

Housing Policy and Residential Mobility: Contrasts Between France and the U.S.

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Stylized fact: In a given year, a person in the United States is twice as likely as a person in France to move to another dwelling*

Two Sets of Questions:

1. What are the causes of this difference?
2. Is a higher rate of residential mobility good or bad for a society?

* Source: E-mail message from Daniel Courgeau, longtime Researcher at Institut National d'Etudes Demographiques, Paris

*Residential mobility of individuals,
percent per annum, c.1997-1998*

<u>Age of Individual</u>	<u>France</u>	<u>United States</u>
25-29	21.1%	31.0%
30-39	10.9%	18.0%
40-49	4.4%	10.0%
50-54	3.4%	8.6%

Sources: France: Ahn & Blazquez (2007); U.S.: Census, Current Population Report, P20-520 (percentages extrapolated)

In Both Nations, Most Moves Are Local

In France:

In 1998, 68% of movers to dwellings in Ile-de-France came from Ile-de-France¹

Nationwide, about 75% of movers in a given year in the 1990s remained in the same department²

In United States in 1998:³

65% of movers remained in the same county

84% of movers remained in the same state

Sources:

¹de Palma, Picard & Waddell (2007) Journal of Urban Economics 62: 204, 207

²Courgeau & Lelièvre, Population (2004-5) 59:703, 707

³U.S. Census, Current Population Report, P20-520.

Some Possible Causes of the Difference in Residential Mobility (testable by regression analysis?)

1. Tastes, Cultural Differences
2. Much Lower Job Mobility in France
3. Tax Policies
4. Housing Policies (my main focus)
 - a. Landlord-Tenant Law
 - b. Housing Assistance Policy
 - c. Land Use Regulation

1. Cultural Differences That Might Affect Residential Mobility

a. Some cultural stereotypes:

France: Family and place loyalties are strong, perhaps even stronger than elsewhere in “Old Europe”

U.S.: A nation of rootless immigrants and entrepreneurs

b. The possibility of self-selection effects:

Those who remained in France, and those who immigrated to the U.S., may have passed along their preferences, by either nature or nurture.

Cultural Differences Probably Aren't the Entire Story

1. *Switzerland* is similar to U.S. in landlord-tenant law, social housing policy, and residential mobility¹

2. *New York City* is similar to France in landlord-tenant law, social housing policy, and residential mobility:

Percentage of households that did *not* move during a 10-year period:²

New York City:	35%	(Husock calls NYC “The Frozen City”)
San Francisco:	23%	
Boston:	18%	
Chicago:	17%	

¹ Strassman, *Housing Studies* 16(1): 7, 13 (2001)

² Ellen & O'Flaherty, forthcoming in Garfinkel & Meyers eds., *The Welfare State in New York City*

2. Evidence of Major Differences in Labor Markets

Percentage of individuals in current job (late 1990s):

	<u>Age 26-45</u>	<u>Age 46-60</u>
<i>For one year or less</i>		
France:	14%	5%
United States	22%	12%
<i>For ten years or more</i>		
France	41%	74%
United States	23%	50%

Source: Simon Burgess, Reallocation of Labor (LSE 1999) (data has been rounded)

But which way does causation run? Might sticky housing markets make job markets more sticky?

3. French Tax Policies That Might Deter the Sale of a House

a. Transfer tax and stamp duty equal to approximately 7% of sale price

b. Somewhat greater likelihood, compared to U.S., of tax on net capital gain

c. Also, some assert that the transaction costs of transfer (brokerage fees, notary fees, etc.) are higher than in the U.S.

4. Three Clusters of Housing Policy That Might Affect Residential Mobility

- a. Landlord and Tenant (propriétaire-locataire)
- b. Housing Assistance (le logement social)
- c. Land Use Regulation (le droit de l'urbanisme)

The complexity of these regulatory and welfare systems makes it difficult for a foreigner (even an Edward Glaeser) to understand them.

a. Landlord-Tenant Law

Major difference in which level of government that is responsible for this body of law:

France: the nation

U.S.: the states

(and there also are some local laws)

Regulatory competition may lead to different political outcomes.

i. First-Generation (Strict) Rent Controls

France: Strict controls begin around time of World War I. Law of 1948 begins to phase these out, but endorses general principle that a tenant should have a “right to remain in the premises.”

United States: Are national rent controls during World War II, but, after 1947, New York City is one of the few cities to renew them. During the inflation of the late 1970s, a few other localities adopt (usually) milder rent controls.

In both nations, in 2008 these laws cover **no more than 1%** of tenancies (Laferrère & LeBlanc, in *A Companion to Urban Economics* (Arnott & McMillen eds., 2007)).

Some important aspects of French landlord-tenant law

ii: La loi Mermaz-Malandin, 1989

A tenant of an unfurnished apartment is entitled to a 3-year lease, terminable by the tenant with three-months notice. The minimum term of the lease is 6-years if the landlord is a corporate body (“une personne morale”).

A national index limits annual rent increases during the term of the lease. With some important exceptions, at the end of the lease a landlord must offer a renewal and can raise the rent only by proving that the former rent “manifestly undervalued” the premises.

(In over 90% of the U.S., the length of a lease, and the amount of rent when there is a renewal, are decided by bargaining (“freedom of contract”).)

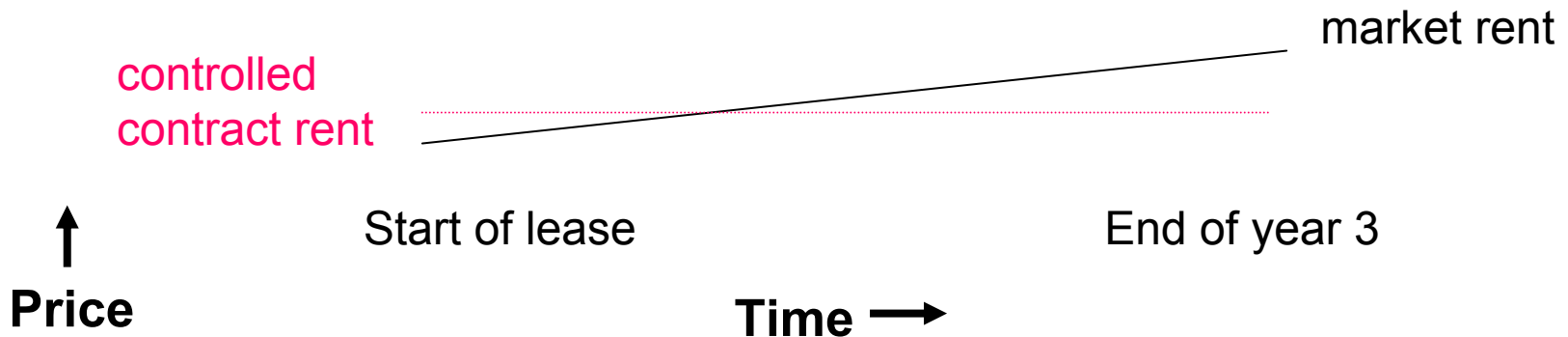
iii. Limits on evictions (“expulsions”)

In France, some landlords report that the process takes an average of 18 months to complete. Few evictions are permitted between November 1 and March 15.

In the U.S., the process usually takes 2-3 months to complete. In some cities there is a norm that no evictions will be carried out during the Christmas holidays.

How French landlord-tenant laws might reduce residential mobility:

1. Landlords screen incoming tenants more carefully, making rental markets stickier
2. Developers, especially corporations, build and own less rental housing than otherwise. In France, a majority of private rental units are individually owned condominiums, a system that may increase governance costs (Hansmann). (52% of French condos are rented to tenants.)
3. When nominal rents are increasing, as they usually are, tenants stay longer in their rental units to take advantage of the “cheaper” rent at the back end of the lease.



Length of current rental tenure

<u>Average</u> in France (1996): ¹	<u>Years</u>
Tenants in private rental sector	5.6
HLM tenants	10.0
Rent-controlled tenants (1948 Law)	20.0
<u>Median</u> in United States (1993) ²	2.1 ³

1. Loiseau & Bonvalet, Population-E 2005, 60(3) 301, 305.
2. U.S. Census, Current Pop. Rept. P70-66.
3. U.S. average would be considerably longer. See Anily, Hornik & Israel (2008)

b. Housing Assistance Policies

The key distinction between **project-based aid** (which has lock-in effects) and **tenant-based aid** (for example, portable housing vouchers)

	<u>France</u>	<u>U.S.</u>
Project-Based	HLM, etc	public housing, etc
Tenant-Based	allowances (aide á la personne)	Section 8

Economists who point out that tenant-based aid results in fewer lock-ins:

France: Anne Laferrère (CREST) and David LeBlanc (World Bank)

U.S.: Edgar Olsen, John Weicher

Percentage of Total Dwellings Nationwide Receiving Rental Subsidies (2006)

	<u>France</u>	<u>U.S.</u>
Project-Based Rental Aid (social housing)	17% ¹	4%
Private Rentals Involving Tenant-Based Aid	11%	2%
Private Rentals without Tenant-Based Aid	<u>15%</u>	<u>26%</u>
Total (all rented dwellings)	43%	32%

¹ A French law, enacted in 2000, requires a commune to provide at least 20% HLM or else pay a tax. About half of HLM tenants also have the benefit of housing allowances.

Source: Laferrère & LeBlanc (2007) and others

Other Differences Between French and U.S. Housing Assistance

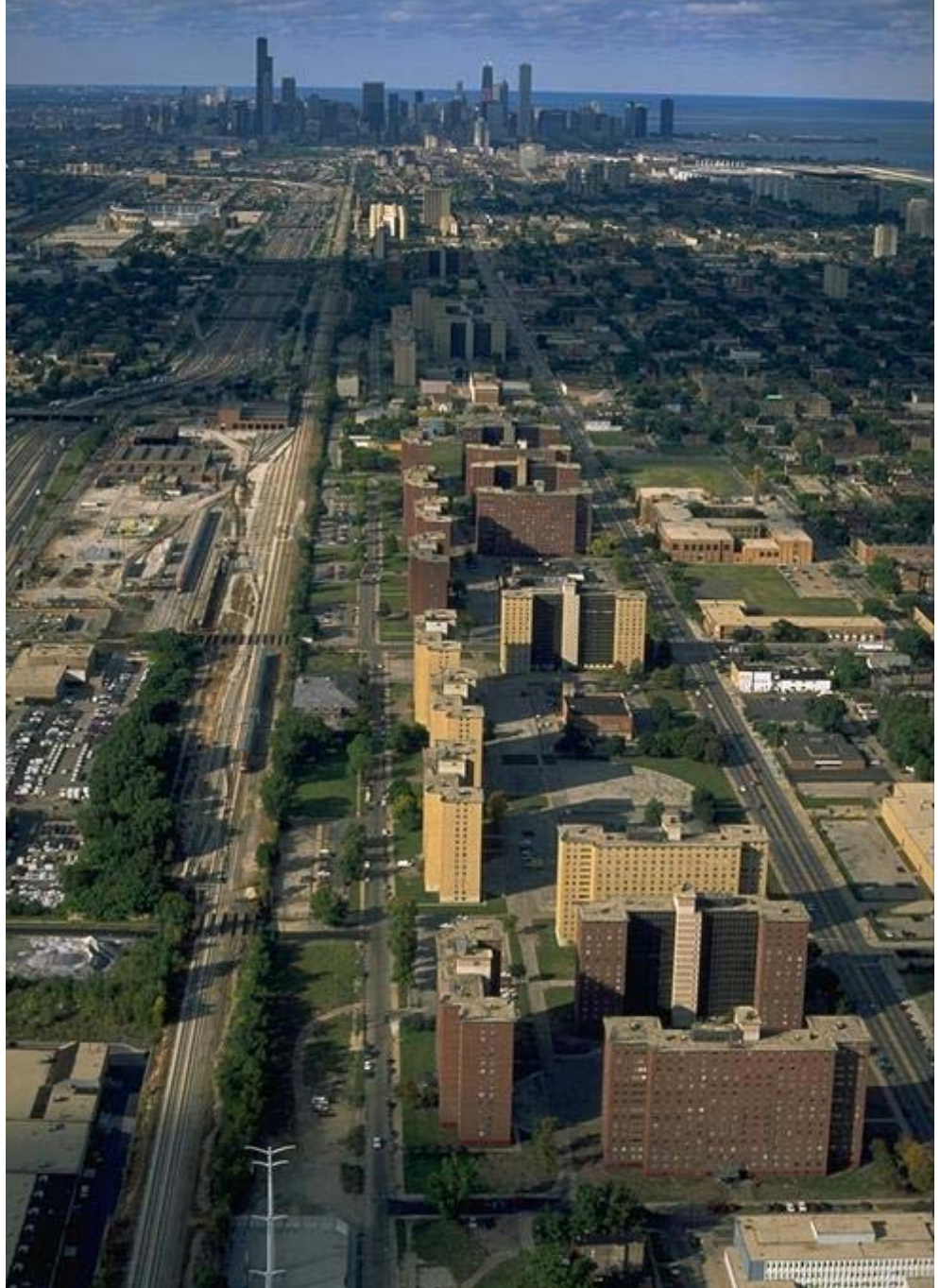
1. Housing aid (both project-based and tenant-based) tends to be about twice larger per assisted tenant in the U.S.
2. U.S. aid (both project and tenant-based) is far more targeted toward poor tenants.
3. Large U.S. housing projects typically are located in central cities. By contrast, in the suburbs of Paris, 63% of the rental apartments are in HLM projects, compared to 29% of the rental apartments in the City of Paris.*

* Calculated from data in LeBlanc & Laferrère (2001) J. Housing Econ. 10: 429,434.

Robert Taylor Homes, City of Chicago

4400 units of public housing,
opened in 1962.

Completely demolished
between 1995 and 2007.





Les “4000” de La Courneuve, built in 1960s



Demolition of Ravel and Presov Buildings, 2004

Why U.S. Housing Projects Reduce Residential Mobility Less than HLM Projects Do

1. U.S. projects are far less common (4% v. 17% of housing stock).
2. In U.S., a tenant in a project typically must pay 30% of income toward rent, so a prospering tenant eventually tends to move out. The rent of a prospering HLM tenant, by contrast, is rarely increased.

c. Land Use Laws

France:

National legal framework: PLU, SCOT, SEM, ZAC, etc.

But recently there has been some decentralization of power to communes and regional governments

U.S.:

Mostly state and local legal framework: zoning ordinances, subdivision regulations, planning laws

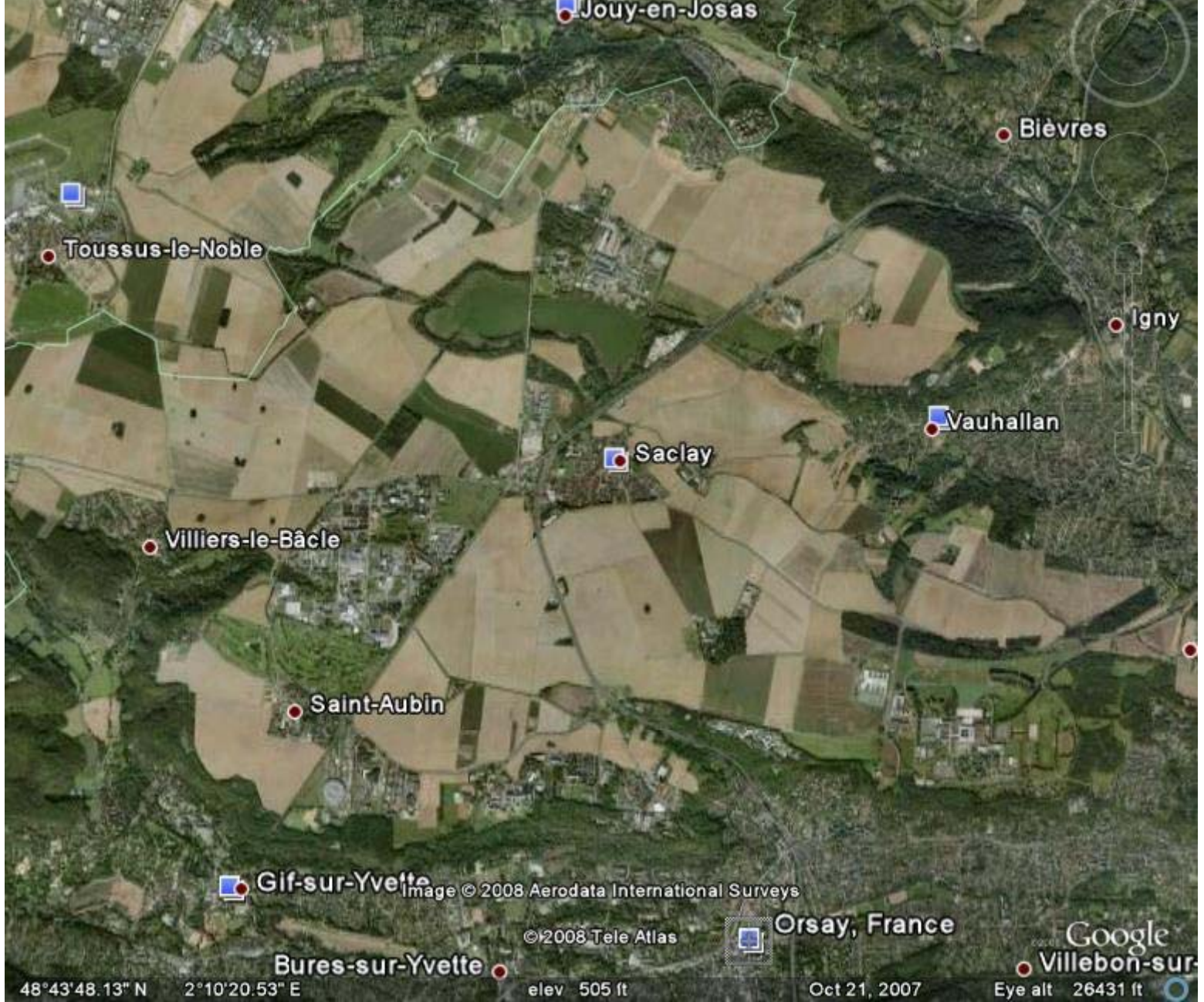
Some aerial photographs, obtained from Google Earth



Cergy-Bontoise



Mount Kisco, a suburb north of New York City



Saclay, Les Yvelines, south of Paris



Image © 2008 Aerodata International Surveys

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48°43'50.47" N 2°10'17.01" E

elev 504 ft

Oct 21, 2007

Eye alt 4030 ft





Image © 2008 Aerodata International Surveys

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48°43'44.43" N

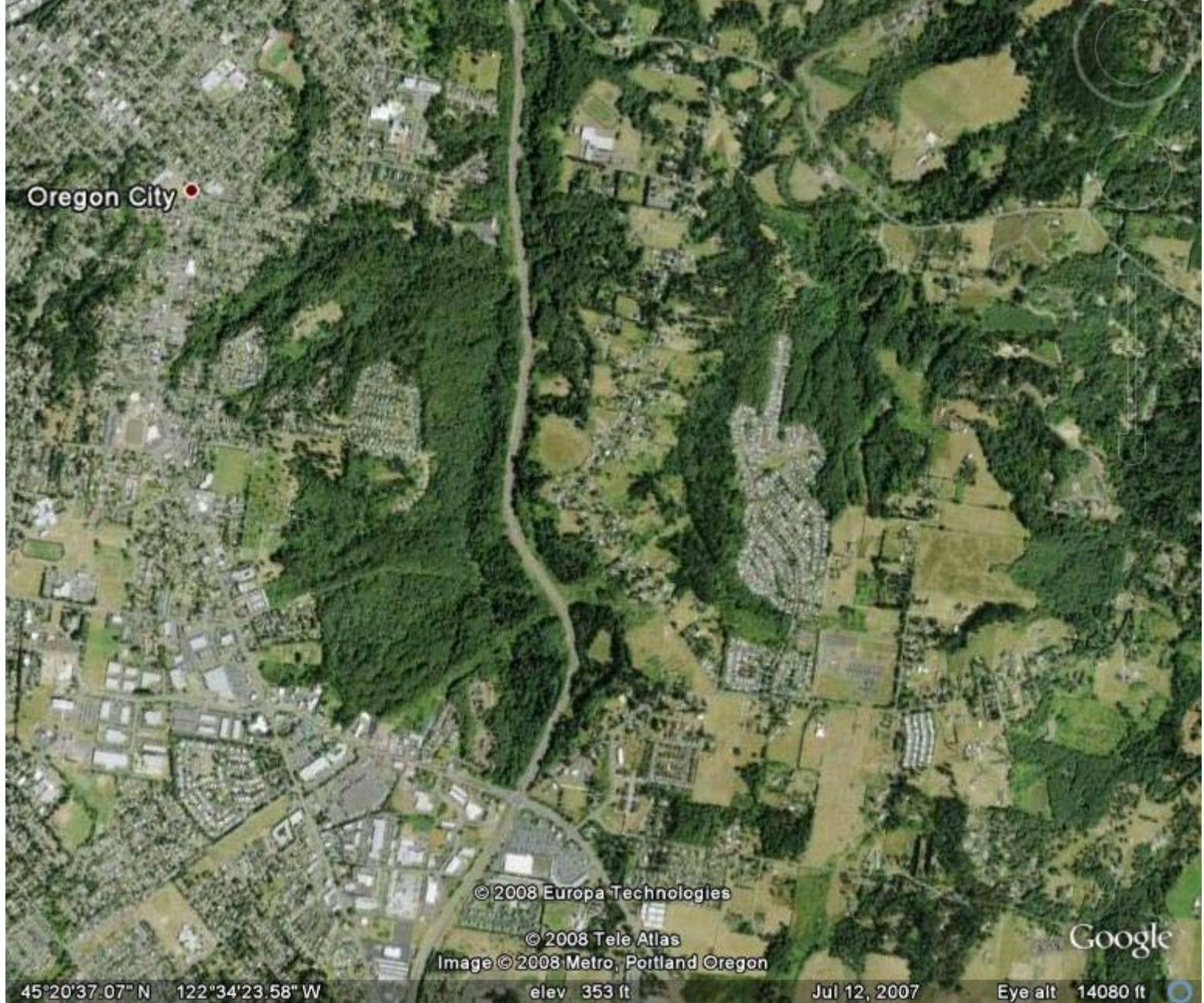
2°10'28.84" E

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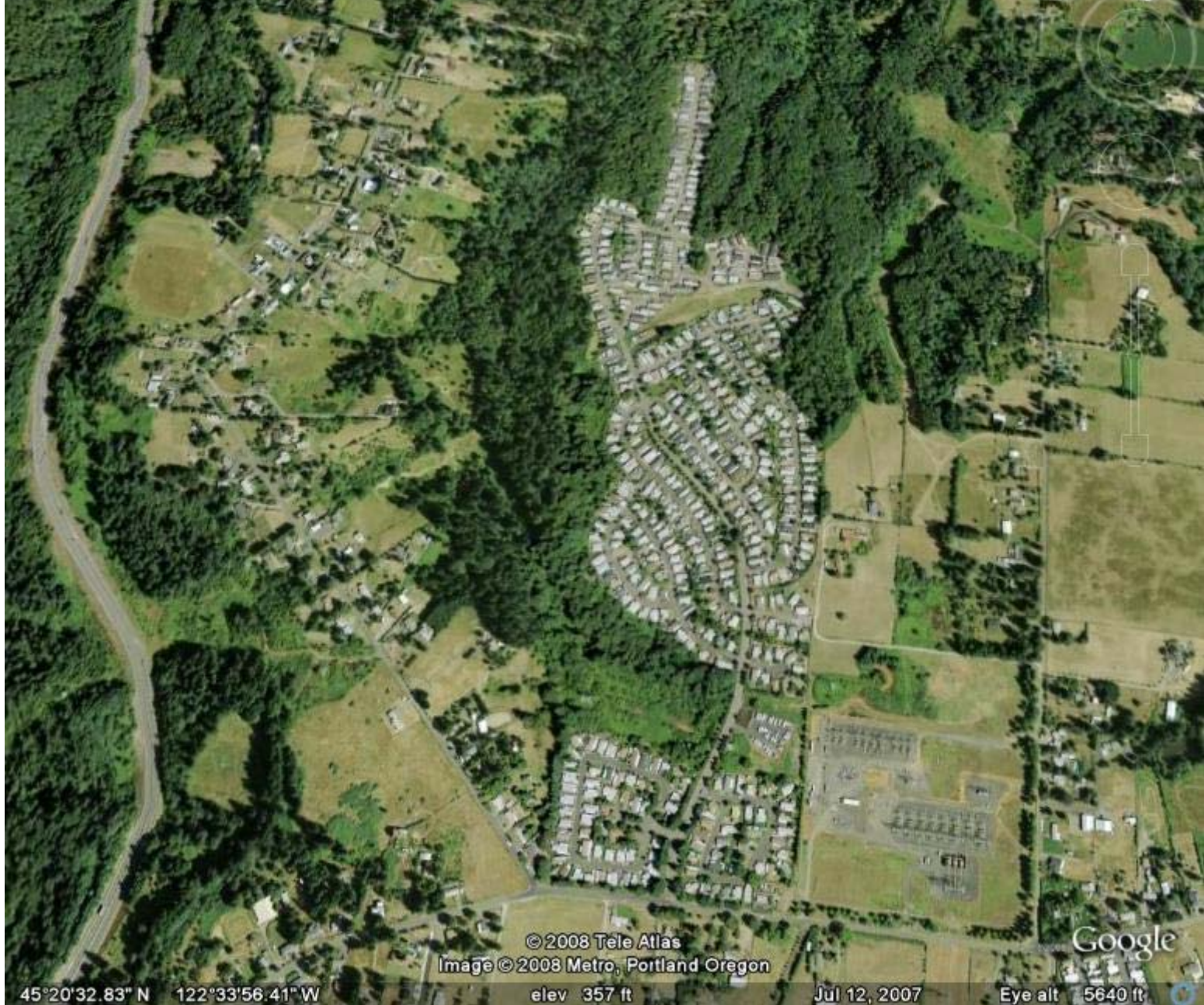
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Oregon City, south of Portland, Oregon

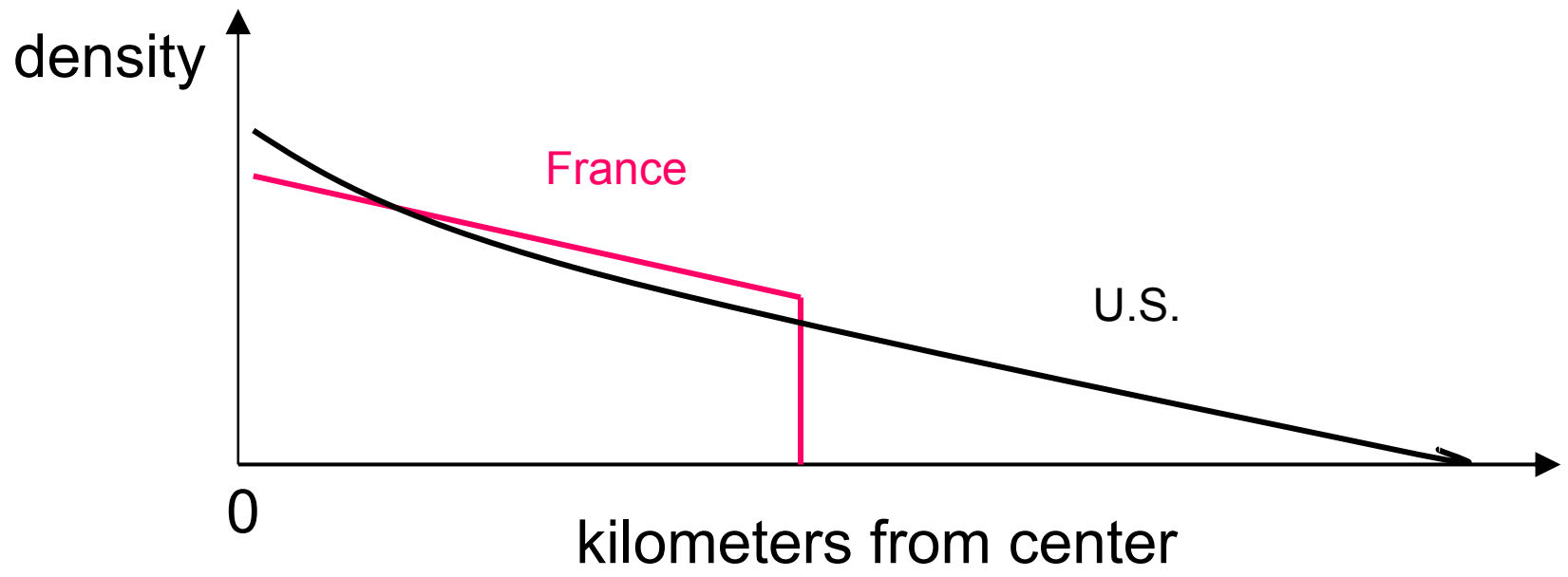


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Image © 2008 Metro, Portland Oregon

Google

45°20'32.83" N 122°33'56.41" W elev 357 ft Jul 12, 2007 Eye alt 5640 ft

Illustrative Density Gradients, By Distance from Center of City or Village



How French Land Use Laws Might Reduce Residential Mobility:

1. Reduce Total Quantity of Housing Supplied, Leading to a Tighter Market(?)
2. Lessen the Variety of Housing Choices – for example, fewer houses on large lots, fewer large rental complexes owned by corporations

The Key Normative Question: Is Greater Residential Mobility Desirable?

1. Advantages of Greater Residential Mobility
 - a. Allows easier job mobility
 - b. Greater freedom to change the location and attributes of one's house, and the composition of one's household
(See Ellickson, *The Household* (2008))

2. But, Some Possible Negative Social Externalities When People Move More Frequently
 - a. Less involvement in local politics
 - b. Less local social capital, e.g., quality of relationships with neighbors and at boulangerie

(Sources on social capital: Robert Putnam, *Bowling Alone* (2000); Pettit & McLanahan, *Residential Mobility and Children's Social Capital* (2003), *Social Sci. Q.* 84:632)