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REGIONAL REPORT

Ambitious revitalization effort to reinvent small Vermont city

By Genevieve Rajewski

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Winooski, Vt. — A 213-unit mixed-income rental development is at the heart of the new city center emerging in this depressed former mill town. When it's completed in December 2007, Barlow Square will be a key component of a \$54.9 million public-private smart growth initiative.

Known as Winooski Falls, the downtown revitalization effort is designed to create more than 500 affordable and market-rate housing units and 40,000 square feet of retail and restaurant space, while conserving more than 100 acres of open land. Development costs will be met largely by \$21.3 million in low-income housing tax credit (LIHTC) equity from AEGON USA Realty Advisors and a \$20.1 million loan from Bank of America.

Winooski has long been "the poor stepchild of affluent Chittenden County," said Andy Burnes, president and CEO of Massachusetts-based HallKeen, which is developing Winooski Falls in partnership with The Braverman Co., in Vermont. Although located across the Winooski River from bustling Burlington, Winooski has floundered ever since the last of its woolen mills closed in the mid-1950s.

After "two decades trying to sort out what was next," the city secured federal Model Cities funds in the 1970s to raze half the downtown, said Gerry Myers, municipal project manager for Winooski Falls.

"Like many urban renewal projects in the Northeast, it was widely regarded as a failure," said local development partner Bill Niquette, a Winooski native son. "The idea that 'If you tear it down, they will come' wasn't any more successful in Winooski than in other areas where it was tried."

The downtown site lay vacant for many years, in which there were numerous failed attempts to rebuild, before finally being paved over to create a parking lot and strip mall. In late 1998, the strip mall went bankrupt.

Niquette seized the opportunity to reverse the downtown depression he had witnessed firsthand since childhood. He went to the city with a plan to reinstitute the historic downtown's original grid, only with wider sidewalks and on-street parking.

"It was a remarkable opportunity, because it is rare to come across such a large piece of land in relatively so few hands," said Niquette. He quickly won city leaders' support for his vision of a mixed-use, livable downtown.

"The site as a whole is 121 acres; 103 [acres] have been put in conservation as a public park and wildlife conservation land along the river, and we decided to focus the development on the 18 acres that had been built upon previously," said Niquette. The result will be a mix of residential and commercial development along a three-block stretch.

To acquire the land, build a much-needed parking garage, and create a traffic circle aimed at reining in traffic and making the downtown pedestrian-friendly, the city took out a \$24 million Department of Housing and Urban Development Sec. 108 loan. This critical predevelopment loan was guaranteed by the state, which pledged its future Community Development Block Grant (CDBG) resources as collateral.

"The only way we could do this was to partner with the private side and get guarantees from them that they would build, which would create a tax base to pay back the loan over 20 years," said Myers. So prior to closing, the city, in association with the state, created a tax-increment finance district within the redevelopment area. Tax-increment proceeds generated by each of the

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Winooski Falls buildings will be used to cover the loan's debt service costs, said Ken Braverman, project manager and principal of The Braverman Co.

Spinner Place, the first phase of development, which was completed in January, features a 900-space parking garage hidden by a three-sided building. This "wrapper building" provides 85 units of University of Vermont student housing with 311 beds, as well as 16,000 square feet of ground-level retail space.

"You cannot see the city's parking garage from any aspect of the street," said Myers. "And we knew if we threw 300 kids into our downtown, that would provide immediate vitality."

Located in the center of Winooski Falls, Barlow Place will offer 48 one-bedroom, 145 two-bedroom and 20 three-bedroom apartments in four buildings. Lower-level apartments will be townhouse-style with private entrances, while upper-level lofts will feature river views. "We are looking at the young family, the young professional. Those are the people we feel will rent these apartments," said Myers.

Ninety-eight units will be affordable to households earning no more than 60% of the area median income (AMI), and 11 units will be affordable to households earning no more than 80% of the AMI. The remaining 104 units will rent at market rates. Rents will range from \$745 to \$1,150 a month for a one-bedroom apartment, \$887 to \$1,450 for a two-bedroom unit, and \$1,016 to \$1,653 for a three-bedroom apartment.

The Barlow Square buildings will also offer approximately 5,000 square feet of retail space.

The final stage of housing development in the project will be the construction of Cascade Falls, 240 luxury condominiums overlooking the river. A public boardwalk along the river will offer the same views to all Winooski Falls' residents.

Those involved in the redevelopment effort say mixed-income housing was crucial to the creation of a diverse, vibrant neighborhood.

"There aren't a lot of people in Vermont," said Burnes of HallKeen, "but Burlington has a university, a hospital, a major thriving cultural environment and the amenities of Lake Champlain and nearby mountains. It's been a great place to live and a thriving metropolis for a number of years now."

Finding a willing investor was the project's biggest challenge, he said, because of the complexity that would be involved in the compliance reporting. In the end, AEGON stepped up, purchasing Barlow Square's LIHTCs for 96 cents per dollar of credit.

"We like a mixed-income project, where the real estate fundamentals are there, the concept is good and the developer is strong," said David Kunhardt, senior vice president of community investments at AEGON. "In this case, the Barlow Square design is an excellent in-town development, by a great team led by HallKeen."

Also making up a large part of the financing package was a Bank of America "end-to-end product – a construction loan that will roll over into a permanent loan," said Burnes.

Other funding sources include \$5.4 million in deferred developer fees, \$1.5 million in city CDBG funds, \$1.5 million in state HOME funds, and a \$1.5 million deferred city land payment secured by a note and second mortgage. The project also will tap \$3.6 million in revenue that will be generated during the phased construction and lease-up.

Although Winooski's downtown will gain approximately 1,200 new residents – a dramatic increase given that Myers said the city's population has hovered near 6,000 for about 60 years – an astounding 80% of the site will be preserved as open public land and parks.

The development's access to natural resources and proximity to Burlington should help units lease quickly.

"From an investment standpoint, infill development is attractive in that it has the advantages of being close to the demand for apartments and the existing transportation infrastructure," said AEGON's Kunhardt. "You're creating units that have some vitality right away."

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