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

Leah Brooks, Jonathan Rose and Stan Veuger

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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

1. Destruction may open doors to economically meaningful development possibilities – as it did after late 1800s and early 1900s urban fires – but need not always do so

Hornbeck and Keniston, 2017; Siodla, 2015

Show limitations of even extraordinary government intervention
Urban Renewal: Collins and Shester, 2013; Cohen, 2019
New levers to fight vacancy and disinvestment: Neumark and Kolko, 2010; Freedman et al, 2021; Harari and Wong, 2019

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
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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

Cumulative percent ever acquired by RLA

Owned by RLA in each year

1968 civil disturbance
Data
Unique and Complex Dataset

Properties

- By decade-ish
  1960-2019
- Presence of structure
- Assessed value of structure
- Unit of analysis:
  1967 lot
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People

- 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
- \( \theta_t \), time fixed effects
- \( \theta_b \), 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

• conditional on block fixed effects, only stone material predicts destruction

2. Absent treatment, destroyed properties would have no differential trajectory post-treatment

• destroyed and other properties have similar pre-treatment trends
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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
Improvements 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

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1098 7th St. NW, built 2018
For-profit Douglas Development
“trophy” office and retail
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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- 1970 to 2000: DC suburbs add 600,000 housing units
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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

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?
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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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High demand era

Framework says
- For-profit developers outbid govt
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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- Government values first period household welfare more than for-profit developers
- $\rightarrow$ government acts to preclude option value of for-profits holding land
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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 through with plans.
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

Civil Disturbance Squares
Median is 0.8

Non-Civil Disturbance Squares
Median is 0.6
Civil Disturbance Blocks Are Outliers in Variance in Value

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

Holds conditional on square char’s, even with balanced covariates and p-score wts
Conclusion
In Sum

After the destruction of 1968

- Nearly full convergence of damaged properties
- After a very long wait
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- Not “instant urban renewal”

Walter Fauntroy, DC’s first non-voting House member and founding member of Congressn’l Black Caucus Washington Post, Nov. 24, 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!