



Destruction, Policy & the Evolving Consequences of the 1968 Washington, DC Civil Disturbance

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“The Greatest Wave of Social Unrest Since the Civil War”

The Nationwide 1968 Civil Disturbances, Levy (2018)

- Martin Luther King assassinated April 4, 1968
- Many US cities erupt into violence
- Harmed neighborhoods already under stress
 - declining population
 - declining property value
 - largely majority Black
 - suburbanization, white flight, and racial stigma

Owens et al, 2020; Collins and Margo, 2007



Washington Post, March 27, 2018

We Study Redevelopment in Washington, DC in the Aftermath of the Civil Disturbances

What are the market mechanisms that underlie development?

How can policy work to spur investment in such a setting?

How We Contribute to the Literature

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Urban Renewal: Collins and Shester, 2013; Cohen, 2019

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3. Introduce an interaction between real option value and the design of government policy

Womack, 2015; Titman, 1985; Clapp in many papers with many co-authors

The Ambitious Path Ahead

1. 1968 Civil disturbance
2. Data collection to examine impacts
3. Impact of destruction: within-block analysis
 - (a) Destroyed lots take roughly 30 years to catch up in structure presence
 - (b) Destroyed lots have only just caught up in terms of structure value
 - (c) Timing matters: development from 1970s and 1980s is low value, later development is high value
4. Framework to explain these results
5. “Calibrate” framework to data
 - (a) Demand regimes
 - (b) Who develops when
 - (c) Role of option value
6. Looking wider: impacts on diversity of structures today

Setting the Historical Stage

Three Key Facts

1. DC's civil disturbance was uniquely large
2. At the time of the civil disturbance, DC's population and metropolitan preeminence on the decline
3. In the wake of the disturbance, city buys up enormous swathes of land

King Assassination Leads to Substantial Violence and Destruction

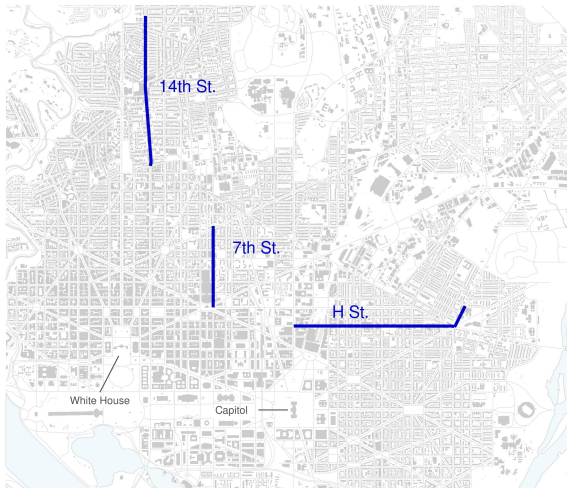
- Four days of violence
- 13 dead, more than 1,000 injured



In the window of Woodward and Lothrop.
Source: DC Public Library, Darrell C. Crain, Jr.
Photograph Collection

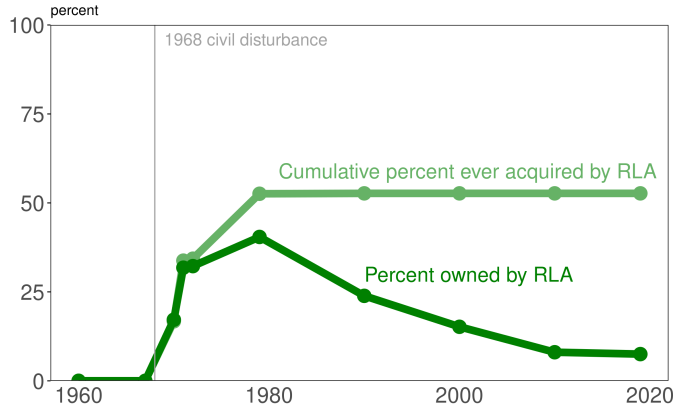
Damage to the City and to Expectations

- Approximately 1,000 fires
- Over 1,000 properties burned to ground
- Concentrated in three largely Black neighborhoods
- Destruction primarily to commercial structures
- Threat of violence lingered

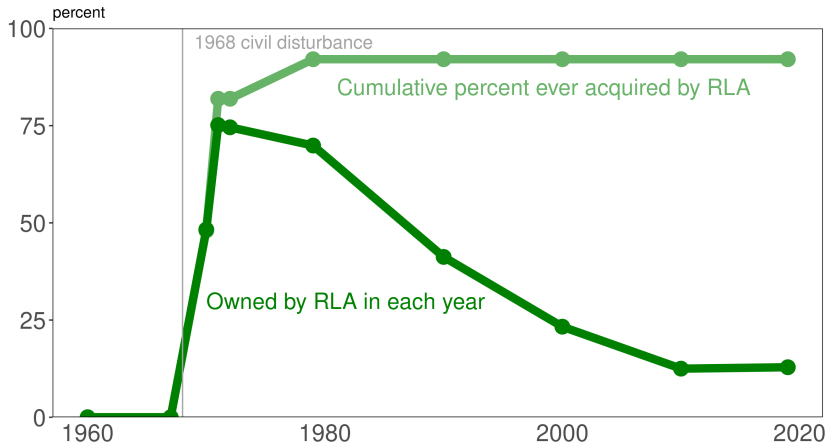


Municipalization of Lots After Disturbance

- DC Redevelopment Land Agency
- Urban renewal authority
- Buys tons of land in corridors



RLA Ownership Even Higher for Destroyed Properties



Data

Unique and Complex Dataset

Properties

- By decade-ish
1960-2019
- Presence of structure
- Assessed value of
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1967 lot

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- Black Business
Directory, c. 1967
- Survey of Damaged
Businesses, 1968

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Follow 915 lots over 60 years.

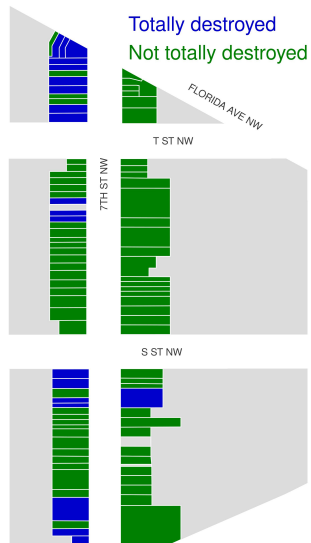
Estimating Impact of Destruction

Isolate the Impact of Destruction



Isolate the Impact of Destruction

Within block comparison of
destroyed and undestroyed lots



Long-Run Trajectory and Destruction

$$Y_{l,b,t} = \beta_0 + \beta_{1,t} D_l * \theta_t + X_l * \theta_t + \theta_t * \theta_b + \epsilon_{l,b,t}$$

- $Y_{l,b,t}$
 - presence of a structure
 - value of improvements per sq ft
 - land value per square foot
- $D_l \in \{0, 1\}$, 1 is totally destroyed
- $t \in \{1960, 1967, 1970, 1971, 1972, 1979, 1990, 2000, 2010, 2019\}$
- θ_t , time fixed effects
- θ_b , block fixed effects
- Coefficient of interest is $\beta_{1,t}$
- $\theta_b * \theta_t \rightarrow$ evolution relative to same-block lots in same year

Requirements for this Design to Deliver Causal Estimates

1. Destruction is random conditional on block



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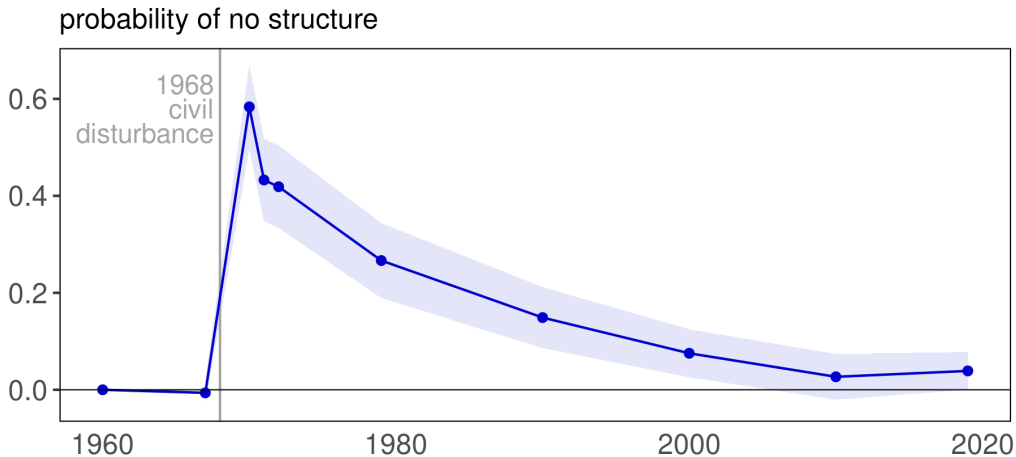
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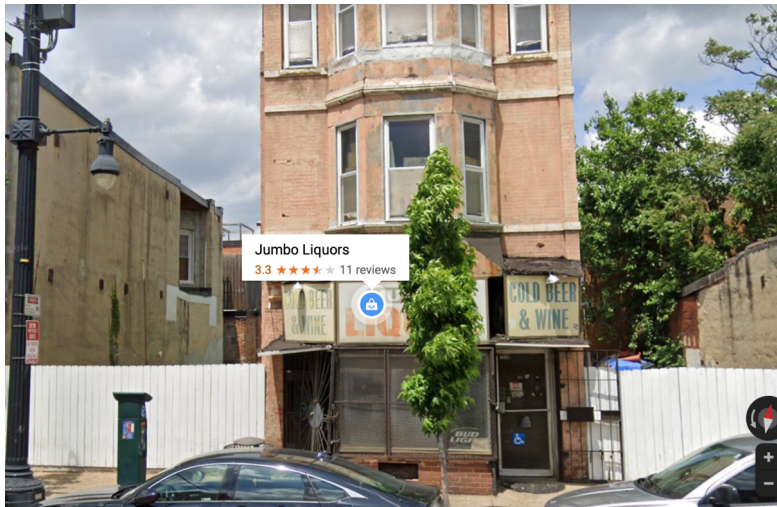
- destroyed and other properties have similar pre-treatment trends

Structure Presence Requires at Least 30 Years to Converge

Dependent Variable is Absence of Any Structure



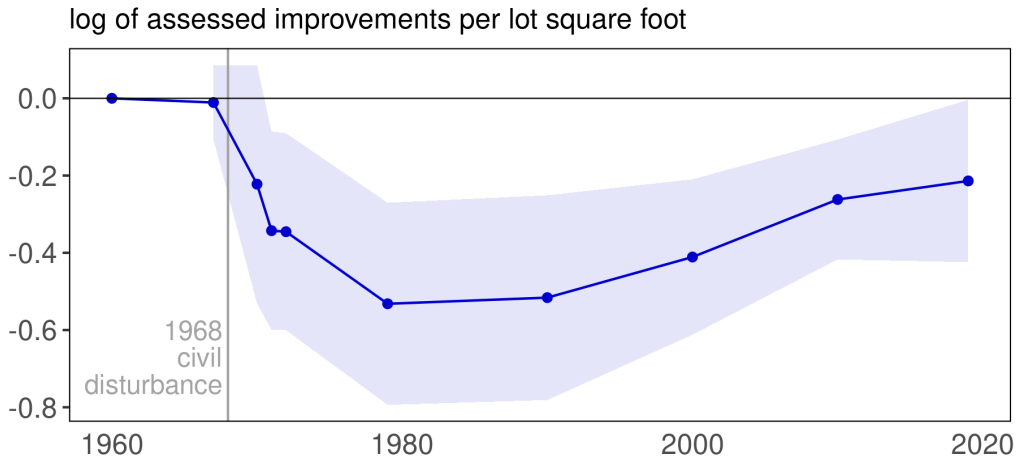
Jumbo Liquors' Next Door Warehouse: Destroyed in 1968, Still Empty



Google Maps Streetview image, July 2022.

Improvements Remain About 20 p Lower Value Today

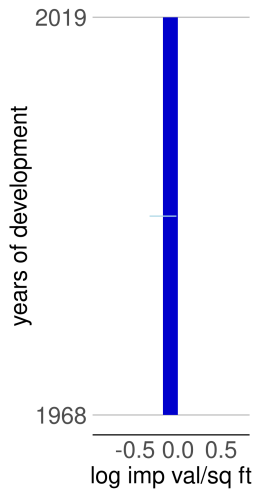
Dependent Variable is Log of Improvements per Lot Square Foot, Conditional on Existence of Structure



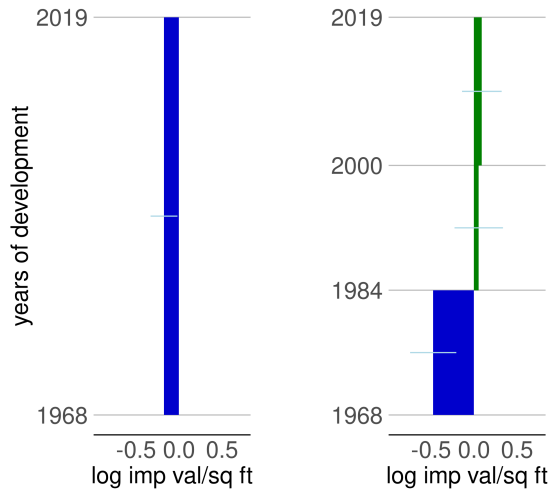
Does Era of Development Matter?

- Does value of new structures on destroyed lots depend on when constructed?
- Allow $\beta_{1,2019}$ to vary by era of development

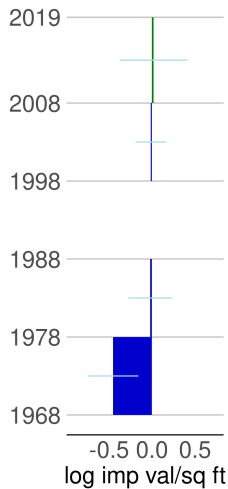
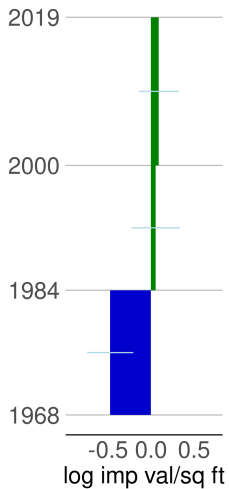
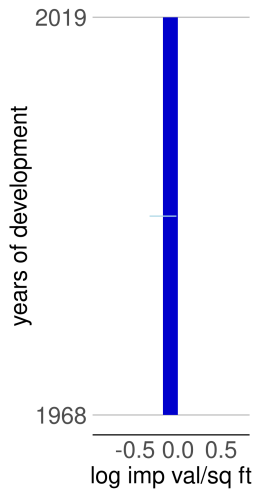
Improvem'ts on Destroyed Properties Almost 20 p Lower in 2019



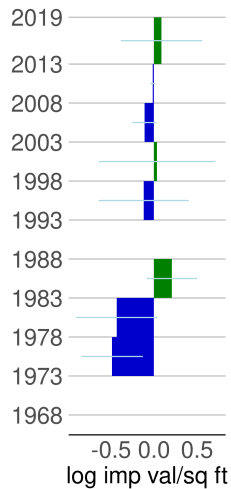
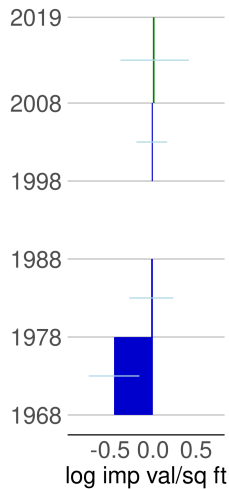
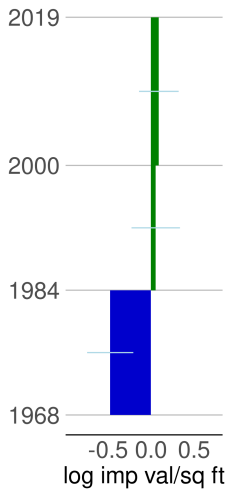
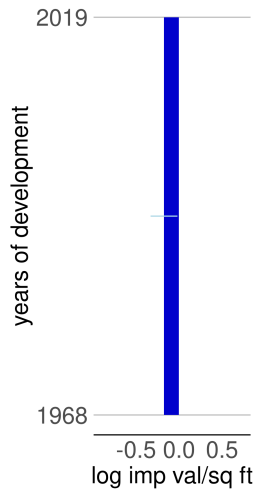
Examine by Era of Development: Low Value Structures Built Early



Early = Low Value Holds No Matter How We Periodize



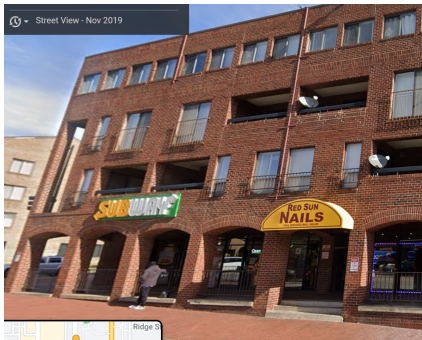
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Two Developments, Two Blocks and Two Worlds Away

1125 7th St. NW, built 1979

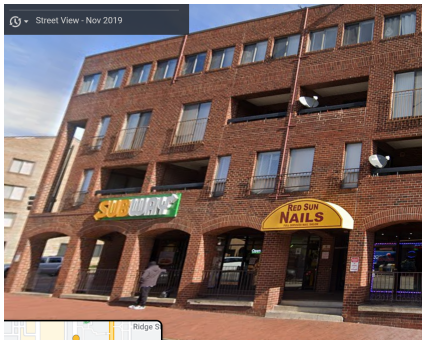
By United House of Prayer
retail & low-income housing



Google Maps Streetview image, July 2022.

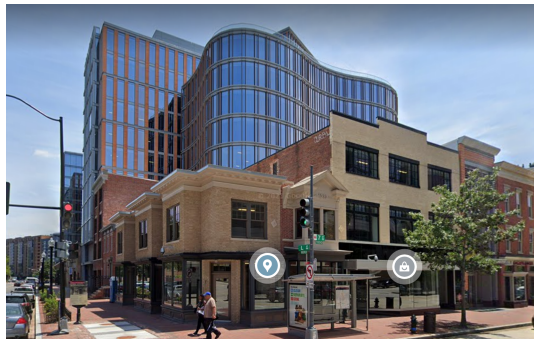
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1125 7th St. NW, built 1979
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Google Maps Streetview image, July 2022.

1098 7th St. NW, built 2018
For-profit Douglas Development
“trophy” office and retail



Google Maps Streetview image, July 2022.

Putting Delay in Context

- 1872 Boston fire: burned areas take a decade or less to converge in value
Hornbeck and Kenniston, 2017
- 1906 SF earthquake: rebuild 28,000 destroyed structures in less than 12 years
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DC struggles to rebuild fewer than 200 structures

Theoretical Framework

Framework to Understand Development Patterns

Actors

- Private developers → maximize profits
- Government and non-profits →
 - Benevolent or re-election motivated
 - Maximize household welfare, subject to budget constraint

Timing

- Initial period: some properties get destroyed
- Subsequent two periods
 - Choose to rebuilt or hold
 - Choose value of structure

Framework Implications

When demand is low

- Only government wants to build
- Private developers want to sell or hold

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Take to the data

1. What type of demand in each period is consistent with this framework?
2. Given that, which type of developer is active in each period?
3. Why does the government buy so much land and dispose of it the way it does?

Interpreting Destruction's Impact

2. Who Develops When

Low demand era

Framework says

- For-profit developers don't want to build
- But government is willing
- Govt prefers rapid re-building

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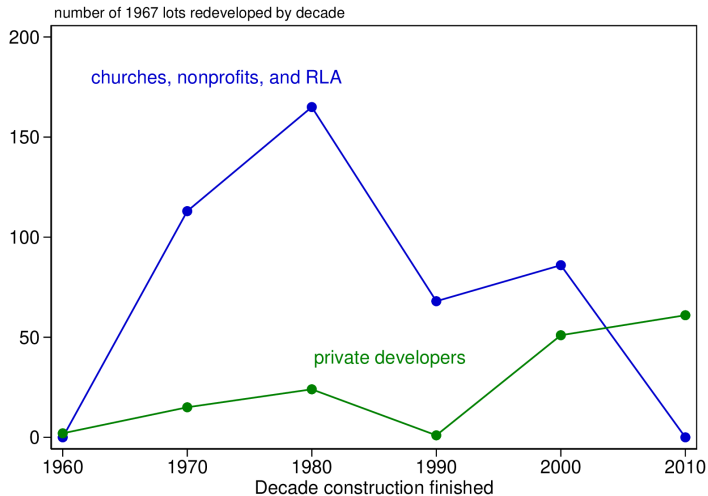
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Non-profit Developers Play Key Early Role and Then Disappear



3. Role of Option Value

Puzzle: Why don't for-profit owners just hold?

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Evidence?

- City buys huge swaths of land
- When it sells, sale is contingent on expeditious development
- Sometimes seizes properties that are not quickly developed

Erasing the Option Value of Holding

Threat to re-seize is followed with action

RLA Wants To Take Back NE Property

H Street Developers Show Little Progress On Project

By LaBarbara Bowman
Washington Post Staff Writer

The developers who five years ago promised to build a commercial and residential project on a major city-owned parcel on H Street NE should lose their rights to the land because the project has made almost no progress, the staff of Washington's urban renewal agency said yesterday.

The recommendation to the board of the D.C. Redevelopment Land Agency marks the latest setback in the city's 14-year effort to rebuild the riot-scarred H Street corridor. If the board accepts the staff suggestion, it will mark the sixth time in the last 18 months that a parcel in the area has been reclaimed by RLA because a developer failed to carry

Patterns of Neighborhood Development

Are Civil Disturbance Corridors Anomalous?

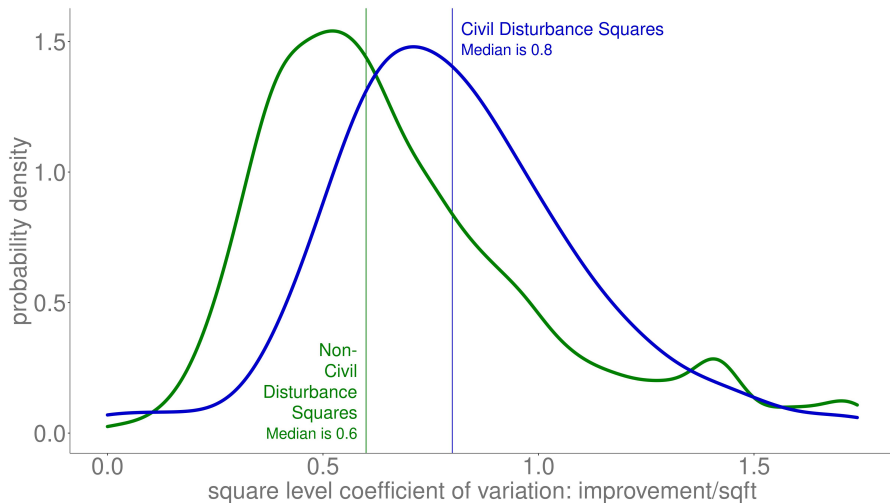
Or, can low-then-high value redevelopment create the ever-desired and rarely found mixed-income neighborhood?



- For each 2019 DC square
- Find coeff. of variation
- In improvements per sq ft
- Compare civil disturbance areas to the city at large

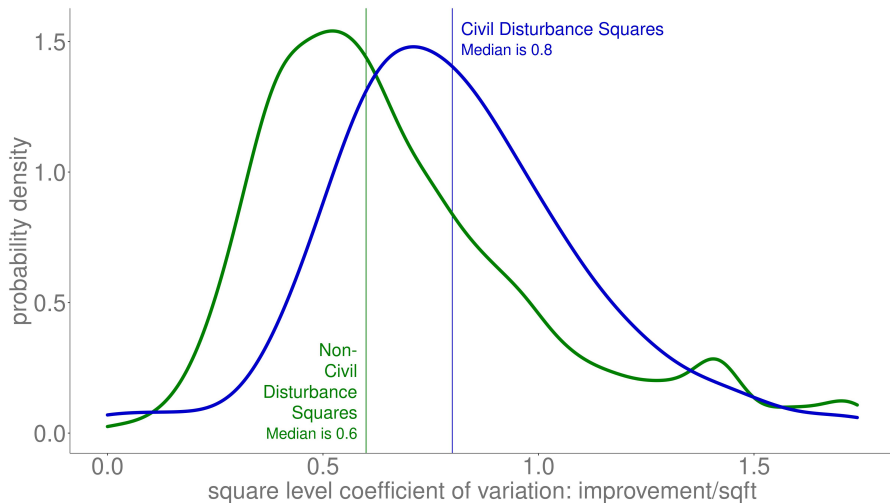
Civil Disturbance Blocks Are Outliers in Variance in Value

Coefficient of variation, improvement value per sq ft; values < 90th percentile for visibility



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Holds conditional on square char's, even with balanced covariates and p-score wts

Conclusion

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After the destruction of 1968

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Looking Outward

- Destruction amidst decline may yield a one-time chance for affordable housing
- But modesty about government's ability to create change may be warranted

Harari and Wong, 2020

Thank you for staying till 5 on Friday!