

FEATURE-US city's urban redevelopment pays for itself

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By Alister Bull

RICHMOND, Va., July 25 (Reuters) - Rain Burroughs never expected to wind up in a homeless shelter.

But she was almost as surprised to become the owner of a pretty historic townhouse in one of Richmond's showcase inner-city neighborhoods where a five-year project is proving that well-spent federal aid can literally pay for itself.

"I wake up in the morning and say 'Wow, this is my house,'" said Burroughs, a 41-year-old child-care worker who moved here from Washington, D.C. a few years ago with her young daughter.

At a time when federal funding for community development is fighting for its life, their journey from Salvation Army shelter to a home on Richmond's Oregon Hill is one of the success stories of the city's Neighborhoods in Bloom program.

Washington will spend \$4 billion nationally this year via Community Development Block Grants, but the program is under attack. Critics say much of the \$112 billion spent since its 1974 launch has gone to waste and U.S. President George W. Bush wants CDBGs completely restructured with deep budget cuts.

The grants go out to 1,100 communities around the country to be spent according to local needs on anything from more affordable housing to better sewers or sidewalks.

The program's defenders should take heart from the city of Richmond, Virginia's state capital, which decided in 1999 to take the bulk of its grants and target a small group of needy communities in its historic Oregon Hill neighborhood.

It concentrated on renovating vacant homes and selling them to low-income families while cracking down on crime and ensuring landlords keep their properties in good repair.

The results, according to a major economic study sponsored by the Richmond Federal Reserve, show house prices and property tax revenues have soared in the chosen communities.

This means the investment will just about break even for the city over a period of years. It also sends a powerful ripple effect through adjacent neighborhoods, which makes the real payback even bigger.

"There has always been this gentrified core in places like Boston, New York and San Francisco and it's just great to be part of it. Richmond has really taken off," Richmond Fed President Jeffrey Lacker told reporters.

CONCENTRIC EFFECT

The Fed study analyzed city house prices and found those in the Neighborhoods in Bloom grew 10 percent faster over the five-year project period. This boosts property taxes and, if projected out over a period of 20 years, would virtually cover the city's \$14.8 million investment.

Federal development grants have a history of being sprinkled across a wide area as local politicians compete to ensure their respective communities don't miss out.

But wide dispersion of funds, while helping many areas a little, often fails to make a real dent in poverty and crime.

"The point here that has really been won, and won well, is that targeting counts," said John Accordini, a report co-author and associate professor at the School of Government and Public Affairs at Virginia Commonwealth University.

Richmond's city management, working with non-profit community development corporations, negotiated with local politicians to identify which neighborhoods would get the money, since some would go without grants for years.

Candidates for the newly-renovated homes must earn less than \$36,500 a year. The houses cost about \$120,000 to fix up but are sold at deep discounts and come with cash grants to help with closing fees and other costs.

Participants in the program are not allowed to sell for a number of years -- 10 in the case of Oregon Hill -- and also get counseling on how to become and stay a homeowner.

"They get homebuyer training -- how to manage money, how to manage a home," said Jennie Tidy of the Oregon Hill Home Improvement Council. "Some people frankly are not capable of owning a home. They want to be a renter because if someone wants to own something, it takes a little more work."

Rain Burroughs agrees.

"It took a long time and there was a lot of explaining to do. Why was (I) in a shelter? Getting the credit report straightened out, it's tough," she said.

Her street was lined with pricey cars parked outside a fashionable Italian restaurant while the sounds of renovation filled the air.

Nearby, a developer is building condominiums for the private market at up to \$500,000 each.

But not everyone is pleased with how the local economic miracle has changed the neighborhood.

The old Oregon Hill -- once a close-knit, blue-collar Scottish-Irish community founded on the back of the defunct Tredgar Iron Works -- has altered dramatically in the face of an influx of middle-class families.

"It had originally formed a very tight, cohesive neighborhood, but it had become very run down," said Chris Lowrie at Virginia's Local Initiative Support Corporation.

Now with the rise in housing prices, affordability is becoming an issue, with landlords tempted to sell and turf out old tenants while existing homeowners struggle to cope with higher property taxes.

Richmond is weighing various options, including freezing taxes for pre-Neighborhoods in Bloom residents. It has yet to find a long-term solution, but the feeling is the reinvigoration was worth the price.

"We want to de-concentrate poverty. So if people of middle incomes move in, that is a good thing," said Lowrie.