

Report and Recommendations of the Economic Sustainability Committee

*A joint project of the Aspen Chamber Resort Association, the City of Aspen, and the
Aspen Institute Community Forum*

September 2002

Background:

Toward the end of 2001, Aspen was faced with several years of lowered economic activity attributable to a combination of several mediocre snow years, the Y2K business consumer travel slowdown, the terrorist events of 9/11, and the general slowdown of the U.S. and world economies following the sustained bull market of the 1990s. Since then, forest fires affecting Colorado tourism and a deepening of the recession have further hampered Aspen's business climate.

Concurrently, the Aspen Chamber Resort Association, the City of Aspen, and the Aspen Institute Community Forum Board were all interested in gaining a perspective on our current situation. After individual efforts by each of these organizations were begun, it was decided to collaborate on a joint task force to assess the situation and to make recommendations.

Narrow Scope:

Economic Sustainability can be a fuzzy term and implies a system analysis in which both short- and long-term factors of production are balanced in a manner so as not to permanently deplete resources. The size of the system can be small or large. For purposes of our committee, we focused on the Aspen community, i.e., Aspen and the upper portion of the Roaring Fork Valley. Some members of the committee were familiar with a particularly environmental approach to the issue of sustainability.

Much discussion focused on issues of balance between the economy, the community, and the environment. Other members urged a "whole valley" approach, which would extend the geographic area of the committee's concerns. This committee has sought to incorporate these concepts in their information gathering and deliberations. However, it was determined that for purposes of the committee's primary area of concern, the focus would be on sustaining the Aspen resort economy. Recognizing the immediacy of many of the problems facing the Aspen business community, we also focused on those short- and long-term items that would have, in our opinion, a positive payback for the community.

Quality of Life:

Aspen's beauty, its rich cultural heritage, and the diversity of the community are its most sustainable competitive advantages. Our committee operated within the framework that these elements must not be compromised for short-term economic gain.

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Sources:

Our committee met approximately 18 times over the course of about 9 months. During this period we invited a number of guest speakers to inform the committee on their respective areas of expertise. Guest presenters included Ford Frick (BBC Research and Consulting, Denver) and Chris LeTourneur (Thomas Consultants, Vancouver), both of whom have expertise in the economics of resort area communities. Snowmass Village Mayor, T. Michael Manchester, spoke about the Base Village project and other issues facing Snowmass Village, including their own recent strategic planning efforts. In our discussion of commercial real estate we spoke to a prominent landlord as well as a commercial real estate broker. In looking at airport issues, we had discussions both with Bill Tomcich (Stay Aspen Snowmass) and Jim Elwood (Pitkin County Aviation Director). John Norton made a presentation on the marketing research conducted by the Aspen Skiing Company, along with their current marketing strategies.

Don Roth (Aspen Music Festival & School) and Jim Baker (Anderson Ranch Arts Center) helped inform us of the importance of the cultural non-profits to the community and the various challenges they face. Bill Dinsmoor (Commercial Core and Lodging Commission) and Barry Gordon (Aspen Retail Association) informed our committee on certain lodging and retail issues. City of Aspen planner Chris Bendon participated not only in presenting the proposed City of Aspen Infill Project, but also informing us on general planning issues as they came up.

Commissioner Mick Ireland presented us with County demographic data confirming the aging of our local population, as well as comments on the development of affordable housing and affordable commercial space. Commissioner Shellie Roy presented us with County budget and tax information revealing some of the fiscal challenges that the County faces. We also reviewed some existing sources, such as the Aspen Area Community Plan (2000) and the Downtown Enhancement and Pedestrian Plan (1998) for factors relevant to the work of our committee.

Consensus Process and Disclaimer:

The committee worked to establish consensus observations and recommendations. While the committee as a whole has determined that it supports the recommendations in this report, individual committee members may disagree with some of the consensus recommendations. The recommendations presented here do not necessarily represent positions taken by any of the sponsoring organizations and are not intended to reflect current policies of the City of Aspen, the Aspen Chamber Resort Association, or the Aspen Institute.

Trends:

While relatively simple and perhaps obvious to many, there are several major trends affecting Aspen, its competitive position, and the business climate. We believe that these

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trends need to be acknowledged and factored into Aspen's positioning as a resort/tourist community.

- Maturation of Ski Industry (and its participants). With a tail wind boosting skier visits through the 1980s, the 1990s showed a significant slowing in the number of overall skiers. Concurrently, the economics of resort development brought keen competition to ski area operators as capital was freely spent on new or expanded area development and paid for by associated real estate sales. Aspen rode this trend to a degree, but in comparison with newer resort areas, Aspen lacked sufficient land to develop and also chose to restrict community growth. These factors had the effect of making additional ski area infrastructure investments economically unattractive. As a result, today's skier has many more developed areas from which to choose, and expects a consistently high quality of accommodations and infrastructure irrespective of location.
- Shift from ski to real estate driven business community. Concurrent with the stock market boom of the 80s and 90s, Aspen's real estate market exploded. Millionaires bought out ordinary folk, followed in some areas by billionaires buying out the millionaires. Ownership shifted from full time residents to part time. Property management, construction, real estate sales, and associated legal and planning businesses surged. The latest phase is the increase in interval ownership projects that have compelling economics for many Aspen visitors—particularly given the current recession.
- General shift to upper end consumer. As the more wealthy bought into Aspen, there were fewer tourists, but the total dollars spent kept climbing. The Aspen Skiing Company upgraded its “value proposition” by significantly improving its quality of service—from lifts to snow grooming to restaurants and accommodations, all of which supported a more affluent consumer. Over the course of a decade, lodging facilities became bifurcated, either being on the upper end or through obsolescence, slipping to middle and lower levels of quality.
- Shift in retail climate. The types of stores supported by Aspen's shifting clientele also changed. Out went t-shirt shops; in came high-end boutiques. More and more service businesses and mom and pop stores shut down or moved down valley, leaving less shopping selection for the locals. Further, faced with a certain type of store willing to pay any price to be in Aspen, rents rose to the point of rendering the economics of most retail businesses to be marginal at best.
- General shift of residency for the “working class,” and “Aspen locals” choosing to shop down valley. Particularly with the relatively affordable developments of Elk Run, Blue Lake, and other areas further down valley, many Aspen working families chose home ownership down valley in lieu of condominium living in Aspen. There is support for the theory that as the number of local purchasers has declined, the market has adjusted and expanded its focus to the higher-end purchaser. Additionally, and

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particularly with the four-lane work on the highway near completion, an increasing number of Aspen locals shop down valley—whether for snow tires, groceries, lumber, or the typical Wal-Mart run.

- Renewed vigor of the Aspen non-profit and cultural institutions. Supported largely by Aspen's upper end clientele, Aspen's premier non-profit institutions (particularly those with entertainment/cultural offerings) benefited from the generosity of both locals and second homeowners. The strength of these organizations further attracted more people to our community who value these institutions.
- A new set of challenges for local governments. Service demands grew as more workers required busing (RFTA), transportation and parking facilities, and employee-housing capacity was strained and the demand for social services climbed. Concurrently, in the attempt to control and steer growth, planning and zoning activities mushroomed. These activities were adequately supported during a period of growth for sales tax revenues, but shrinking tax revenues in the current period may force difficult choices.
- Ground and air transportation issues remain perplexing. While transportation to and from Denver via car improved by raising the speed limit back to 75 mph and with the near completion of the four-lane highway to Aspen, increased traffic along the I-70 corridor and placement of DIA further from Denver makes ground transportation more difficult. At the same time, with only one airline flying the main Aspen/Denver route, fares tend to be high and flight selections limited. What's more, transportation in Aspen is hampered by the constricted nature of the current entrance to Aspen and by a lack of adequate parking facilities downtown.
- Lack of coordination. In contrast to a “one-company town,” such as Whistler Village, in which product offerings, prices, and service levels are thought of as a package, Aspen operates as a group of individuals subject to the competitive forces of the marketplace to dictate which businesses and products are successful. This lack of coordinated effort often manifests itself in a mix of products and services that do not optimally reflect the needs of the resort population and local community.
- Aspen is affected by the overall economy. Just as Aspen was affected by the silver bust of the 1890s, today Aspen's economy is largely affected by the economic status of its full- and part-time residents and visitors. With over 8 trillion of “wealth” (at least in terms of pricing) knocked out of the stock market, Aspen's residents are also feeling the crunch.

Committee Participants:

ACRA Committee Co-Chair Stan Clauson and Community Forum Co-Chair Wally Obermeyer would like to thank the following individuals for their participation and contribution to our committee work:

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ACRA

Jim Baker
Molly Campbell
David Fleisher
Barry Gordon
Ken Hammerle
Rick Jones
Jackie Kasabach
John Norton
Hanna Pevny
Bill Tomcich

Aspen Institute

Community Forum

Jeanette Darnauer
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City of Aspen

Helen Klanderud
Steve Barwick
Julie Ann Woods
Chris Bendon

Pitkin County

Shellie Roy, County
Commissioner

We are grateful for staff support provided by Nell Arthur of ACRA, Cristal Lee of the Aspen Institute, and Crissy DiAmato of the City of Aspen.

Economic Sustainability Committee Recommendations:

About mid-way through its schedule of meetings, The Economic Sustainability Committee undertook a group exercise to help define key issues with respect to the economic sustainability of Aspen as a resort. The Committee identified a number of “stumbling blocks” to sustainability and then ranked these issues in importance. Much of the Committee’s subsequent work has been to develop a better understanding of these issues, prior to offering recommendations.

Following are the five most significant issues, ranked in order of importance as identified by the Committee in an early planning exercise. Each of these issues is associated with one or more recommendations for action.

Issue #1

Aspen has a deteriorating lodging and tourist facilities inventory. This includes small lodges and condominiums that are placed in the rental pool. Not only has the number of available rooms decreased greatly, but also remaining facilities are not perceived by the visitor as offering appropriate value for their pricing. Lodging owners and potential developers do not perceive a sufficient return on investment to improve existing facilities and develop new ones.

Recommendation #1

Support redevelopment of existing lodging facilities and the development of new lodging facilities.

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Discussion

Because new investment is needed in existing lodging facilities and some new development is needed to replace lodging units lost to conversion, Aspen should embark on a multi-faceted program to support lodging redevelopment/renovation in the current economic marketplace. One aspect of this should include supporting interval ownership programs, but only when combined with physical facilities making it possible and required to rent unused periods as short-term tourist accommodations.

All boards and commissions involved in the review process should understand the importance of these development efforts and, consistent with their review responsibilities, not burden potential development with excessive requirements or protracted procedures.

Community Development staff should be supportive of this redevelopment effort by reviewing current zoning regulations, including growth management restrictions, and recommending zoning changes that facilitate an appropriate amount of lodging development. A short study should be undertaken to determine the actual amount of lodging lost during recent years and an appropriate number of needed replacement lodging units. Community Development staff should also assist potential redevelopers of lodging and rental condominiums by mapping appropriate sites for lodging development and reinvestment, and by supporting a collaborative effort in the permitting process to improve the existing lodging base.

Issue #2

The availability of air access is too limited to support an appropriate level of tourism. There is a lack of competition, caused in part by the inability of the airport to serve the current types of regional aircraft used by other potential carriers.

Recommendation #2

Continue to upgrade the safety and expand the capability of Sardy Field.

Discussion:

Sardy Field should be improved to accommodate additional types of aircraft, which is a prerequisite to attracting additional air carriers to Aspen. These improvements include runway lengthening and improved guidance facilities. Rather than continue the debate on bringing in the Boeing 737 aircraft, current market studies show that improvements could be targeted to address a wider variety of smaller regional jets operated by other carriers. Moreover, the principal aircraft servicing Sardy Field, the BAE 146, is no longer in production and a program to provide a replacement aircraft has been cancelled by the manufacturer.

It is therefore necessary to provide the runway length and other facility improvements that would safely support a wider variety of regional aircraft under a broad range of weather and temperature conditions. Bonding, as a financing mechanism, should be considered in order to accelerate these improvements by providing the local match to the

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90% FAA funding. At the same time, it is in Aspen's interest to explore an improved relationship with the Eagle County Airport, and possibly Rifle and Grand Junction airports as well, including transportation and welcome services.

Issue #3

The Aspen (and Pitkin County) economy has a low multiplier effect, with income flowing out quickly because we lack a broad-based and complete range of economic sectors.

Recommendation #3

Develop a broader-based economy by supporting commercial and affordable housing in-fill opportunities in the Commercial Core and Service/Commercial/Industrial (S/C/I) zones of Aspen, as well as at the Aspen Business Center (ABC), and by supporting housing opportunities for a greater number of Aspen employees.

Study measures to encourage locally owned and operated businesses. Explore ways to develop locally owned and local serving retail space.

Discussion:

There are several factors that cause leakage of sales out of our local market area and diminish the re-circulation of dollars spent in the community. These include the downvalley location of construction companies/contractors and consumer shopping opportunities, the fact that a significant number of employees do not live and spend money in Aspen, and the presence of corporate owned retail facilities whose profits are extracted from the local economy.

A threefold approach to this problem includes ensuring that S/C/I facilities are retained and expanded through infill wherever possible, additional business facilities and housing should be provided in the Commercial Core through infill, and additional affordable housing opportunities should be developed generally within and adjacent to the Urban Growth Boundary.

The Committee reviewed trends showing the transition of housing occupancy from local residents to second homeowners, along with the general aging of the population and influx of older residents. These trends have exacerbated the problem of housing availability and affordability for local working residents. The absence of sufficient affordable housing in the metro area has been seen as impacting community-building and transportation, but it should also be seen for its impact on markets for affordable consumer opportunities.

The Aspen Business Center should also be studied as a significant in-fill area that could support additional S/C/I and Neighborhood Commercial, as well as providing additional housing opportunities. ABC development could include a grocery store and other local-serving retail.

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Issue #4

Land appreciation and unrealistic rents paid by certain tenants have created a situation of diminished retail possibilities and vacancies in the Commercial Core.

Recommendation #4

Develop new regulations for the Commercial Core based on vertical zoning that generally requires retail at the ground floor level, while reserving professional office and housing opportunities for upper stories. Develop program recommendations for affordable retail and commercial start-up opportunities as part of the infill planning activity. Inventory and study measures from other communities that might further contribute to a vibrant retail environment as well as supporting local serving businesses. Review the Downtown Enhancement and Pedestrian Plan (DEPP) study for implementation, particularly with respect to mall improvements and wayfinding.

Discussion:

The current retail environment has often been characterized as one dominated by elite international chains and other uses that are capable of paying significantly higher rents than would be economically feasible for a broad range of retail activities. This displacement is in part a function of economic forces, but might be ameliorated by limiting the encroachment on the retail environment of non-retail uses, providing some additional affordable retail through infill, and reviewing measures taken in other communities to enhance the diversity of retail shopping opportunities.

At the same time, it is recognized that there has been a lack of cooperative activities among retailers. Efforts to form a retail organization should be supported for the coordination of store hours, promotion of the retail environment, and the launch of a “buy Aspen” program. On a broader level of cooperation, initiate a “commercial core task force” made up of landlords, shop owners, and marketing experts to develop strategies to invigorate the shopping/entertainment experience on the malls and commercial core areas. Such a group, known as the Downtown Improvement Group, has recently been organized by the City, with a mandate to provide recommendations for the malls and commercial core within six months.

The Committee did review the current restrictions on store size and determined that store size alone does not seem to have an influence on whether a business is locally owned or local serving. The Committee has not recommended more stringent store size limitations as a means to achieving these goals. However, there may be other potentially useful code changes or creative measures that can be culled from various resort communities. The Downtown Improvement Group, with City staff support, should survey these measures as soon as possible. The Downtown Improvement Group should then recommend key measures for adoption.

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Issue #5

There is a diminished sense that Aspen is different.

Recommendation #5

We need to take action to reinforce and enhance Aspen's uniqueness. We need to promote its virtues, which include many "firsts" for a resort community. At the same time, we need to act out our support for and belief in our community. Aspen's activities and the marketing of the resort should be a coordinated effort among the Chamber, the Aspen Skiing Company, and the cultural nonprofits. New parks and recreation facilities should be included in marketing and media relations. A vision of Aspen should be supported by the redevelopment of Aspen's infrastructure facilities and development of new facilities, including a performing arts/convention center.

Discussion:

We should re-affirm that, while other resort venues bring together an historic downtown, outdoor activities, and cultural elements in some measure, Aspen's history of blending these activities—Walter Paepcke's dream of nurturing the mind, body, and spirit—presents a very real marketing advantage. The community has moved forward to significant status in all of these areas, but cannot rest on its laurels. The new music tent and construction at the Anderson Ranch could be complemented by additional performance and arts venues. The community should study the need for a conference/convention/performing arts center capable of accommodating audiences larger than supported by current facilities and equipped for multi-purpose functions.

The uniqueness and quality of existing cultural events and outdoor activities taking place in Aspen can and should be a marketing focus, but additional opportunities should be developed to meet the interests found among people at every age. Young people particularly are often excluded from popular performances because they occur in alcohol-restricted venues. More opportunities for youth recreation should be developed and promoted.

With respect to marketing, additional tax sources should be studied to provide money for a coordinated Aspen marketing campaign. Particularly with the lack of state investment in tourism promotion, additional dollars spent on advertising and public relations could have a significant impact. Other efforts should include lobbying for a reinstatement of Colorado tourism promotion.

Both the public and private sectors should be encouraged to continue to reinvest in Aspen's infrastructure. Over time the community has spent significant dollars in restoring the Wheeler Opera House, purchasing open space, creating affordable housing, developing bike trails, making additions to the hospital, and currently building a recreation center, a new golf club house, and the major school improvements. Currently lacking are downtown parking facilities, an effective entrance to Aspen and an inter-mountain interconnect.

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We encourage moving forward on the Entrance to Aspen as approved in the CDOT Record of Decision. Much public participation and research was undertaken resulting in the decision to provide a new entrance to the community. The plan as approved provides a very high level of open space amenity, supports current and future forms of public transportation, and will help to eliminate congestion that negatively affects all members of the community.

Opportunities for public/private partnerships should be explored to create additional and more convenient parking, as well as a gondola interconnect for the mountains. The present interconnection of the mountains by busses and cars is inadequate, both from a functional and marketing perspective. Infrastructure development and renewal should be encouraged to continue at all of the four ski areas.

Other long-term recommendations:

- Do not over-react to exogenous economic variables. Just as the market boomed in the 1990s, there may be a slowdown, but things will surely rebound given time and patience. No “quick-fix” should denigrate from safeguarding Aspen’s competitive advantages of beauty and cultural richness, whereas traditions of debate and thoughtful governance will payoff in the long term.
- Develop, track, and monitor key community economic variables as well as certain “intrinsic value” indicators that are more quality of life and aesthetically orientated. Trends in these indicators can then be used as feedback for both positive and negative impacts. The City and ACRA should jointly provide this data on a timely and regular basis to complement Healthy Mountain Communities’ “County Profiles” and Regional Indicators.”
- Continue to have a business/government/non-profit forum as a means of collaboratively assessing and addressing community/business challenges and opportunities. This forum could meet quarterly.

Action Item Summary

1. Support lodging renovation and redevelopment in the current marketplace, including interval ownership, if combined with physical facilities that make it possible and required to rent unused occupancy periods as short-term accommodations.
2. Review current zoning regulations, particularly growth management restrictions, to recommend changes that facilitate lodging development up to a revised level of replacement units.

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3. Study and establish a new target level for replacement lodging units. This should supplant the current annual allocation and total build-out numbers in the current growth management portion of the land use code.
4. Identify and map potential redevelopment sites for lodging.
5. Provide runway lengthening and improved guidance facilities at Sardy Field to support a wider variety of regional aircraft and encourage new carriers to come into Aspen.
6. Explore improved transportation connections and welcome services at Eagle and Grand Junction airports, while maintaining and enhancing Aspen Airport visitor services.
7. Retain and expand through infill S/C/I facilities wherever possible to help counter downvalley economic leakage, and provide needed goods and services to Aspen residents and visitors.
8. Continue efforts to develop affordable housing within and adjacent to the Urban Growth Boundary and, through infill, in the Commercial Core.
9. Study in-fill expansion possibilities within the Aspen Business Center (ABC) for S/C/I and Neighborhood Commercial, as well as additional housing opportunities.
10. Study code changes designed to limit the encroachment on the ground floor retail environment by non-retail uses.
11. Study mechanisms for affordable retail development.
12. Support the development of a retailers association for the coordination of store hours, promotion of the retail environment, and as a vehicle to give the retailers voice on political and regulatory issues.
13. Support the activity of the newly-formed Downtown Improvement Group—a commercial core task force made up of landlords, shop owners, and marketing experts—to study ways to invigorate the shopping/entertainment experience on the malls and in the commercial core.
14. Empower the Downtown Improvement Group and provide staff support to communicate with other communities, and research and recommend code change and/or other creative measures that encourage a desirable downtown retail mix.
15. Study the possibility of developing a conference/performing arts center of sufficient size able to accommodate community cultural activities and provide conference-marketing opportunities.

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16. Marketing efforts should provide a stronger relationship to the cultural activities available in Aspen.
17. Provide additional opportunities for evening recreation for young people to complement the extensive outdoor recreation available.
18. Consider additional tax sources for marketing funds, including the possibility of a one-percent sales tax for marketing purposes, not only to promote winter skiing but also to highlight the summer season with its increased cultural and recreational activities.
19. Join with other communities in lobbying efforts for a reinstatement of state-level tourism promotion.
20. Continue to reinvest in Aspen's infrastructure through collaboratively exploring public/private and interagency partnerships for certain projects and moving forward on others that have already approved. These include:
 - The Entrance to Aspen as approved in the CDOT Record of Decision,
 - Possible additional and more convenient parking, and
 - A gondola interconnect for the four ski areas.

Who is Responsible for Carrying Out these Recommendations?

At first glance, it may seem that responsibility for carrying out these recommendations falls to government, both City and County. However, the concerted efforts of many organizations will be needed to brainstorm and determine the specifics of many of these recommendations, provide support for the recommendations in the political and review process, and organize non-governmental activities to complement the recommendations.

The Aspen Chamber Resort Association Board should review and adopt recommendations that it believes will be effective in providing for resort sustainability. Then the Chamber should provide active support for its positions.

Other associations, including the Aspen Lodging Association, the Aspen Retailers Association, SkiAspenSnowmass, and the Downtown Improvement Group, can have an important role in developing cooperative activities and influencing public policy development.

The Aspen Skiing Company is an important private sector partner and should be represented as these recommendations are discussed. Their corporate planning for ski area development and transportation programs remains a key factor in implementing these recommendations.

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Governmental review boards, such as the Historic Preservation Commission and the City Planning & Zoning Commission, have a significant impact in their reviews of potential projects and code changes. It is important that they be made aware of the research and conclusions of this Committee.

Finally, while a number of these recommendations are already being undertaken by study groups, such as the Airport Master Plan Process, that in itself does not ensure successful implementation of their recommendations. Concerned citizens and organizations need to monitor and participate in the political process relating to these recommendations in order to expand the dialogue about our efforts and improve chances for success.

Adoption

Notwithstanding the disclaimer regarding individual opinions and those of the organizations represented, this report and its recommendations were unanimously adopted by the Committee at its meeting of 25 September 2002.