourage retail and restaurant use of the ground floors; generate additional foot traffic; renovate underutilized spaces; and promote mixed use development. In the decade since the 2002 Sustainability Report, the vitality of the commercial core has fluctuated, but these initiatives, along with community support for increased marketing, special events and core area programming, have been well received. The weekend Saturday Market and a variety of downtown events have been successful and have also helped stimulate business, although expanding down valley commercial development, which were foreshadowed in the 2002 report, continues to undermine Aspen's business diversity and support for locally serving retail.

Aspen's core commercial area remains a charming and engaging environment but challenges remain. Prospective changes in building policies have spurred a slate of sudden redevelopment proposals, some of which are arguably an unfortunate and unnecessary reaction to heavy handed regulation. The commercial core is critical to Aspen's renewal. This is not a time to back away from revitalization efforts. The previously referenced Richman report on entangled regulation is an excellent starting point for an aggressive effort to spur community revitalization.

#### **#5. Protect the Aspen Brand**

Concern about the "Aspen Brand" is a perennial issue. Is Aspen still committed to its original mission as a place devoted to nurturing mind, body and spirit? Does the community offer a compelling and highly differentiated community based visitor experience, in a world of increasingly predictable mountain resorts?

On the positive side, the city's robust collection of cultural institutions, which set Aspen apart from its competitors, have prospered over the years and have weathered the economic downturn reasonably well. No other resort offers the same array of cultural, intellectual and artistic endeavors. Continued nurturing of these organizations will be at the heart of any brand reinforcement. In the same manner, no other resort has dedicated equal resources to public health and human services, and that commitment is also part of the Aspen Idea. In the Committee's view, the Aspen Brand is also about community excellence, leadership and innovation. There is nothing about Aspen's commitment to excellence that can accept a decade of economic erosion, a loss of market share and a seemingly lost vision of what resort leadership means.

In sum, a decade past the 2002 assessment, Aspen can see demonstrable progress on much of the original sustainability agenda, although the community's overall economic performance does not reflect well on the city's aspiration for community sustainability and undermines the business community's objective to "defy ordinary." The concerns expressed in 2002 remain very much at the forefront of the challenges facing Aspen today.

## SECTION II. Recommendations 2013

Although some see Aspen as notable for its resistance to change; in practice, the community has continually innovated and evolved. Whether it be the original creation of Aspen Mall; renovation of the Aspen Institute; acceptance of the Ritz (now the St Regis); development of new community parking; redevelopment of the Gondola Plaza and the Little Nell; completion of the Limelight and Hyatt Hotels; investments in events and cultural institutions; commitment to environmental protection; or the development of over 2,000 units of deed restricted housing; the Aspen community has traditionally sought, and very often found, a workable balance between constancy and change.

Within the Aspen Chamber community, there is concern that over the last decade this commitment to community and resort innovation and leadership has waned. We look back over the past decade and see unacceptable economic stagnation, flat employment levels, declining household incomes; anemic skier and visitor totals, an aging consumer market and no real retail sales growth. Efforts to remodel, redevelop and renovate are continually stymied by a daunting entanglement of regulations. As a community, we cannot simply rest on our past laurels and hope that a national economic resurgence will somehow carry us into the future.

We still believe that the long standing Aspen community/resort model—a commitment to supporting a vibrant recreational, artistic and intellectual community, which in turn shapes the visitor experience in a way that is very different from our competitors—remains our strength. We believe that this community’s mantra: *mind, body, spirit* is as fresh today as it was 60 years ago. We believe that ACRA’s commitment to *defy ordinary* is an appropriate challenge. But we also know that economic stagnation strains this model and undermines the community’s ability to remain a sustainable and healthy place with opportunities for families and local business to remain and prosper.

Over time, our current path is not a viable option. Mediocrity is neither an Aspen trait, nor an acceptable attribute. We need to challenge ourselves to be the best local community and the best resort, offer the most vital and vibrant commercial core, and continue to be the best option among a host of competitor resorts.

### Looking Forward

Discussions with a wide variety of public and private entities and debate among Sustainability Committee members suggest a number of common concerns as they look forward. Many of these are the same issues that were identified a decade ago in the 2002 Sustainability Plan:

- **Aspen’s visitor base continues to age.** Although our aging demographic and aging community has been a topic of much discussion, we have not expressed a clear vision for how this community will attract and engage a new group of consumers as our current market erodes.
- Long standing concerns about the **decline of the skiing market**, and the absence of new sport participants, was expressed in 2002 and remains a concern. What happens next as the market ages further and skiing becomes a more difficult pursuit? Who will replace the Baby Boomers? What are the consequences for the more remote resorts, such as Aspen, which don’t have immediate proximity to metropolitan markets as a strategy for inducing shorter stays and frequent visits?



- Efforts to improve the **diversity and vitality and of the Aspen downtown** have seen some success but the issues of core area vitality, store diversity and basic visitor engagement remain important concerns. The fact that solutions are not easy should not be an excuse for doing nothing.
- **Economic forces continue to pressure Aspen’s lodging community.** The viability and appropriateness of the Aspen transient bed base was a concern in 2002 and remains a concern today. Examining lodging trends and solutions is already a commitment in the city’s current plan. How do we overcome inertia and move forward from examination to solutions on this challenge?
- **Regulations and fees**, often imposed with good intentions, accumulate over time and make commercial and condominium redevelopment expensive and difficult. Competitor resorts continue to offer newer and market-directed projects. Can Aspen find ways to stimulate redevelopment of commercial structures, creation of a more diverse lodging base and redevelopment of private condominium units in a way that benefits the community?

The purpose of this sustainability review is to again raise the issue of: what happens next and how should the community respond? Are there big ideas or ambitious goals that are appropriate to keep the Aspen Community healthy and sustainable?

## Seven Community Challenges

In suggesting new recommendations for community consideration, the Sustainability Committee was in universal agreement on three underlying premises:

- The Aspen Idea: *Mind, Body and Spirit*, continues to define the very best of our aspirations.
- The boom and bust economic forces shaping the past decade arrived largely unforeseen and we face very uncertain times from this point forward. Regardless, we cannot be paralyzed by uncertainty.
- Our desire to preserve what is great about Aspen should not stop us from pursuing something even greater and more relevant. Accommodating change, while preserving our values is the basis of healthy and sustainable community evolution.

In light of all these considerations, the ACRA Sustainability Committee recommends the following specific ideas as appropriate challenges for the next decade of community sustenance.

- #1. *Live up to our vision for the future of **the Aspen community** as a vibrant and extraordinary place and acknowledge the ways in which market forces and demographic changes may threaten our competitive position.*

Simply stated, we think the community plan should aggressively embrace the economic sustainability of Aspen and the long term prosperity of all who depend on the visitor market. A second decade of stagnation is unacceptable. We are encouraged by the success and aggressiveness of the community’s expanded marketing program and the recommitment to visitor events and cultural programming. “Messy vitality” implies experimentation, risk taking, aspirations of excellence and occasional failure—let’s re-embrace and recommit to this most basic value of Aspen culture.

- #2. *Commit to facilitating the development of at least one **new lodging property** in the Aspen core, so as to increase the number and quality of transient offerings and avoid any perception in the market place that Aspen lacks contemporary lodging or a variety of accommodations.*

There appears to be broad community acceptance of increased, improved and diversified transient lodging as a desirable goal. Rather than simply express a goal of “new transient units,” the city should express a specific objective: for instance: “over the next 3 years, stimulate the production of 200 units of new lodging within the city of Aspen.” The city has completed a number of studies demonstrating the economic benefit of transient lodging. The city has also commissioned research demonstrating the challenging economics of hotel development in Aspen and the need to incorporate some open market residential units to underwrite success. We suggest the city act upon those analyses and commit to success.

- #3. *Continue to improve the **vitality of downtown**. Commit to comprehensive review and reform of business and development regulations in order to unravel a regulatory environment that unnecessarily restricts the variety and vitality in the core area.*

City Council’s Annual Plan for August 2012 to July 2013 set as one of its Top Ten Goals “Complete a Small Business Initiative that focuses on the ‘speed and simplicity’ of business start-ups...” and conduct a review of regulations and the way we administer those regulations to understand the things that make doing business in Aspen difficult (licensing and permits, review bodies, SCI zone, sign code and mitigation). We would add to that mission that we commit to improving the situation not simply studying it.

- #4. *Proactively establish an appropriate **redevelopment program for the Lift 1A neighborhood**.*

Few planning efforts are as emblematic of Aspen’s willingness to admire its issues without particular resolution of these issues, as was our collective inability to find an appropriate development plan for Lift 1A neighborhood. We believe there is a broad consensus that this area offers an opportunity to revitalize the neighborhood, diversify the Aspen visitor experience and support the Aspen World Cup races in a way that meets the needs of all community interests and could present a new and vital product into our marketplace. The present residential development plan for this site is an historic missed opportunity and our collective failure to capitalize on that opportunity is regrettable.

- #5. *Remove unnecessary barriers to the **renovation of lodging and condominium units**. Encourage improvement and modernization of units and avoid any perception that Aspen is dated and aged.*

Development restrictions and mitigation requirements, and an overlay of regulations that keep private owners from making improvements in their units, have evolved over time with unfortunate consequences. The Richman Report and ongoing lodging study by the town are a start, but we need to finish. We need a commitment to unraveling these restrictions, reevaluating the level of mitigation requirements and allowing owners a cost effective means of accomplishing unit improvements.

- #6.** *Accept the challenge of attracting **better and more diverse air service** and carriers. Define a specific plan with delineation of costs to improve air connections.*

The extension of the airport runway provides for meaningful use of regional jets, which has enabled carriers to provide service with their current fleets. The community has provided some marketing support to new service, but has generally avoided the subsidies often used in other resort airports. We need to rededicate to the attraction of competitive airline services. With the approval of the airport master plan, the next step should be the implementation of an expanded terminal facility, with improved behind-the-counter, airline services space, as well as expanded customer waiting areas.

- #7.** ***Defy Ordinary.***

Aspen is a remarkable community and produces an equally remarkable and valued visitor experience. But Aspen is not impervious to market forces, demographic change, competitive pressures or community lethargy. We can aggressively meet the future in the same spirit as Walter and Elizabeth Paepcke did over 60 years ago with an aspiration to become a place like no other place, or we can settle for less. For too long our community has argued about the purported tension between our small town character and our standing as an international resort. We firmly believe there is a natural energy, unique to Aspen, because we are both a ski town and an international culture-driven destination. We need to acknowledge and nurture this special energy to propel Aspen into the next level of excellence. Our overarching challenge is to keep the Paepckes' spirit alive and to keep pressing to be more than an ordinary community or an ordinary resort.