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Winooski's up and working, but what's with the taxes?

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WINOOSKI -- The apartments are filling up fast. Construction has started on the luxury condos. A restaurant has signed a lease to occupy one of the newly constructed storefronts empty for more than a year. All this was hoped for and expected from Winooski's new downtown.

Not counted on was property taxes rising, in part because of the new downtown. That's contrary to expectations, and city officials are scratching their heads at complicated tax formulas to find ways to minimize the effects of those rising taxes.

The downtown's overhaul -- now known collectively as Winooski Falls -- was first conceived in 1999. After years of wrangling with complex local, state, federal and private financing, construction began in 2004. What was once mostly barren parking lots and a moribund business block has become a new headquarters for the Vermont Student Assistance Corp., a parking garage with more than 900 spaces, multi-story buildings containing student housing and apartments and new retail space.

The new downtown differs in ways from what was originally planned, but the new buildings are broadly in line with the goal of creating a dense, urban neighborhood that would add life to a long-struggling city.

New taxes

The major sore point is the taxes. Even there, nobody is sure how bad or good the news is.

City officials told Winooski residents from the outset that the downtown redevelopment would not increase property taxes.

The new construction is a tax increment finance district. In such a district, assessed property values and taxes are set as a baseline before new development happens.

With development, the property values in the district rise, resulting in incremental increases in tax revenue above the base line. That increased revenue is used to pay for improvements such as new roads, utilities, sidewalks, sewer lines and other services. Therefore, property owners in other sections of the city would avoid footing the bill for construction.

The baseline value before construction in Winooski's tax increment finance district was set at about \$25 million. Winooski also completed a citywide reappraisal last year.

Through the convoluted formula under the state's education funding law, the base value of the downtown and the reappraisal skews the calculation, making for higher property taxes in Winooski, Mayor Michael O'Brien said.

It's hard to flesh out how much the calculation affected the rising tax rates because the reappraisal makes direct comparisons of this year's and last year's tax rates difficult.

O'Brien said he and other city officials are trying to persuade the Vermont Department of Taxes to rethink its calculation. "We feel we have a moral obligation. We said this wasn't going to cost taxpayers any money," he said.

The state is highly unlikely to change its tax calculations despite Winooski's entreaties, said Bill Johnson of the Tax Department. He is constrained by the funding legislation.

"The law is the law. It's a one-size-fits-all system that has worked well. Winooski would like to see it done differently, but the law is the law," Johnson said.

Johnson and O'Brien said they think the hit to Winooski taxpayers will mostly occur this year, with less of an impact in subsequent years.

The buildings

One of the principal partners in the downtown reconstruction is the Braverman Co., headed by Ken Braverman. He is highly upbeat about the project, as he has been throughout the project.

Students from Champlain College occupy much of Spinner Place, the building constructed with the intention of housing University of Vermont seniors and graduate students. The building proved less popular with UVM students than originally thought. However, Champlain College faced a housing crunch, so some of its students are now in the Winooski building, occupying 272 of the building's 312 beds.

Construction of the adjacent 213-unit Keen's Crossing apartment buildings was finished in late summer, ahead of schedule. Some apartments are set aside as affordable, starting at \$750 a month, Braverman said.

Market rate apartments in Keen's Crossing start at \$1,150 a month. Construction crews have moved slightly east, to the site of The Cascades, luxury condominiums that will front the Winooski River.

One of the new Keen's Crossing apartment dwellers is Drey Fisher. He likes Keen's Crossing his new home because it is, well, new. Too much housing stock in the area has old, dirty or malfunctioning appliances and fixtures, he said.

Fisher said Winooski still isn't that lively. "It seems like there's not much here, it's sort of very small," he said. "Maybe it will liven up when more people live here."

Braverman said it's getting there. About 85 percent of the apartments are leased or occupied, Braverman he said. "Almost 400 people moved downtown in a 30-day period," Braverman said, referring to returning students and people claiming apartments in Keen's Crossing.

New arrivals will mean the ground-floor Spinner Place retail spaces, which have been empty for nearly two years, should become more attractive to businesses, Braverman said.

He said potential retailers that were scared of thin downtown crowds and construction cranes should now have more customers and fewer obstacles for business.

"Finally, we're at the point where we have critical mass," Braverman said.

An Asian restaurant has signed a lease to move in. Champlain College also plans to occupy one retail space for a student lounge.

McKee's Pub and Grill owner Lance McKee said he's already noticed a vast difference in Winooski's business climate and has radically remade his restaurant on East Allen Street as a result.

Once a neighborhood pub, McKee's started doing Sunday brunch, then lunches three days a week, then every day. McKee finally expanded the business to serve dinner.

McKee said he added outdoor seating during nice weather in front of the restaurant, and is beginning to toy with live entertainment. "It's not just the local hangout anymore," he said.

During the transition, he nearly tripled the number of employees to between 15 and 18 full- and part-time positions.

McKee said he went through a rough patch during construction, when few customers would brave the cacophony, but now he's more than made up for the suffering.

"We are going through our 20th anniversary, and then to have the busiest year you ever had is amazing. That's the best one ever," he said.

Financing

Braverman found got new financial partners last month in the form of The Urban Strategy American Fund, which is part of New Boston Fund. New Boston is a privately owned real estate investment manager.

Downtown Winooski fit the USA Fund's strategy perfectly, said Kirk Sykes, president of the Fund.

He said he expects a return on its investment in economic development. Winooski's construction appears to match the market, and the buildings are good examples of smart urban growth, he said.

"Because of the diversity of the components of the project, a lot of risks for investment are mitigated. There are four things going on: homeownership, rental, retail and office," Sykes said.

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New community center breaks ground Tuesday

YMCA will use some of the space

Free Press Staff Report

WINOOSKI -- Groundbreaking for Winooski's new community center, a stone's throw from the city's downtown, is scheduled for 11 a.m. Tuesday.

The center, on the site of the former Mr. G's shopping center on Malletts Bay Avenue, will feature a community kitchen and meeting space and offices clustered around a central atrium.

Various organizations will have a presence there, and the Greater Burlington YMCA will use some of the space for fitness and recreation facilities and programs.

The building already houses Vermont Dental, Winooski Health Center and the Euromarket.

The city's effort to establish the community center received a substantial boost when the Tarrant Foundation announced a \$1 million gift to the center in July. Construction is expected to be finished by March 31.

Fund-raising for the community center is not complete. People who wish to make donations may contact Winooski Community Development Director J. Ladd at 655-6410.