

Renovators help some areas no longer feel abandoned

BY TAMIA ANDERSON
CONTRIBUTING WRITER

When most people see an abandoned house, they see an eyesore. When Julio Murillo sees one of the Washington's 27,000 abandoned houses, he sees potential.

Murillo and his business partner Don Malnati are buying and renovating abandoned houses in Washington at a pace of about one a month and often selling them within a few weeks for about double what they paid.

The strategy is to buy abandoned homes in the currently less-trendy parts of Washington, then mar-

ket the renovated properties to people — typically empty-nesters or young professionals without children — who want to enjoy the offerings of city life and be pioneers in up-and-coming neighborhoods.

Murillo and Malnati are focusing on five areas: LeDroit Park, Shaw, Columbia Heights, outer Dupont Circle and outer Capitol Hill.

"Instead of concentrating in one place, we wanted to see the outcome of similar investments in different markets," Murillo says.

The two men formed their company, Murillo/Malnati Group, in August 2001, and the first renovation project was purchased

that December. Since then the company, which has an in-house architect and construction team, has completed about 24 projects, including row houses and condominiums. So far, about 12 have been sold.

Each renovation takes about 14 weeks to complete. The goal is to complete one house every month. Murillo/Malnati Group has already purchased all of its houses for the rest of this year and 2004.

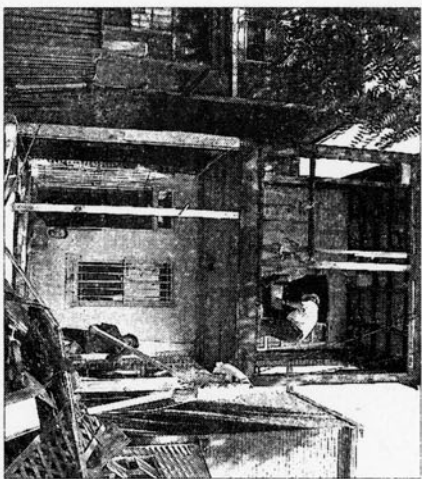
Before forming the company, Murillo, a native of Bolivia, had worked for several years in commercial development and construction, including a stint with NV Commercial in Northern Virginia. He also ran a business that exports construction materials to Latin America, the Caribbean and the Middle East.

Murillo met Malnati through a mutual friend. Malnati owns Renovations Unlimited, a \$10 million company started in 1984 that does high-end residential development, as well as commercial development for government agencies.

The Murillo/Malnati Group's funding for the first few renovation projects came from Murillo and Malnati, as well as from banks and a line of credit with Renovations Unlimited. Murillo still has his export business, but it has slowed down enough to allow him to run his new venture.

Each rehabilitation includes high-end features such as marble countertops, stainless steel appliances, hardwood floors, ceiling fans in almost every room and an alarm system. Murillo has also started installing entertainment systems offering a flat-screen television, DVD player and surround-sound that's already hooked up and ready for use.

Murillo says the homes have been easy to



Murillo/Malnati Group is buying abandoned houses, such as 1513 A St. SE, and renovating them to resell.



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sell despite being in areas that have a wide mix of income levels, crime issues and school concerns. He will only take on a project that is close to a Metro stop and has a garage on the property or enough space to build one. You won't see bars on the windows or gates protecting the property, however. Murillo says that type of safety precaution defies the whole idea of gentrification.

"We don't think we should succumb to that fear factor," he says. "So far nobody has said, 'Hey I want a gate.' That's part of the psychology of moving into the city."

That price doesn't exactly qualify as "affordable housing" for many current residents of those neighborhoods, which concerns some community groups.

Manna CDC, a nonprofit community development organization, has been study-

ing the rising prices in neighborhoods such as Shaw and found, for example, that the average home price in Shaw rose from \$212,000 in 1999 to \$320,000 last year.

The organization is hoping its study will inspire private developers and community leaders to urge private developers to use vacant lots for future affordable housing.

"We recently saw a home near Seventh and O sell for \$700,000 — \$700,000 startles us," says Martha Davis, director of Shaw housing initiatives for Manna CDC (www.mannadc.org). "It's a real problem that's been identified."

Murillo argues that the rehabilitation of an abandoned house has been a welcome addition to neighborhoods.

"What we have seen," he says, "is the neighbors like the fact that we're improving their block because their property values go up, and they start working on their housing and it attracts other developers."

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Murillo