Sale of Baldwin Hills Crenshaw Plaza: Case Study Notes

In 2021, an investment company was offered two bids for Baldwin Hills Crenshaw Plaza—a local landmark in South Central Los Angeles. Harridge Development Group, a local real estate developer, offered $111 million for the property, while Downtown Crenshaw, a group representing local residents, offered $115 million. The company accepted Harridge Development Group's bid. These course notes use this decision as a case study to understand how stratification economics might explain persistent discrimination and inequality. While this example is local to Los Angeles, instructors may be able to find similar examples in their home cities.

The Baldwin Hills Crenshaw Plaza is one of the oldest regional shopping centers in operation in the U.S. and has been used as a gathering place for the Black community in Crenshaw, a neighborhood located in South Los Angeles. In 2021, Downtown Crenshaw, a community-centered development group representing South Central LA residents, offered $115 million to purchase the Baldwin Hills Crenshaw Plaza.[1] Downtown Crenshaw intended to redevelop the property to include community resources, job training programs, worker-owned cooperatives, and affordable housing—80 percent of the residences would be priced at below-market rates. A local development corporation, Harridge Development Group, made a competing offer of $111 million for the property, with the intention of using the space primarily for commercial real estate and market-rate housing—only 10 percent of residences would be priced at below-market rates. Despite offering more money for the property, Downtown Crenshaw lost the bid to Harridge Development Group.

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[1] For more information on the purchase of the Baldwin Hills Crenshaw Plaza see https://capitalandmain.com/black-community-group-fights-plan-to-redevelop-baldwin-hills-crenshaw-plaza

Students could be required to read articles on the purchase of the Baldwin Hills Crenshaw Plaza such as Buhl (2021) or Bakewell Jr. (2021). Students can also watch a video that describes the history of the Plaza and efforts by developers and Downtown Crenshaw to purchase the property. Instructors can facilitate the discussion with the following questions which allow students to connect the example with the SE framework:

(1) *Who do you think the "Dominant" group is in this example? Is the "Dominant" group necessarily defined by race?*

Students might identify that in this story, Harridge is a member of the dominant group, and Downtown Crenshaw is a member of the excluded group. However, students might disagree about whether the dominant group is "Corporate America" or "White-owned businesses." Students might be encouraged to think about what identities might have been most salient to DWS, the asset management company placed in charge of selling and operating the plaza for Capri Capital, at the time of the sale, as well as what identities might be most valuable for DWS to maintain.

(2) *What incentive do "Dominant" group members have to remain in good standing with other "Dominant" members?*

Students might argue that remaining a "member in good standing" among corporate developers and asset management companies might give DWS preferential access to future financial opportunities. Students might consider that because the financial value of real estate is often shaped by the types of businesses and residences located nearby, real-estate holding companies might often want to give input about what type of development happens near their holdings.

Thus, developers or asset management companies may want to maintain good relationships with other major owners and developers so that they are more likely to be able to ask the owners of properties neighboring their own to consider their interests when deciding what to build. This example illustrates that while developers and asset management companies often compete with similar companies, they may also receive substantial benefits from cooperating with each other. As a result, when networks of developers form to facilitate cooperation, being inside that network can be valuable.

(3) *Why would DWS (the asset management company placed in charge of selling and operating the plaza for Capri Capital) have accepted a lower bid from a White-owned developer instead of a Black-owned community group?*

(a) *If DWS was only concerned about getting the maximum value for this property, why might they have sold to Harridge, rather than Downtown Crenshaw?*

Students might think that DWS thought that since Harridge was more established, they would be less likely to default, despite having a smaller down-payment. When asked about the sale, DWS responded, "We welcomed all potential buyers, including community groups, to participate in the bidding process. The winning bidder was selected based upon a number of factors which included both purchase price and proof of adequate financing, as well as development expertise" (Bakewell Jr 2021). It is useful to note for students, however, that a default would have hurt Downtown Crenshaw's lenders, not DWS.

(b) *What other reasons might DWS have had to sell to Harridge?*

If DWS owns neighboring properties in Crenshaw, they may have been concerned that development with mostly below-market housing would bring low-income residents to the neighborhood and potentially lower property values. Even if DWS does *not* own neighboring properties, other developers who do may have put pressure on DWS not to support a project that would lower property values.

Students might also think that a business relationship with Harridge could be valuable for DWS or Capri Capital in the future. Shortly after the sale, Harridge announced that they had hired personnel from Capri Capital to be a part of the leadership team overseeing the re-development (Bakewell Jr. 2021). Instructors can note that a willingness to forgo profit on a particular transaction in order to maintain a relationship is consistent with the Stratification Economics model.

Lastly, White executives at DWS might have felt more comfortable working with other White property developers, rather than Black activists.

(4) *How could the behavior identified here limit the creation and maintenance of Black capital or wealth?*

To generate wealth, individuals and communities need to be able to purchase productive assets. If Black individuals and community groups need to pay more money or have greater securitization in order to purchase property, their wealth will grow less than it would otherwise.

In addition, because the Baldwin Hills/Crenshaw mall is an important space located in the commercial core of Crenshaw Boulevard, control of the property grants control over the types of businesses and residents with access to an important productive

resource. Had Downtown Crenshaw won the bid, they could have used the property to provide economic opportunities to Black entrepreneurs and investors, while reducing the housing costs of low-income Black renters.