

Local Discretion in Low Income Housing Policy:

Evidence from France*

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Abstract

This paper examines the impact of local discretion on low-income housing production in France, where municipal preferences for incumbent residents can clash with central government goals—particularly efforts to reduce segregation in social housing construction. In contexts with residential migration, local discretion can substantially influence income segregation, as wealthier municipalities often choose not to build low-income housing, which further reinforces income clustering. Using administrative data, I leverage a discontinuity in French policy mandating either social housing construction or annual fines for municipalities below a threshold. I then construct and estimate a model of residential demand incorporating unobserved heterogeneity in preferences for low-income neighbors and sensitivity to housing costs as residents decide where, or whether, to move. The model is used to analyze residential segregation and welfare for non-social housing residents under scenarios of full local discretion, absent the policy, and complete mandate, with even social housing distribution. I find that allowing even a little bit of local discretion substantially impacts income segregation. I also find that without local discretion non-social housing residents are worse off.

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