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Conference Paper Winner Picking in Urban Revitalization Policies: Empirical Evidence from Berlin

54th Congress of the European Regional Science Association: "Regional development & globalisation: Best practices", 26-29 August 2014, St. Petersburg, Russia

Provided in Cooperation with:

European Regional Science Association (ERSA)

Suggested Citation: Richter, Felix (2014) : Winner Picking in Urban Revitalization Policies: Empirical Evidence from Berlin, 54th Congress of the European Regional Science Association: "Regional development & globalisation: Best practices", 26-29 August 2014, St. Petersburg, Russia, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at: https://hdl.handle.net/10419/124497

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Winner Picking in Urban Revitalization Policies -Empirical Evidence from Berlin

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June 23, 2014

Abstract: This study addresses the question whether policy makers strategically pick winners when selecting the targets for place-based revitalization policies. It evaluates the influence of long-term trends of the unemployment rate and the share of residents of immigrant background on the probability of being selected as a target area, conditional on the current levels of these attributes. The empirical evidence is in line with the expectations: policy makers base their choice to some extent on the future performance expected of the areas. While high current levels of the unemployment rate increase the probability of being designated, an increase in the six year change of the unemployment rate, i.e. a negative development, decreases the probability of being selected designated. This effect is interpreted as winner picking: local authorities do not simply choose the areas which have the greatest need for revitalization, but instead prefer areas which show first signs of a gentrification process.

Keywords: Winner picking, place-based policy, evaluation, urban, revitalization

JEL classification: R11, R21, R28, R58

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1 Introduction

Urban revitalization programs are widely used but understudied policy instruments designed to prevent urban decline. Recently, interest has increased in evaluating these pro-grams and providing in-depth analyses of potential costs and benefits. This study adds to the existing literature by evaluating the selection process that led to the designation of five large urban revitalization areas in Berlin, Germany in early 2010. In particular, the study addresses the question whether the choice of potential revitalization areas is influenced by a winner picking strategy to make the policy seem more successful. Policy makers might favor areas that have exhibited a gentrification process or a positive development perspective, and might prosper even in the absence of the policy in question. The study evaluates the influence of long-term trends in two key attributes (the unemployment rate and the share of residents of immigrant background) on the probability of being selected as a target area of the revitalization policy, conditional on the current levels of these at-tributes and a comprehensive set of control variables. Previewing the results, there is evidence that policy makers indeed seem to base their choices to some extent on the future performance expected of the areas. While there is no measurable effect related to the percentage of residents of immigrant background, policy makers seem to choose the target areas from a pool of areas characterized by high current levels of unemployment. From this pool, however, they prefer areas which have displayed a positive development in the past years. This effect is interpreted as winner picking, as the local authorities do not simply choose the areas which have the greatest need for revitalization, but prefer areas which show first signs of a revitalization or gentrification process.

The remainder of this introduction provides some background information and briefly surveys the related literature. Section 2 provides some facts about the data and the empir-ical strategy, section 3 presents the results. The final section summarizes the findings and provides a conclusion.

1.1 Background

After the German reunification in 1990, the hotspots in terms of socio-demographic development and building stock were located mostly in the eastern part of Berlin (Senatsverwaltung für Stadtentwicklung Berlin, 1992). The local authorities responded with a series of placed-based policies including different programs designed to target socio-demographically or economically disadvantaged neighborhoods and a broadly designed urban renewal program, the *first general Berlin urban renewal program.*¹ Until 2002, more than 40,000 dwelling units in the respective areas had been modernized (Senatsverwaltung für Stadtentwicklung Berlin, 2005). By then, the focus of the local administration had changed slightly: The less favorable financial situation of the federal state of Berlin and a less severe need for additional urban living space resulted in renovations no longer being subsidized directly. Urban planners shifted their focus to improving the social and cultural infrastructure and the quality of the overall living environment in disadvantaged areas all over Berlin, including the western part.

The present study evaluates the selection process of a place based policy consisting of five large target areas designated in early 2010 called *action areas plus* (Aktionsräume Plus), which comprise about 25% of the residents and roughly 10% of the area of Berlin (Senatsverwaltung für Stadtentwicklung Berlin, 2013).² These areas are designed to concentrate the focus of public policy intervention in the areas of urban renewal, neighborhood management, and the support of disadvantaged urban spaces. The objectives of the policy are broadly formulated and include improvements of the overall living quality, improvements of education chances for the residents, and the avoidance – or the attenuation of the consequences – of urban decline (Senatsverwaltung für Stadtentwicklung Berlin, 2012).

The official selection process is based on data collected in the context of the *Monitor*ing Social City Development (Monitoring soziale Stadtentwicklung), which comprises socio-demographic attributes for Berlin on various geographic aggregation levels since 1998 (Senatsverwaltung für Stadtentwicklung Berlin, 2011).³ Based on the reports from 2007/2008, local authorities identified five broad areas, which were particularly affected by socio-demographic disadvantages including unemployment, dependence on social benefits, social segregation, and a non-favorable housing stock condition. Moreover, these areas were claimed to exhibit a strongly negative perspective for the future (Senatsverwaltung für Stadtentwicklung Berlin, 2012). The data survey also includes a *development index*, which is designed to comprise both past and future perspectives of each statistical area. The explicit construction of this index is documented in Senatsverwaltung für Stadtentwicklung Berlin (2011), however, it seems to take only short-term developments (the current year and the year before) into account. Also, as Berlin is a city with a complex structure of subsidies and place-based policies, there are several other programs in Berlin targeting disadvantaged areas, some of them were installed as early as in 1999. However, the action areas plus are specifically designed

 $^{^{1}}$ Erstes Gesamtberliner Staderneuerungsprogramm

²Throughout the paper, the *action areas plus* will be referred to as target areas.

³Data are available for the years 1999, 2000, 2002, 2004, and on a yearly base since 2006. The Section on data provides more details on the data and the geographic aggregation levels.

to strategically concentrate the focus of various policy instruments.

While the empirical strategy is explained in detail in section 2, the selection of the key attribute deserves some background information. Both attributes were selected based on the assumption, that they credibly mirror the general socio-demographic condition of an area. The unemployment rate is a straightforward indicator for the economic performance of an area. To understand the significance of the share of residents of immigrant background as a performance indicator, it is important to look at the dynamics of migration in Germany and Berlin: Many migrants came to Germany in the 1950 and 1960s when Germany needed additional workforce mainly for simple industry tasks (Kapphan, 2000). A large part of these migrants located themselves in disadvantaged urban areas. They were, on average, less educated and much poorer than the German average. These dynamics have turned out to be quite persistent. To this day, residents of immigrant background are poorer, less educated, and depend to a greater extent on welfare benefits, which explains why the share of residents of immigrant background can be regarded as a valid proxy for the socio-economic condition of an area (Bundesregierung, 2010; Gesemann, 2006).

1.2 Literature

The evaluation of urban revitalization policies is a relatively new field of research and the literature is thus not yet very developed. Existing studies mostly focus on identifying housing externalities in urban renewal policies, i.e. separating direct price effects from spillover effects on adjacent properties. A contribution looking into residential externalities is Rossi-Hansberg et al. (2010) who analyze a \$14 mill. urban renewal program in Richmond, Virginia, consisting of four renewal areas. They compare housing prices in the selected areas to a runner up area that was considered beforehand but ultimately excluded from the program and find evidence for positive housing externalities, which decrease relatively fast with increasing distance. Compared to the control neighborhood, they find that properties in the targeted areas generate a yearly price premium of 2 to 5%.

Ahlfeldt et al. (2013a) challenge these findings. They evaluate a set of urban renewal areas designated in Berlin, Germany, in the aftermath of the German reunification between 1993 and 1995. Using a broader quasi-experimental research design they track housing prices in Berlin over 20 years and compare transactions in the renewal areas to various control groups including runner-up areas and transactions similar to those in the renewal areas based on matching techniques. They find that the housing stock condition in the targeted areas improved compared to similar areas,

and that transactions in the renewal areas realize a yearly price premium compared to properties not targeted by the policy. In contrast to Rossi-Hansberg et al. (2010), however, they find no convincing evidence for housing externalities once appropriate control groups are in place. Furthermore, they find that the efficiency of place-based policy evaluations depends heavily on the number and quality of available control groups.

There is a broader strand in the literature analyzing the external effects of consumption amenities in cities, relying on influential work by Brueckner et al. (1999) identifying the crucial role of urban amenities for spatial sorting in cities and based on spatial equilibria dating back to Roback (1982).⁴ As location specific advantages should in theory be completely reflected by property prices, various studies analyze the effects on property prices for example of train connection realignments (Gibbons and Machin, 2005; Ahlfeldt, 2011), the building of new sports stadiums (Ahlfeldt and Maennig, 2010a; Ahlfeldt and Kavetsos, 2013), neighborhood characteristics (Ioannides, 2003), places of worship (Brandt et al., ress), and place-based subsidized housing (Schwartz et al., 2006).

A related field of research evaluating policy measures is the literature analyzing the economic effects of historic preservation and conservation areas. One strand evaluates the effects of listed buildings or historic preservation areas on property prices in the US (Asabere et al., 1994; Clark and Herrin, 1997; Koster and Van Ommeren, 2013; Leichenko et al., 2001; Coulson and Leichenko, 2001, 2004; Coulson and Lahr, 2005; Noonan and Krupka, 2011), while a number of other studies focus on the developments in Europe (Ahlfeldt and Maennig, 2010b; Lazrak et al., 2010; Koster et al., 2012; Ahlfeldt et al., 2013b). Most of the studies find a positive net impact of the policies, i.e. the positive internal or external effects on property prices outweigh the negative effects including the restricted property rights. Noonan and Krupka (2011) also consider winner picking – or making – in their evaluation of historic preservation policies.

As indicated earlier, gentrification, i.e. the upgrading of formerly poor neighborhoods in terms of better economic performance and an increased share of wealthier and better educated residents is closely intermingled with the evaluation of place-based policies, as both phenomena often have a similar desired effect; a neighborhood that is overall better off. As gentrification related effects have to be separated from effects attributed to the policy, it is important to review the various factors that can lead to or predate gentrification. While extensively discussed in the geography and social sciences literature, the economic literature on this field is less developed. Brueckner

 $^{^{4}}$ See Ahlfeldt et al. (2012) or Lucas and Rossi-Hansberg (2002) for current more flexible versions of spatial equilibrium models of cities.

and Rosenthal (2009) identify the age of the housing stock as one of the main factors that lead to spatial sorting in U.S. metropolitan statistical areas, delivering new insights on the patterns of gentrification. Guerrieri et al. (2013) link gentrification to an increased housing demand in cities and find that gentrified areas grow incrementally at the borders, a process they refer to as endogenous gentrification. McKinnish et al. (2010) evaluate the population in- and outflows of various gentrifying census tracts in the US between 1990 and 2000. Leung and Tsang (2012) show that people dislike income inequality in their neighborhood, and that this effect can explain parts of the spatial sorting that is found in many cities.

2 Empirical Strategy

This section introduces into the empirical strategy. After providing some insights into the data sources and presenting some descriptive evidence in the first subsection the second subsection describes the identification strategy and the empirical specification.

2.1 Data

Since 2006, Berlin is statistically divided into 447 planning areas (Planungsräume). These are statistical areas designed to comprise in practice separate urban living centers, taking into account building and social structure evolved over time (Senatsverwaltung für Stadtentwicklung Berlin, 2012). Each has an average area of about two square kilometers and on average 8250 residents. The *Monitoring Social City Development* (Monitoring soziale Stadtentwicklung) provides continuous data on several socio-demographic indicators for the years 2006-2010. The data include the unemployment rate, the share of people of immigrant background, the share of foreigners from the European Union (EU 15), the overall migration volume, and the number of residents on planning area level.⁵ Figure 1 provides an overview over Berlin, the unemployment rate on planning area level in 2010, and the geographical location of the target areas.

To construct a reliable long-term trend, the sample includes data on the (available) key attributes (the unemployment rate and the share of residents of immigrant background) lagged six years. The data are obtained from earlier (and not continuously collected) periods of the Monitoring Social City Development. Since the data were

⁵The members of the European Union 15 (EU 15) are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden, and the UK.



Figure 1: Target areas and unemployment rate (2010) in Berlin

Notes: Own illustration based on planning area level unemployment data (2010) and target area locations.

compiled on traffic cell / statistical area level (two former geographic administrative units) they were disaggregated on planning area level. The sample includes average values for the few cases where it was not possible to unambiguously relate the different administrative levels to one another. Moreover, no data were available for the years 2001 and 2003, so these values are calculated as the average between the circumjacent years respectively.

The sample also includes information describing the housing stock: Provided by the *Committee of Valuation Experts* (Gutachterausschuss) Berlin, the data comprises information on all property transactions in Berlin for the observed time period. The data includes a variety of attributes including plotarea, floorspace, typical area usage, indicators for the location of the building in the block, the condition of the building, and the year constructed. The transaction level data is aggregated yearly on planning area level. Obviously, averaged data of the transacted properties does not necessarily

reflect the overall average of the housing stock, but it should provide a reasonable approximation.

Finally, the sample includes some time invariant location control variables including an east / west indicator, the distance to the nearest main street, school, playground, river or lake, and to the nearest public transport rail station, and a proxy for the level of consumption amenities on planning area level. This proxy consists of a kernel density surface based on the 2012 location of bars, pubs, nightclubs, hotels, and restaurants. The author employs a kernel radius of 2000m and a quadratic kernel function (Silverman, 1986), and the resulting kernel density surface is aggregated on planning area level and normalized between 0 and 1.⁶ All observations included in the analysis and the locations of the target areas have been geocoded within a GIS framework.

 Table 1: Descriptive statistics on planning area level

	Target areas		Rest of Berlin	
Unemployment %	12.61	(3.449)	8.171	(3.846)
Immigration %	63.59	(21.03)	38.87	(21.38)
EU residents $\%$	3.219	(2.078)	2.45	(2.054)
Migration volume $\%$	33.34	(8.124)	26.76	(9.158)
Residents	9995.3	(5631.8)	8546.2	(4950.8)
Plotarea (m2)	1520.4	(1853.9)	1373.5	(1972.9)
Floorspace (m2)	2312.2	(2049.2)	1691.6	(2301.4)
Residential area $\%$	90.8	(20.37)	90.82	(21.88)
Building facing the street $\%$	0.775	(0.231)	0.715	(0.232)
Year constructed	1929.1	(29.92)	1942.3	(27.87)
Bad condition $\%$	0.106	(0.172)	0.104	(0.185)

Notes: The displayed data are from 2010. Standard deviations in parentheses.

Table 1 provides some descriptive evidence for the balanced sample of the 274 planning areas which were observed for all years between 2007-2010.⁷ The sub samples exhibit the expected properties: attributes which are generally associated with disadvantaged areas as the unemployment rate, the share of people with immigration background, and the overall migration volume are higher in the target areas. Plot area and floor space are on average larger in the target areas, and the buildings in these areas are older and in a slightly worse condition.

⁶The data for the kernel density is from the open street map project (www.openstreetmap.org), and consists of user generated content. While there might be deviations from the actual distribution of consumption amenities, there is no need to fear that these deviations are structural.

⁷The sample comprises 59 of the 99 planning areas that were selected into one of the five target areas, and includes observations for all of these five areas. The excluded areas comprise all areas, which had less than 100 residents at some point in time (not reported by local authorities due to data protection) but also areas with missing observations for some of the years.

2.2 Empirical Specification

This subsection discusses policy makers' incentives and the identification strategy before illustrating the empirical specification. This study considers broadly speaking two different arguments which might influence the policy makers' selection decision: first, they might actually aim at choosing areas which have the greatest need for subsidies to attenuate the negative perspective of the disadvantaged areas. Second, they might favor areas which they expect to perform over proportionally well, to make the policy seem more successful.⁸ The different departments of the local authorities are expected to face some kind of internal competition concerning the distribution of future funding. If this distribution depends to some extent on the success of former policies, such winner-picking behavior might be rational.

The identification strategy in this study rests on the construction of reliable long-term trends for two key attributes, the unemployment rate and the share of residents of immigrant background. Long-term changes in these two attributes are expected to mirror the overall performance of an area: a gentrification process is assumed to be mirrored by a decline of the unemployment rate and the share of residents of immigrant background over time. Along the same lines, an increase in the two key attributes might indicate a further downturn of the respective area. This setup enables us to test two competing hypotheses: Do policy makers target areas in decline, which actually need subsidies, or do they target potential winners, which are already gentrifying? The empirical strategy aims at estimating the effects of these long-term changes in key attributes, while holding the current levels of these attributes constant. The rationale is that policy makers would ex ante only consider areas, which have relatively high levels in the unemployment rate and the share of residents of immigrant background. From this pool, they might however, favor areas that have undergone a positive development or some kind of gentrification process in the past years.⁹ The change over six

years in the unemployment rate (UNEMP) and the share of residents with immigration background (IMM) are computed as $UNEMP_{it} - UNEMP_{it-6} = \Delta UNEMP_{it}$ and $IMM_{it} - IMM_{it-6} = \Delta IMM_{it}$ respectively. The full specification of the employed linear probability model can be written as

 $^{^{8}}$ To be precise, there might be further arguments not discussed in this study. E.g., policy makers might choose areas, where the impact of the subsidy relative to the investment is maximized.

⁹An alternative (and rather implausible) explanation would be that policy makers unintentionally choose the wrong areas, because they base their decision on a short time horizon only. Actually, the development indicator mentioned in the introduction seems to only take into account the past and the current year.

$$T_{it} = \alpha_1 UNEMP_{it} + \alpha_2 IMM_{it} + \beta_1 \Delta UNEMP_{it} + \beta_2 \Delta IMM_{it} + \vartheta_1 SOCIO_{it} + \vartheta_2 HOUSING_{it} + \sum_t \varphi_t + \sum_i \mu_i + \epsilon_{it},$$
(1)

where T_{it} is an indicator variable measuring the selection of the planning area *i* into a target area. It takes the value T = 1 if area *i* is a designated target area at time *t* and zero else. SOCIO is a vector containing the socio-demographic attributes described in the data section and HOUSING contains the building stock specific attributes. The specification also includes a set of year fixed effects φ_t and a set of area specific fixed effects μ_i defined for the planning areas. The standard errors ϵ_{it} are clustered on the planning area level as well.¹⁰

Following Conley (1999), the study also provides an alternative way to account for potential spatial autocorrelation in the error terms by calculating a spatial version of the non-parametric heteroskedasticity-autocorrelation consistent (HAC) standard errors adapted for panel data as in Hsiang (2010). The covariance matrix estimator calculates weighted averages of spatial autocovariances. The employed weights are calculated using Bartlett kernels decreasing linearly in the two geographical dimensions and are set to zero once a predefined cutoff point has been reached (Conley, 1999; Deschênes and Greenstone, 2007).

Second, the study assesses the impact of the long-term trends on change in designation status (in 2010) of the planning areas in 2009 using a logit approach. The specification can be summarized as

$$ln\left(\frac{P}{1-P}\right) = \alpha_1 UNEMP_{it} + \alpha_2 IMM_{it} + \beta_1 \Delta UNEMP_{it} + \beta_2 \Delta IMM_{it} + \vartheta_1 SOCIO_{it} + \vartheta_2 HOUSING + \vartheta_3 LOC_i + \epsilon_{it},$$

$$(2)$$

where P is the probability that area i is designated as a target area in 2010 conditional on the given covariates. Additional to the covariates described in equation 1, the vector *LOC* contains the (time invariant) distance controls described in the data section. For this specification the sample is restricted to the year 2009 and the year

¹⁰A further complication is the clustering of planning areas into the larger revitalization areas. Each of the five target areas consists of up to 28 connected planning areas. Urban planners most certainly avoid selecting various independent small target areas spread all over the city, but aim at obtaining a few broader connected target areas. To reach this goal, they possibly have to include some areas which do not perfectly fit their search criteria, and exclude some isolated areas which fulfill the criteria.

effects and the area fixed effects are omitted from the model.

3 Empirical Results

This section summarizes the empirical results presented in Table 2. Columns (1-4) display the effects of the linear probability model with the point estimates in column (1), clustered standard errors in column (2), and the spatially corrected standard errors in columns (3-4). Columns (5-6) display the marginal effects and the robust standard errors from the logit estimation.

The coefficients of the covariates generally display the expected effects, although most of them do not significantly influence the probability of being selected as a target area: a larger share of buildings in bad condition and a larger share of buildings in residential areas increase the probability of being selected as a target area, as do a larger share of EU (15) residents and a higher migration volume. A modern housing stock and larger average floor space decreases the probability of being selected.

The main results are displayed in the first four rows: as expected, high levels of the unemployment rate increase the probability of selection into a target area significantly. A 10 percentage point increase in the unemployment rate increases the probability of selection by about 0.7 percentage points. However, the long-term trends reveal a different story: A 10 percentage points increase in the unemployment rate over six years, i.e. a negative development, actually decreases the probability of being designated significantly by about 0.55 percentage points. The level and trend effects of the share of residents of immigrant background cannot be estimated precisely and do not seem to have an impact on the selection probability. The effects seem small at a first glance, but they neglect the small average selection probability. In relation to the average selection probability in 2010, a 10 percentage points increase in the six year change of the unemployment rate decreases the designation probability by about 2.5%.

The results are robust to the inclusion of standard errors accounting for spatial autocorrelation and serial correlation in an alternative way: the presented SHAC standard errors (columns (3) and (4)) are estimated with a distance cutoff of two and five kilometers respectively, which tends to increase the standard errors of the level estimates but not of the trends estimates. Comparable results are also displayed by the logit estimates (columns (5) and (6)). A 10 percentage points increase in the unemployment rate increases the selection probability by about 0.4 percentage points, while an increase in the six year change in unemployment decreases the probability of selection by about 0.33 percentage points.

	(1)	(2)	(3)	(4)	(5)	(6)
Model	OLS				LOGIT	
Standard errors		Clustered	Spatial HAC	Spatial HAC		Robust
Distance cutoff		-	2km	$5 \mathrm{km}$		-
Unemployment	0.0707	$(0.0241)^{***}$	$(0.0315)^{**}$	(0.0468)	0.0411	$(0.00579)^{***}$
Immigration	-0.0108	(0.0123)	(0.0102)	(0.0099)	0.00522	(0.00457)
Δ Unemployment	-0.0552	$(0.0139)^{***}$	$(0.0162)^{***}$	$(0.0156)^{***}$	-0.0332	$(0.00743)^{***}$
Δ Immigration	-0.00753	(0.0117)	(0.00884)	(0.00749)	-0.00899	$(0.00449)^{**}$
EU residents	0.0469	(0.0332)	(0.0357)	(0.029)	0.0111	(0.0137)
Migration Volume	0.00728	(0.00473)	$(0.00349)^{**}$	$(0.00393)^*$	0.0000636	(0.00381)
Residents	-0.0323	$(0.0178)^*$	$(0.0152)^{**}$	$(0.0177)^*$	0.0024	(0.00255)
Plotarea	0.00908	(0.0655)	(0.05)	(0.0591)	0.188	$(0.109)^*$
Floorspace	-0.0225	(0.0779)	(0.0595)	(0.0607)	-0.0071	(0.139)
Residential area	0.0266	(0.074)	(0.0539)	(0.0426)	0.0332	(0.0796)
Building facing	0.0341	(0.0396)	(0.0257)	(0.0222)	0.162	$(0.0679)^{**}$
the street						
Year construct.	-0.000555	(0.000612)	(0.00042)	(0.000345)	-0.00103	(0.000831)
Bad condition	0.0427	(0.0595)	(0.0477)	(0.062)	0.0575	(0.0641)
Socio. controls		YES	YES	YES		YES
Housing controls		YES	YES	YES		YES
Location controls		NO	NO	NO		YES
Area fixed effects		YES	YES	YES		NO
Year effects		YES	YES	YES		NO
\mathbb{R}^2	0.417				-	
AIC	-710.5				148.6	
Observations	1096				274	

 Table 2: Empirical results

Notes: Standard errors in parentheses. * $p \downarrow 0.1$, ** $p \downarrow 0.05$, *** $p \downarrow 0.01$. The results for the logit estimates (column 5) are marginal effects reported at means. To eliminate some left hand zeros, residents are measured in units of 1000, and plot area and floor space are measured in ha. Year effects are yearly fixed effects. Housing and distance controls consist of covariates controlling for property and location characteristics described in greater detail in the data section. Area effects consist of a set of the observed planning area level fixed effects.

As a sensitivity analysis, the study replicates the main results, including either only the unemployment rate, or only the share of residents of immigrant background (and the lagged values respectively). The results are displayed in Table 3: the effect seems to be largely drive by the unemployment rate. While the parameters in columns (1) and (2) are similar to the effects in Table 2, including only the share of residents of immigrant back-ground yields only inconsistent and very small effects.

4 Conclusion

This study evaluates the selection process of a place-based policy leading to the designation of five urban revitalization areas, specifically addressing the question whether

	Unemployment		Immigrant background	
	(1)	(2)	(3)	(4)
	OLS FE	LOGIT	OLS FE	LOGIT
Unemployment	0.0558**	0.0383***	-	-
	(0.0256)	(0.00596)		
Δ Unemployment	-0.0467***	-0.0360***	-	-
	(0.0158)	(0.00636)		
Immigration	-	-	-0.0170*	0.0157^{***}
			(0.00902)	(0.0045)
Δ Immigration	-	-	0.00177	-0.0126**
			(0.00768)	(0.00503)
EU residents	0.044	0.0154	0.0496	-0.0347**
	(0.0349)	(0.0135)	(0.0326)	(0.0165)
Migration volume	0.00653	0.00282	0.00821^{*}	0.00313
	(0.00474)	(0.0025)	(0.00477)	(0.00321)
Residents	0.00442	0.00192	-0.0315**	0.00732^{**}
	(0.00572)	(0.00263)	(0.0159)	(0.0031)
Plotarea	-0.000348	0.171	0.0184	0.109
	(0.0666)	(0.126)	(0.0623)	(0.13)
Floorspace	-0.0191	0.0409	-0.0383	-0.0486
	(0.08)	(-0.152)	(0.0765)	(0.19)
Residential area	0.0259	0.00282	0.0196	0.0504
	(0.0739)	(0.0813)	(0.0755)	(0.134)
Building facing	0.0308	0.145**	0.0437	0.149*
the street	(0.0403)	(0.0688)	(0.0396)	(0.0828)
Year constructed	-0.000326	-0.0011	-0.000306	-0.00188*
	(0.000616)	(0.000769)	(0.000619)	(0.000987)
Bad condition	0.0541	0.041	0.0293	-0.0603
	(0.0586)	(0.0641)	(0.0599)	(0.0885)
Socio-dem. Controls	YES	YES	YES	YES
Housing controls	YES	YES	YES	YES
Location controls	NO	YES	NO	YES
Area fixed effects	YES	NO	YES	NO
Year effects	YES	NO	YES	NO
\mathbb{R}^2	0.402	-	0.399	_
AIC	-686.3	149.8	-680.1	188.7
Observations	1096	274	1096	274

 Table 3: Sensitivity: drivers of the effects

Notes: Standard errors in parentheses. * $p \neq 0.1$, ** $p \neq 0.05$, *** $p \neq 0.01$. The results for the logit estimates (column 5) are marginal effects reported at means. To eliminate some left hand zeros, residents are measured in units of 1000, and plot area and floor space are measured in ha.

urban planners display winner picking. The empirical results support this hypothesis: while high levels of unemployment increase the probability of being selected as a target area, increases in the six year change of the unemployment rate, i.e. a negative development, decrease the probability of being selected. Neither the levels nor the long-term changes in the share of residents of immigrant background have a significant effect on the selection process. The results are stable across different specifications. The effects can be interpreted as winner picking: high levels of unemployment increase the selection probability. This indicates that well-functioning areas are generally not selected (selecting these areas for a revitalization policy would be implausible). However, the negative effects of the six year change in the unemployment rate indicate that areas which exhibit negative perspectives, i.e. an increase in the long-term trend of the unemployment rate, have a decreasing chance of being subsidized. Instead, urban planners seem to prefer areas which demonstrated a positive development or a gentrification process. These results contrast the declared objectives of the policy, which was specifically designed to target disadvantaged areas expected to underperform in the future.

This study informs the economic policy evaluation literature on two important grounds. First, selection processes of placed-based policies might not be as quasi-exogenous (in the sense of being based on objective criteria) as one might expect. Urban planners might have an incentive to pick winners to make the policy seem more successful in retrospective. Other explanations for distorted selection results would include decisions based on in-complete data or potential corruption. Second, in the presence of winner picking, there are important implications for the evaluation of place-based policies. The selection process favors certain areas, which might prosper even in absence of the policy. Therefore, the construction of valid counterfactuals is especially important to effectively evaluate the effects of a place-based policy.

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