

04/24/10 ASPEN'S SCARY COMMERCIAL BUSINESS TREND - VACANT!, By The Red Ant

"Let us not look back in anger, nor forward in fear, but around in awareness."

--- James Thurber

EMPTY STOREFRONTS ABOUND

This week, The Red Ant embarked on an unscientific walking tour of the downtown core to gauge the extent of the vacancy virus that has infected Aspen. It was an eye-opener. "For Lease" signs fill storefronts on literally every block. And that's without noting the commercial office space vacancies on other levels! Word is that this is just the start.

A quick run-down on some retail vacancies, on a block-by-block basis:

The Little Nell lost Oilily, but current tenants Dennis Basso and Gorsuch are playing some musical chairs with space and filling that back up. However, a big question mark hangs over the status of NY-based Italian Wine Merchants who've had the former bookstore space all winter but with no activity. Durant Street is in bad shape. North of Nell, despite its attractive facelift, has lost Lil Boogies, Aspen Luggage and Stanfield Fine Art. Across the street in the former Kaelin building, the Denimaxx store has packed up and left. In the Ajax Mountain Building, Noori's and much of the upper level tenants have pulled the plug.

On Cooper Street, the Aspen Grove Courtyard has its annual turnover: Peek-A-Boo is gone, and the Chepita space is apparently being re-worked into three new stores. Fat City Plaza lost Noodles by Kenichi, and Kali's is relocating, perhaps to one of the Chepita spaces across the street. The old Guido's location still awaits a replacement for Ruth's Chris steakhouse. Pattie's Gemagination flew the coop, as did Durrance Sports and several Bidwell Building tenants (that's another story entirely) on the Cooper Street Mall.

The Hyman Avenue Mall isn't faring much better. One half of the Paragon building and the Columbine of Aspen space are advertising their availability, and of course Fly bar has been empty now for over a year. Down the way, Syzygy's former location and the former offices of The Dancing Bear (above L'Hostaria) are empty. Same goes for the building next to Little Annie's. On Hopkins Street, Prints

Charming and The Hidden Jewel are gone, as is J. Mendel across from the Fire Station, and The Steak Pit and The Double Dog Pub at the west end of the block.

A total of 37 empty storefronts puts the commercial vacancy at levels not seen since 9/11; office space is in FAR worse shape! The silence is deafening!

DON'T JUST BLAME THE LANDLORDS!

According to Ruth Kruger of Kruger & Co. who specializes in commercial space, property taxes have generally doubled in the past year. One of her prime properties saw its taxes increase from \$87K to \$157K (that's \$6.90 to \$12.50 per sf). She reminds The Red Ant that in the 2007 mayoral election, Mick promised that we'd figure out ways to roll back taxes if/when something like this increase occurred. THAT certainly doesn't seem to be happening, but Kruger reports (and The Red Ant confirms) that many landlords are working with their tenants on a case-by-case basis.

The Red Ant encountered two Aspen landlords today while out and about. Both were anxious to talk about the current commercial real estate situation; one even did so while in the barber's chair! In addition to the exorbitant increases in property taxes thanks to the aggressive valuations in 2009 by the Pitkin County Assessor, The Red Ant was reminded that the City's "tiered cost" energy program kicked-in this past year. Originally designed to punish owners of large homes for their energy use, the tiered program charges the highest rates to the largest consumers. An unintended consequence (or is it?) of this pricing program is that commercial properties fall into the large energy consumer category and have seen "exponential" energy rate increases.

Most commercial leases in the downtown core are triple-net leases, meaning that the costs of maintaining the property, the taxes and the insurance are passed along to the tenants. This makes landlords an easy target when businesses fail.



But when long-time locals Bob and Cindy Glowacki recently closed the doors of The Steak Pit and The Double Dog Pub, Glowacki didn't blame his landlords. In fact, he noted that they were willing to work with him. "Just lowering the rent wouldn't have made it successful," he said in an Aspen Times interview, acknowledging that there are multiple economic factors

that impact the success or failure of a local business. For example, his food costs had increased 50% since 2006. Several of his employees and many of his customers quickly blamed the "greed" of the landlords, but there are clearly a number of factors that contributed to the closing of the business.

WHAT ABOUT THE NATIONAL CHAINS AND LUXURY BRANDS?

To this point in time, there hasn't been much movement among the luxury brand retailers. Only Brioni (between Fendi and Frette on Mill Street) has vacated its space. Some contend that these tenants can afford to be loss-leaders for their corporate headquarters - it's just the cost of having a presence in Aspen. Others say that a lot more may be happening behind the scenes. Some may just be waiting for their leases to run out. Time will tell.

Kruger points out that several national retailers have recently been looking at space in Aspen. They've wanted to be here, and the current timing might be favorable. But even the national chains are being cautious.

NOVEL EXPERIMENTS

Several savvy business owners have taken advantage of the space availabilities in town. Local artist Tania Dibbs took a short term lease on the Hyman Avenue Mall last fall, naming her place "107 Days," the term of her lease. Soon, a "+/-" appeared before the "107" and she stayed all winter. The Red Ant contacted Tania and confirms that she plans to stay for a while.

The Red Ant also spotted a temporary "outlet" store for B. Jewel on the Cooper Street Mall, a model that Boogie's has employed throughout the past year --- doing short-term deals for empty locations where sale merchandise can be effectively moved.

Additionally, this past season brought us several "Pop-Up" stores - retailers who signed short-term leases and simply operated out of existing spaces with temporary "store-in-a-box" set-ups. (Walls, décor, lighting and inventory are all brought in and set up, just as easily as they can be broken down and taken back out.) Several of these Pop-Ups have now packed up and gone, but this rent model provides low-risk opportunities for retailers who want to test the market while avoiding infrastructure costs.

THE BOULEVARD OF BROKEN DREAMS

It actually broke The Red Ant's heart to walk west from the Hyman Avenue Mall.



D19 has been empty since last summer along with its adjacent sibling, Aspen's beloved Popcorn Wagon. Gone are its quick snacks for hanging out by the fountain, and late-night crepes and gyros before the last bus home. Across



the street it gets much worse. From the Wheeler Opera House westward, there's nothing. Nada. Zip. Zilch. The Motherlode remains empty, upstairs and down. The Thrift Shop left. The Chrystal Palace Grill closed. This sad stretch has become Aspen's urban blight.

* Late-breaking news: The Aspen Daily News reports that D-19 and the Popcorn Wagon are "under contract." Hope springs eternal that the new ownership will have these two popular and high-profile spots up and running for the summer season!

DEAD MAN WALKING

Rumors abound during Aspen's off-season, and while The Ant was out "touring," there was much unsolicited speculation about the future(s) of several businesses: Ingrid Anthony, James Perse, Stefan Kaelin, Bonnie Young, Fun World Lab/Nine, to name just a few. Let's hope this is not the case!



But if these businesses are facing tough times ahead, The Red Ant can only then designate as "corpses" the unfinished eyesores where Stage 3 once stood, and its cross-town twin, Dancing Bear 2, on the former Chart House site.

CRIES FOR SUBSIDIES - NOT THE ANSWER!

Several recent letters to the editor bemoan the loss of several long time establishments and call for preposterous actions such as the City buying commercial buildings and leasing the space out at below-market rates. (With

what?? - The Red Ant asks.) Clearly, the Aspen nanny state with its subsidized housing, subsidized rec center and subsidized transportation, combined with our national bail-out mentality, has subsidized Aspenites calling for more handouts to sustain businesses that simply can't make it here. The fact remains, Aspen is a very expensive place to live, work and play. Landlords ARE working with their tenants, but they too have to cover escalating costs. To artificially prop-up businesses that have unsustainable business models on the taxpayers' dime takes the subsidy thing too far - even for Aspen!

DESPITE VACANCY RATES, AVH LOOKS TO ADD 27,000 S.F. OF OFFICE SPACE

No, your eyes are not deceiving you. Despite the unbelievable quantity of vacant commercial space in the downtown core, Aspen Valley Hospital is looking to add 27,000 square feet of new medical office space as part of its enormous proposed 214,000 sf expansion! AVH CEO Dave Ressler recently explained that the expansion will be built in phases and as funds are available. The funding sources for this gigantic \$100 million project will come from a combination of sources -- cash on hand, debt financing (bonds) and philanthropy. When pressed, Ressler acknowledged that debt service on the general obligation bonds is indeed paid through additional property taxes! So, the Aspen taxpayer will likely be paying for even more inventory to be added to our current supply! (The Red Ant will be covering the proposed AVH expansion in a future issue.)

ON THE BRIGHT SIDE

After nearly three years of vacancy and ownership limbo, Aspen's Red Onion is slated to open this summer! At last! Locals and tourists alike will be happy to see this historic favorite thriving on the Cooper Street Mall. Welcome back, Red Onion!

DIAMONDS IN THE ROUGH

Despite the vast emptiness surrounding them, two of Aspen's favorite restaurants remain (and thrive!), like remote tropical islands in turbulent seas: Rustique Bistro (on Monarch, between Hyman and Hopkins) and Brexi (at the corner of Durant and Monarch). In this economy, it can't be luck that keeps them open. And The Red Ant is not aware of any "cheap" rent scenarios either. She's guessing that they're

both operating from good business plans that take into account the inherent challenges of their leases. Don't let their new-found "remoteness" keep you away. Hang in there, guys. (FYI --Rustique is open all off-season!)

THE RED ANT SUGGESTS....

Here are several ideas for the City to improve the near-term business climate in Aspen:

- Re-examine Aspen's paid parking program. When local business is down, how about "first hour free" or other parking incentives for shoppers/diners? The off-season is the time to experiment and evaluate new programs. (And does the paid parking program really generate \$2 million in revenue for the City? Perhaps that's a bit excessive in this economic environment?!)
- Take a proactive, pro-business stance with local businesses and work to "get to yes." In other words, collaborate with business owners rather than standing in their way. (The soon-to-open Red Onion wants to offer outdoor dining on the Cooper Street Mall. The fire department says no because it needs to be able to get a truck through in an emergency. That is indeed very important, but rather than just saying "no," how about finding a creative solution so that both parties win?! Surely there's a way. Get to yes.)
- Create a commercial/retail category in the tiered energy program. If the reason for the program was a dis-incentive for large home construction, then moving commercial buildings to their own energy pricing category should not affect that rationale.
- What CAN Mick do to roll-back taxes now that we are in the improbable situation that he discussed during the 2007 campaign? The options should be top priority! Council should convene a work session immediately.

The Red Ant asks, what are [your ideas](#)?

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