

FINANCIAL ADVISORY BOARD

Sales Tax Nodal Recommendations

3-16-11

Problem Statement:

The basic problem from the sales tax data the FAB reviewed is that the retail areas in the Mall and Base Village are not sustainable. It was also recognized that based on sales per square foot that the retail environment in the Mall (before Base Village) was difficult given its seasonality. During the PUD review for Base Village, \$400/sq. foot was considered indicative of a healthy business. Sales per square foot in the Mall changed from \$268 sq. ft. in 2000 to \$317 sq. ft. in 2006 to \$279 sq. ft. in 2010. Base Village had an average of \$186 sq. ft. in 2010. Reasons the FAB believes that the retail areas are unsustainable include:

- The recession over the last two years has made the retail and lodging environment challenging at best particularly in a resort that depends on discretionary spending.
- There is an in-balance between the residential and commercial mix in the Mall and Base Village. The bed base in Base Village has not kept pace with the increase in commercial square footage.
- Given the increase in commercial square footage (there has been a 33% increase in leased square footage in both Base Village and the Mall between 2006 and 2009) there has not been a proportionate increase in guests and or lodging to support that square footage. We need more heads on beds to be sustainable.
- Base Village is not complete. Of the 613 new lodging units approved in Base Village, only 243 units (40%) are complete. Of the 70,161 square feet of commercial space approved in Base Village, 50,633 sq. ft. is built (70% of the total approved) and 43,005 square feet is actively leased.
- Two guest-serving commercial nodes are challenging to remain sustainable.
- There is not a critical mass of retail in either the Mall or Base Village to be sustainable.
- There has been a 1% increase in gross sales within the Center, Base Village and the Mall between 2006 and 2010. However, there is more competition (more commercial square footage) in the Mall and Base Village making the pie smaller for those retail businesses. The sales per square foot in the Mall between 2006 and 2010 were reduced by 12%.

Recommendations:

- Completing Base Village is important. Increasing the number of lodging units and hot beds is critical to address the imbalance mentioned above. The new developer of Base Village will most likely want to review the retail and commercial mix in Base Village in relationship to the other two commercial nodes in Snowmass Village. If this occurs, the Town should independently review new assumptions and conclusions on residential and commercial mix proposed by the developer. This should be done consistent with the Town's municipal code and respect the obligations the Town has made with the developer.

- Considering that it may take some time to see physical change in Base Village the following recommendations are offered:
 - To increase the number of visitors and occupancy, a new level of cooperation is needed between the Town, retailers, and lodging. The Town should investigate incentives for businesses and the Town to work together to develop promotions, share information, and remove barriers to synergistically working together to improve occupancy.
 - The FAB welcomes the opportunity to review the economic metrics for marketing and group sales functions within the Town. This is scheduled to occur in June.
 - Without interfering in lease relationships, the Town Manager should reach out to landlords to help facilitate communication between landlords and tenants. Sometimes this might involve suggesting a change of use from commercial to another use. Where there is vacant commercial space, it also might involve simply providing a point of reference on retail sales with the information derived from the FAB analysis.

- Pace ourselves financially with the current economy. The Town should recognize that it performed better than the average in this economic downturn compared to other resorts. Page 17 of the Council packet, there is a summary of the % change in sales tax for a number of mountain resorts. The decline in sales tax between 2006 and 2009 ranged between -5.5% to -12%. The average decline in sales tax was -7.42%. Snowmass Village beat the average and was down by 6.7% on sales tax between 2006 and 2009. Snowmass Village also reduced its spending during this economic down-turn. FAB would simply remind the Council, that spending should correspond with the actual pace of economic recovery which is uncertain at this time. However, an improving economic climate if it occurs will improve retail and lodging sustainability and we have performed better compared to our competitors as measured by total sales tax.