

Dutch social housing in a nutshell

Hilversum, May 2007

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Chapter 1

Current developments in social housing

1.1 Entrepreneurs with a social objective

Social housing associations are entrepreneurs with a social objective. By providing various packages of housing services and products to a broad selection of population groups, they are best able to guarantee the availability of affordable, good quality housing for those with the fewest opportunities and people of lower and medium incomes.

The housing associations keep a keen eye on their own social accomplishments. They include the various parties involved in a community when they make choices for the directions to be taken and are accountable - also to the outside world - for their policy choices.

The housing associations develop initiatives amongst themselves for matching tasks and resources. They have established their own code of behaviour through an Aedes Code and a Governance Code and have set up their own system of visitation.

There will be great challenges in the coming years in the way people in Holland will live. Considering their social objective and long-term responsibility, housing associations can play an important part in this. They want to further strengthen and define their way of 'doing business,' with the emphasis being on their own established social objectives and responsibilities, **but not** without intensive dialogue with society. Our housing associations are developing into 'housing societies' with a broad package of services geared to the needs and desires of the consumer. It is vital in this that housing associations are allowed the manoeuvring space in their work to take initiatives that will strengthen the social structure.

Through a well-balanced system of accreditation and supervision of the policies, the government can assess a housing association's performance after the fact.

1.2 Investing in how people will live in future

In a reaction to the social task at hand, the Aedes membership put together an 'Answer to Society' at the beginning of 2007. This document indicates the spearheads upon which social housing associations will base their activities in the coming years, such as: community and neighbourhood approaches, the affordability of living in a certain place, energy conservation, the housing of special groups and vulnerable individuals and the building production. At the local level, housing associations make an offer or contribution to the city's own vision for housing. In the case of collective ambitions, such as a community and neighbourhood approach, they provide a guarantee for the investments needed, keeping in mind the wishes and visions of other interested parties such as tenant organisations.

Matching

In the next few years, Dutch public housing will be facing an operation costing billions of euros. This will involve putting a stop to and preventing the deterioration of communities and neighbourhoods by transforming them into environments where people can feel safe and enjoy living there. Since the housing associations own most of the housing, particularly in the older

neighbourhoods built just after the war, they will have an important role and responsibility in helping make this transformation possible. They have already been developing broad and ambitious plans for this.

This large investment – in part made at a loss – could tax the financial capabilities of housing associations in the cities involved. In order to prevent the situation where needed social housing investments are not carried out, the Dutch housing organisations have developed initiatives which form the basis for mutual support, either individually or collectively. Among other ways, these 'matching' initiatives are expressed in collegiate financing with funds being set up, such as the *Wooninvesteringsfonds-WIF* (housing investment fund) which, through the purchase of whole complexes, make resources available for revitalising communities, the *Garantiefonds voor de Stedelijk Vernieuwing-GSV* (the guarantee fund for urban renewal) and *de Investeringsmaatschappij i.o.* (the Investment Company, currently being set up).

Housing and care, social homes

As the Dutch population increasingly greys, the policies of the coming years will lie primarily in developing care centres and living services zones in communities and neighbourhoods. Living services zones are areas where institutions involved in elderly care - including housing associations - create the best conditions for people to function for themselves as long as possible, preferably at home. The housing associations have also wanted to play an important part in developing and managing the so-called social homes like those in the care sector and other (semi) public sectors. In fact, building and managing social homes now accounts for an important segment of their core business.

1.3 Future rent policy and rent subsidy

Rent policy is the core of a social housing association's operations. Considering the importance of the rent policy to the government – for example, the effect on rent subsidy payments, the distribution of income and discussions about the poverty trap – it is one of the subjects of political discussion and decision-making that comes up every year. Generally, these discussions result in setting the margins for the annual rent adjustment policy.

For some time now, the housing associations have been advocating 'fair rental prices'. With the current situation in a stagnated Dutch housing market, the rents price policy with its generally low rates will probably increase the rigidity. Furthermore, keeping all rents artificially low serve no social purpose and even encourage the misuse of social rental housing. Aedes, the promoter of the housing associations' interests, is in favour of reasonable, market-oriented rental prices which are based on the quality and market position of the housing.

Even with the new Dutch government, rent subsidy remains the core of public (social) housing in this country, with an emphasis on the affordability of living space for the lower income groups. In order to curb the budgetary open end of the regulations, during the last few years the government has taken measures to make the effect on the national budget more manageable.

Within the framework of the 'Answer to Society' the housing associations made a proposal at the beginning of 2007: they would improve housing affordability for the tenants (if needed, also for households with lower-middle incomes) in exchange for enough manoeuvring room within rents policy.

Chapter 2

The housing stock and physical planning policy

2.1 The housing stock by sectors

Holland is a densely populated country. In 1960, there were 11.4 million people living here. In early 2007, that number had increased to more than 16.3 million. Relatively speaking, the number of households has risen even faster: from 3 to nearly 7 million during the same period. The average population density as per 1 January 2007 is 482 persons per square kilometre. In the urban western part of the country, that number is closer to 1000.

There are more than 6.9 million homes in The Netherlands. Eighty percent of these were built after the Second World War. This housing stock can be divided into three sectors:

- the social rented sector;
- the private rented sector;
- home ownership.

The social rented sector includes homes owned by the social housing associations. The private rented sector consists of housing owned by private individuals and institutional investors (such as pension funds and insurance companies). And finally, there is home ownership (the owner-occupied sector) – properties belonging to the people living in them.

Dutch housing stock according to sectors

Sectors	1993	1997	2001	2006
Home ownership	47%	50%	53%	56%
Private rented	15%	13%	11%	10%
Social rented	35%	37%	35%	34%
Total (x 1000)	6.044	6.366	6.649	6.913
<i>Source: Ministry of Housing</i>				

Within the Dutch housing stock, the proportion of homes owned by their residents is especially on the rise. In comparison with most European countries however, home ownership in The Netherlands is still limited. Social landlords play a part in promoting home ownership by building owner-occupied housing (7,200 in 2005) and by the rather wide scale selling of their own housing stock (average 19,000 annually between 2001 through 2006). Furthermore, housing associations have recently been allowed to grant starters' loans, so that owning a home can also be within reach of lower income families. Tax allowances contribute in large part to the growth of home ownership. Even after a thorough revision of the tax structure in 2001, during a maximum period of 30 years, a nearly unlimited deduction of mortgage interest (for a home owned by its resident) can be taken from income taxes in The Netherlands. Fiscal subsidising is partially responsible for the fact that the supply-demand ratio on the Dutch housing market is out of whack, meaning that the market has been shut for some time.

2.2 Growth of housing demand

A great many homes are already being built in Holland. And yet there is a large demand for housing. There are several explanations for this. The Dutch population is still growing, although at a somewhat slower pace. Among other things, this large demand has to do with new immigration. During the last few years, this has levelled-out to much lower numbers because of the restrictive government policy. The population in 2030 is expected to be about 17.9 million.

More than anything, however, the need for housing can be attributed to the increase in the number of households. This growth is caused in particular by the decrease in the number of persons per household which, in turn, has to do with the changing composition of households. The number of households is increasing because, among other reasons, people are living much longer and remaining independent longer. In addition, many marriages and relationships are breaking up.

Holland is being faced with a 'de-greening' and 'greying' of the population, meaning that the number of young people has decreased during that last decades while the number of elderly will continue to increase dramatically.

According to the Central Statistical Office, the number of single-member households in 2010 will have risen to 2.7 million, while the two-member households will be 2.4 million. This means that not only will many new homes have to be built, but also that we will have to look critically at what type of homes are built where, for whom and at what price.

Development of number of households

Year	Population	Households	Average number of persons
1900	5,104	1,113	4.51
1930	7,832	1,958	4.00
1960	11,417	3,171	3.56
1680	14,091	5,006	2.97
2000	15,848	6,824	2.32
2006	16,357	7,146	2.29
Prediction: 2012	16,497	7,450	2.21

Population and households x 1000

Source: CSO

2.3 Physical planning policy

In the sixties, the government tried to spread the population and employment around the country. Through the eighties, as much building as possible was done in the so-called "overspill" towns such as Almere, Zoetermeer and Nieuwegein. The space available in the major cities throughout the western part of the country (known as the "*Randstad*") was too little to solve housing demands. For that reason, new cities were built, existing cities were allotted enormous space to expand and small villages were turned into large residential areas. Smaller municipalities were only allowed to build on a small scale, which was usually not enough for the natural increase in population.

This policy of overspill towns has been discontinued. This is mostly because employment opportunities did not follow to the new residential areas, which meant an enormous increase in automobile commuter traffic.

Another negative effect was that families with children moved out to these overspill communities, leaving the cities with populations made-up only of the elderly, young people and those allocated to low-cost housing. In contrast to other large cities like London and Paris, Dutch cities have a great many low-cost homes.

In the nineties, an urban policy was chosen in which new building is concentrated as much as possible in and around the larger cities, thus helping to preserve the countryside. These building locations would increase the cities' capacity, especially for services and cultural facilities. Those with higher incomes often leave low-rent homes behind, making it possible for lower-income households to find (financially) suitable housing.

The Policy Document for Spatial Planning (2005) allows smaller municipalities and villages to build for their own population growth.

Chapter 3

A hundred years of social housing in The Netherlands

3.1 The Housing Act of 1901

The Netherlands has always been a strongly 'segmented' country, and that has never completely disappeared. The Christian or social democratic segments are reflected in separate political parties, schools, health care institutions, sports clubs - and even social housing associations. The first of these were established in the second half of the nineteenth century, and their main objective was to provide better living conditions for the workers (health and safety). At the time, there was not yet a relationship between social housing association and (national) government and the initiatives were mostly small-scale.

In 1901, social housing was given a more solid base with the Housing Act, which made it possible for private organisations, with government support, to build 'for the general good'. So, social housing associations are independent, private organisations that build, rent, manage and sell homes. They do this primarily for groups of people who have problems finding good, affordable housing on their own. For such an institution to operate in the field of social housing, it must be recognised (or 'registered') by the government. The legal term for a housing association, therefore, is a 'registered social housing association'.

The regulations contained in the Housing Act were worked out further in a number of so-called Rules which, among other things, stipulate how the social housing associations must behave. Registered social housing associations may operate only in the field of social housing, conducting activities such as building, managing, allocating and selling housing, supplying services to tenants and maintaining the neighbourhood in terms of its quality of life and investing in care homes. Originally, social housing associations were always locally active in the municipalities in which they were established. These days, however, many of the associations have spread their wings into other regional areas.

3.2 The development of social housing associations

The introduction of the Housing Act stimulated many municipalities to establish social housing associations. Where there were only 40 such associations in 1890, by 1913 there were 301 and in 1922, that number had grown to 1341, each owning an average of 30 to 50 homes. But these housing associations were financially and administratively weak, the latter because operations were dependent on the work of volunteers. Financially because, if the associations were ever able to 'show some profit' from the housing operations, it all had to be paid back to the State. The pre-war production peak was between 1916 and 1925. At the time, the housing associations built 96,600 homes, mostly of excellent quality. During the crisis years (1933-1939), production was all but collapsed.

The Second World War created chaos in everything, including Dutch social housing. Hundreds of thousands of homes were destroyed or damaged and almost no new construction took place. So, the post-war housing demand meant a new phase in the history of housing associations. Many families were forced to seek shelter with others and the following baby boom meant even higher

demand for good housing. The government picked up the baton and encouraged, through a broad programme of subsidies, the construction of affordable housing. Quality was a minor issue at that time - the only thing that mattered was construction, and a lot of it.

In 1958, the annual production reached 89,000 and by 1967, it was some 125,000. And still they hadn't caught up with the backlog. In order to reduce the enormous costs of all this building, more attention was given to increasing efficiency. That was achieved mostly through mass production - and that meant a lot of high-rise building.

It was primarily the local city authorities who determined policies such as the choice of architects, the way contracts were tendered and supervision during construction. This made the housing associations nothing more than government branch offices as well as the most important executors of housing policy.

And when the government used its distribution system to handle the housing allocation as well, this 'branch office' effect was even more pronounced. The State made a great deal of capital available in the form of subsidies and loans so that a great wave of construction could be set in motion.

The government's role changed during the 1980's when its enormous national debt forced cutbacks. And besides, the State no longer saw the housing demand as its number one enemy. The decision was then made not to make or guarantee loans to the housing associations.

Through extra cutbacks at the beginning of the 1990's, the State pulled back even further from social housing. Capital subsidies (for the housing itself) were reduced and rent subsidies (for individuals) were increased.

In addition, it was discovered that many people had an income that was too high for the rent they were paying and, the State felt, were unfairly occupying subsidised housing; while many other people lived in housing that was too expensive for their income, and therefore, using up too much rent subsidy. The State felt that this 'lopsided' occupation of housing by both groups had to be corrected.

Furthermore, the State suggested that far fewer social rented homes should be built and many more owner-occupied homes, which were also to be built by housing associations.

To encourage tenants to move up the housing ladder (moving to a more expensive home when they can afford it, leaving behind a low-income home for those who need it), the housing associations are calling for more housing construction in the middle-and-higher income sectors. At the same time, solutions in rental policy are being sought to prevent the middle and higher income segments from being 'subsidised' by housing associations because they pay rentals which are lower than the market value. In other words, the housing associations are looking to establish fair rental prices.

3.3 Social housing associations on their own

Two important issues illustrate very well the increased independence of housing associations during the most recent period in Dutch social housing history: *brutering* and building without subsidies.

Brutering

At the end of 1993, the so-called *brutering* (or balancing-out) agreement was finalised between the State, both of the national federations of housing associations at the time (NWR and NCIV – currently the trade organisation Aedes), and the Association of Dutch Municipalities (VNG). With this agreement, the operation of making the housing associations financially independent was put into high gear.

Briefly, *brutering* was a huge financial operation in which both the money still owed to the housing associations by the State (subsidies) and the money that the associations owed to the State (loans) was settled all at once. So, both parties received in one lump sum what they otherwise would have got over a period of years. In 1995, the law regulating this operation was passed by Parliament and all accounts were settled.

To a great extent, the *brutering* operation broke the financial relationship that existed between the State and the housing associations. The new situation also fits in with the present ideas about social housing: more responsibility on the part of the housing associations.

Having their own responsibility works out in a positive as well as a negative sense for the associations. The managerial and financial independence of housing associations has accelerated tremendously. The associations are very quickly developing into social entrepreneurs. In financial areas, future cutbacks made by the State no longer influence housing management, since future subsidies have already been determined and paid.

Social housing associations may also keep the proceeds from the sale of homes so that these can be used for their social objectives. In exchange, the associations must assume the risks of inflation and rising interest rates themselves. With a combined debt of more than €57 billion on a total balance of €82 billion (2005), that is no sinecure for the Dutch housing associations. Not only that, but the risks for inflation are no longer covered in the housing business.

Building without subsidies

The shifting of responsibility (and the risks involved in this) from the State to the housing associations can also be felt elsewhere in the field of social housing. The character of capital subsidy had already changed earlier - in the 1970's and 80's subsidies were used by the housing associations after the fact to close the gap between their business incomes and expenditures. Starting in 1992, the future expenditures and revenues were standardised, since the subsidy to be paid was already known.

Since January 1st 1995, however, the State no longer provides subsidies for the operational deficits in order to build and manage new social rented housing. The State feels that, considering the amount of rent being charged, housing can be built without subsidies. The current low rate of interest also plays a part in this. The government did, however, make 'incentive contributions' available for a few years (about €2.250 per home) and sometimes an extra amount is contributed for very expensive building locations.

These contributions are very different from the old operational subsidies. They are one-time payments, intended only for making new building more affordable, not for guaranteeing cost-effective operations and they leave all investment and financial risks to the institution.

Because their rents, for the most part, do not cover costs, the housing associations are in fact now subsidising housing. This can be seen in the so-called money-losing top of the investment, which

means the part of the investment that will not be earned back and must therefore be entered in the books as a loss.

In the meantime, the housing associations have instigated a policy which should result in fair rental prices. The aim of this is to arrive at rents which are closer to market prices so that middle-and-higher income tenants are not unnecessarily subsidised by the housing associations – they need their resources for the transformation of communities and neighbourhoods currently going on in Dutch cities. For the lower income groups, it is important with a policy such as this that there is adequate individual support (i.e. in the form of rent subsidy) in place at the same time.

Investments

In investment prognoses for the period 2005-2015, it is assumed that housing associations will invest more than €64bn in social housing (Central Fund for Social housing, Sector image 2006). In principle, there will be no subsidies available for this. Based on principles of social responsibility, the housing associations will take a loss on a portion of these investments, estimated at about €30bn. The (decreasing) operational surplus of €10bn and especially, the income from housing sales to tenants (€19bn) should help a lot in making this possible. Looking at these prognoses in real terms, the combined assets for the social housing association sector will be reduced by about 10% until 2015. The housing associations are in discussions with the government about investments for the coming four years. In particular, this has to do with investments in new housing construction, in communities and neighbourhoods and in energy conservation.

In the last few years, the central issue for housing associations has been social performance and achievement. With their social properties, continuing a dialogue with their clients/tenants and stakeholders at local and regional levels will provide the maximum opportunity for a transparent interpretation of the task at hand. The great diversity of the housing market means that this task, more than ever, is locally determined. And housing associations are required to work more often with many parties in the housing-care-work-education chain.

Within urban renewal, the focus is increasingly placed on the so-called 'social pillar' – i.e. improving people's perspective and, where necessary, activate and equip them for (more) social participation. On the housing market, there is an increasing need for flexibility and made-to-measure space because one of the less positive aspects of construction for Dutch social housing is the poor connection between rental and owner-occupied markets. True housing shortages may have been overcome but there are still plenty of imperfections and imbalances on the housing market. Important issues in this respect are the difficulty starters have in finding an affordable first home and the approaching greying of the population.

Chapter 4

Building, managing and financing

As we've already said, housing associations are private organisations. They are 'registered' by the government for carrying out a social task. According to the Housing Act, this task is: 'on a priority basis, to house persons whose circumstances make it difficult for them to find suitable housing on their own'.

At the moment, discussions are going on between the Dutch government and the sector about bringing the social housing system up to date. Some of the subjects being covered are the social enterprise, the field of activity and the way supervision of housing associations will take shape. At the same time, the EU has entered into the discussion in its role as market superintendent.

It is expected that the system will be set up in such a way that a distinction can be made between the non-commercial core activities for which state support remains possible (in particular, as a backup guarantor in securing loans and an exemption from corporate taxes) and the commercial activities for which state support is taboo. Since 2006, housing associations pay corporate taxes or tax on profits on their commercial activities. Now, in 2007, the Minister for Housing, Communities and Integration must bring the discussions about the organisation and control to a satisfactory conclusion.

4.1 BBSH (Rules governing the social rented sector)

The rights and obligations of government (central, provincial, regional, municipal) and housing associations as they stand in the Housing Act have been worked out into a number of so-called Rules. The rule that covers the functioning of housing associations is the BBSH (*Besluit Beheer Sociale Huursector*) that regulates The Operations of the Social Housing Sector. The BBSH defines six so-called performance areas - six main tasks to which the social housing associations must direct their efforts. These are:

- to assure good quality in all homes;
- to guarantee the financial continuity of the enterprise;
- to rent on a priority basis to the 'special attention groups intended in policy';
- to involve tenants in the policy and management of the organisation, and
- to make a contribution to the quality of life in neighbourhoods and communities;
- to make a contribution to the housing of persons in need of care or supervision.

At the end of each year, the housing associations must indicate in their annual reports what they have achieved in these performance areas.

The target group for housing associations

Some of the 'special attention groups intended in policy' are the elderly, physically disabled, minorities, the homeless, caravan dwellers and asylum-seekers. They all have problems in finding suitable housing on their own. The primary attention, however, is given to 'the target group' - people with a low income. The lowest-rent housing is, in the first place, intended for them. Aside from these, the housing associations certainly also serve broader sections of the population, as is obvious in the fact that housing associations own and manage no less than 35% of the Dutch

housing stock. Their stock is, therefore, not stigmatised as housing for the poor, as it is in some other European countries.

Among the groups that are having more and more difficulty in finding suitable housing on their own are those households of (lower) middle incomes. The problems there arise partly from the (affordability) gap between the rental and home-owner sectors. There is not enough owner-occupied housing (available) for the middle segment.

Following recent discussions, it can be assumed that housing associations will be allowed to develop and manage broad living environments during this decade.

4.2 Building and managing

Housing associations are able to exist because they act as both initiator and developer for the construction of housing for broad sections of the population. Each year, housing associations build some 30,000 homes. In their Answer to Society, they offered to increase their building efforts to some 40,000 homes per year.

Building new social rental homes requires an ever increasing level of ingenuity on the part of the associations and in fact, is also appearing more often in so-called mixed projects which also include owner-occupied housing. Some of these homes will not complete the traditional 50-year terms as rental home first, but could be sold sooner.

Composition of the all-in costs

The total cost for the construction of a home is known as the all-in cost. Together with expenditures for maintenance and management, interest and repayment of the loan taken to finance the all-in costs form the most important operational expenses. The social housing associations get their revenue from the rent payments.

Until 1995, the all-in costs - and their various components - were standardised by the government. There was, for example, a maximum land price for a social rental home. Local authorities were not allowed to ask more than that when granting land to housing associations. These days, there is no longer a hint of standardisation.

Below is an illustration of the all-in costs for an 'average social rental home'. It stands on a 170m² lot of ground, has 85m² of floor space and a volume of 350m³. The costs consist of three main groups: building costs, land costs and additional costs (such as architect's fees, interest losses, etc.).

Costs	Amount in €	€ per m ² of home	€ per m ² of home
Construction costs	100.550	1.183	287
Land costs	25.250	297	73
Additional costs	16,950	200	49
Total	142,750	1,679	409

Price level 2006

Operational set-up

In order to rent a home, the association will have costs to be made - the operational costs.

These consist of:

- interest/repayment A social housing association must borrow money in order to build. Funds borrowed mostly on the money market must be repaid. So the association is required to pay interest and make repayments over the loan each year.
- maintenance/management The home must be maintained and managed. The costs for this, which are variable, consist of expenditures for maintenance, administration, taxes and insurance.

Considering the fact that housing associations carry the full financing and inflation risks for the operations, these risks are covered in various ways in the operational set-up.

For a social rental home met of €142,750, the operational set-up can look something like this if we take into account the following points:

- interest 4,0 % first 10 years, 6.0% thereafter	
- variable costs 1.2%	
- extra risk balance 0.5%	
- inflation 1.5%	
- rent development 1.5%	
- major maintenance year 25: €9,370; year 40:	€ 6,030
- starting rent per month:	€ 615
- interest and repayments during the first year	€ 6,650
- variable costs	€ 1,700
- extra risk balance	€ 700
	<hr/>
- total costs (cost rent)	€ 9,050
- rent income (asking rent)	€ 7,380
	<hr/>
Deficit during the first year	€ 1,670

The unprofitable top of the home is €40,000 (deficit over 50 years, in euros, from the year of investment)

Building

In the decades prior to 1995, the combination of object subsidies (to help with the costs of housing management) and subject subsidies (to support the individual in paying a rent that is too high for his/her income) contributed towards forming what became the social rented sector. The government determined centrally the new building and renovation programmes and the local governments, in consultation with the housing associations, had these programmes carried out. This resulted in more than 2.4 million good and affordable social rented homes.

These days, the supply and demand of the housing market is the decisive factor. New construction and renovation programmes are no longer being determined centrally. The Ministry does, however, clearly express its view about how many homes should be built according to the supply and demand ratio. Local governments put together a housing policy, taking the central government's view into account and the housing associations make a bid according to that policy.

Eventually, the local government and housing associations will agree on their individual performance benchmarks.

These days, new housing construction for the specific target group means that housing associations are now making unprofitable investments. At the beginning of 2007, the Dutch housing associations supported the sector-wide objective of building a total of 160,000 homes in the period of 2007-2011. This will involve €25bn, of which €6bn is unprofitable.

Utilise reserves

The available capital of all housing associations together equalled nearly €16bn on December 31st 2005. This capital is not evenly spread across all the housing associations. Some of the associations with large investment tasks facing them have considerably less capital than average, while housing associations with little more than a managerial function have much more capital of their own.

For this reason, the housing associations are developing many initiatives based on mutual support in large investment projects. These matching initiatives consist of, amongst other things, comradely forms of financing. For example: *WIF-Woon Investerings Fonds* (Housing Investment Fund), with which capital tied up in property can be freed up for reinvestment. The WIF will buy entire complexes from housing associations. Another is *Garantiefonds Stedelijke Vernieuwing* (Guarantee Fund for Urban Renewal) – even helping to finance money-losing investments.

A new initiative in 2007 is the sector-wide investment company which steps in when a housing association's problems with financing their needed investments might threaten the success of the greater joint ambitions (formulated together with other social housing associations) for the improvement of communities and neighbourhoods.

Sale of housing

The sale of portions of the social housing association's existing housing stock can free up money for new investments. The book value as well as the working value of most housing is lower than the sale value, so selling it would provide a 'profit' that can be used in the projects to transform communities and neighbourhoods. At the moment, the organisations sell some 20,000 homes per year.

A new concept is the *Te Woon* (roughly meaning 'To Have a Home') programme which offers housing that the client can choose to rent or buy. The applicable forms of sale all offer the buyer a substantial discount in exchange for sharing the value development of the home with the housing association. A housing association's buy-back right or obligation means that the home can continue to be offered at an affordable price while the association generates more return compared to a continued rental home.

Combination projects

Traditionally of course, housing associations operate in the social rental sector. Now that they can no longer count on the government for subsidies, they are looking more to other market sectors in their operations - often in the form of so-called combination projects containing both social rented homes and (affordable) home ownership schemes.

Voices have gone up in the Dutch Parliament in favour of making the construction of new owner-occupied social housing part of the work terrain of housing associations. The homes can be used to facilitate the population flow from rent to ownership and at the same time, help new client groups entering the private housing market, for instance, starters. The home prices at the moment are quite high because of fiscal support and low mortgage interest rates.

The marginal returns from the sale of these homes are used to realise affordable housing for the organisation's target group. Additionally, the organisations are building more and more rental housing in the middle and higher income sectors of the market with an eye towards encouraging moves up the housing ladder. Also, because of the increasing greying of the population, a growing amount is being invested in housing-plus-care complexes.

Utilise the allowance in rental policy

Social housing associations do not charge the maximum rent possible to tenants. In 2006 the average rent for a housing association's home was 70% of the maximum allowable rent. Because of their social role, each year the housing associations leave about €2 to €4 billion in rent income out of the balance. An extra rent increase offers the possibility for supplementary income that can be used for investment in new construction and renovation.

Between 2000 and 2003, the annual rent increase remained, on average, under the percentage of inflation (average over 5 years). This was in answer to pressure from tenants and politicians to keep rental rates no higher than what was then a relatively high rate of inflation.

The last few years have seen an onset of allowing housing associations more manoeuvrability in their rents policy. At the same time, it was agreed that they would contribute to the affordability of housing. They would also contribute towards a higher building production. The objective of this is to restore the (price) balance on the housing market, partly achievable by building more mid-priced (and higher-priced) rental housing.

A new cabinet took office at the beginning of 2007 and began with a rents policy of following the rate of inflation for that same year. Even so, the sector continued discussions with the new government in order to achieve a more flexible rents policy. In their 'Answer to Society' (January 2007), the housing associations expressed to the new cabinet their desire to work together towards a (long-term) improvement of housing affordability for tenants in the most vulnerable positions. For this purpose, the housing associations have offered to pay €1.2bn over 2007 and 2008.

Also found in the 'Answer...' is the objective of 20% energy savings over the coming 10 years, particularly in the existing housing stock. This is not only advantageous for the goals of affordability but also for the environmental goals of reducing CO2 gasses.

4.3 The financing and the guarantee structure

The government's pullback in the final decades of the last century meant an enormous shift in the financing of social housing construction. At first, new construction and renovation were fully financed by the State.

But because of cutbacks in the State budget, the State loans were discontinued in 1988. Since then, the housing associations have been taking out loans on the capital market, using guarantees from either the State or local governments. Furthermore, the government guarantees have also been discontinued and the *WSW Waarborgfonds Sociale Woningbouw* (Social Housing Guarantee Funds) has taken them over. The State and the local authorities limit themselves to being the so-called 'safety net' or backup guarantor.

In the 1990's, a guarantee structure was created that gives financiers the certainty to provide loans and, at the same time, carries almost no risk for the State. The WSW has received the highest rating by Standard & Poor's and Moody's for its security structure. This will be important for the housing associations because it can also help them to secure loans on the international capital

markets.

Composition of the guarantee structure

Primary security: - soundness of institution and branch of 'business'	- Financial position of social housing associations (equity and annual reports) - CFV (Central Social Housing Fund): solidarity /support branch of 'business'
Secondary security: - surety by institution putting capital together	- WSW: guarantee capital
Tertiary security: - State 'safety net'	- Role of State and local authorities as backup guarantor

Primary security: the solidity of social housing associations and the Central Social Housing Fund (CFV)

The first security can be found in the positive development of the housing associations' own financial position and with the solidarity of the sector, as expressed in the CFV.

The soundness of housing associations can be seen in the size of equity (end of 2005: nearly €16bn) and their annual returns, which came to €2bn in 2005.

The CFV was established in 1988 because the State no longer wanted to be responsible for the reorganisation of housing associations that were in trouble. The Fund was set up by the Minister and is an independent administrative body with a public slant, receiving its resources from the charges levied on all housing associations. These charges are intended for reorganisation or project support for individual associations. The Minister must approve the amount of these charges which are set by the Fund's executive committee.

At this point, Dutch housing associations are so financially solid that the reorganisation task of the Fund is dormant. Besides, the housing associations much prefer matching tasks and resources amongst themselves in case an association is not able to complete a project because it lacks the financial means. So the Fund's project support task is also inactive. The Investment Company which the sector is setting up will take this task over from the Fund.

The CFV has a definite relationship with the WSW. If the financial position of a housing association does not permit guarantees by the WSW, it is advised to submit a request to the CFV for support. The criteria for support established by the CFV coincide perfectly with those used by the WSW when judging the creditworthiness of housing associations.

In this way, financially weaker organisations can also be considered for financing with guarantee by the WSW.

Secondary security: WSW (Social Housing Guarantee Funds)

The second step in security is in the form of the WSW. In contrast to the CFV, this is a private organisation, set up by and for social housing associations. Aedes is represented in this Board by two of its members. Agreements have been made with the State and the Association of Dutch Municipalities for supervisory and justification structures.

Registered social housing associations can go to the WSW for guarantees. They do, however, have to be participants. Before the WSW can register a candidate, their creditworthiness must be checked. There is an independent commission of appeals where (aspiring) participants can appeal important decisions made by the fund.

In the 1990's, WSW's activities were expanded to include providing guarantees for just about all loans taken by housing associations in order to finance their social housing activities via the Euro private capital market.

The WSW will also serve its participants through a European Medium Term Notes programme, which enables housing associations to seek financing on the international public capital market. For financiers, their security lies in the solidity of the participants' organisations and the guarantee backing of the WSW. This fund is fed by a compensation paid to WSW by the housing associations for the guarantees provided. They must also reserve an amount in obligation in the event that the WSW's own equity capital drops under a certain level.

At the end of 2006, WSW's equity capital for catastrophic emergencies, the so-called 'guarantee capital' was more than €2.6bn, while the secured capital was nearly €60bn. At the same time, 462 of the 485 housing associations (95%) participated in the WSW.

Tertiary security

At the very end of the 'chain of guarantee' stands the backup guarantee provided by the State and local governments. Although the risk is actually theoretical, the governments act as guarantors just in case the sector itself can no longer overcome its financial problems.

This 'safety net' function goes into action only after the WSW's guarantee capital is almost completely expended. In that case, the State and local governments jump in with interest-free loans. This backup guarantor function is the principal reason that financiers are willing to make capital available to housing associations. Their access to the capital market is therefore secure.

Other

Social housing associations do not have to take their loans through the WSW. If they have enough capital, they can also handle internal financing. In addition, they can also take on loans from the capital market, which are guaranteed by local authorities (municipality guarantee) or the municipality can lend the money itself. Over the last years the municipality's involvement is very much diminishing. The great advantage to borrowing money through the WSW is that it is inexpensive.

Financing by colleagues

A special way for housing associations to borrow money is financing by colleagues.

In The Netherlands, there are housing associations with relatively insufficient funds to meet with the investments needed in social housing during the coming years. And then there are housing associations, often small to medium-sized and operating in rural areas, that don't have much more to build. Housing associations that still have a large amount of revitalisation work to do in urban areas need a great deal of money. By allowing the housing associations without specific building needs to loan money to those who need it, at a friendly (somewhat lower) interest rate, offers a double advantage. The one association makes good use of its 'dormant' resources and still takes in a reasonable return. The other is able to access funds at a cheaper rate, and thus build housing for less money.

4.4 Management and maintenance

Without doubt, the most important task for housing associations is, in addition to the sizeable investment task, the maintenance and management of existing housing stock. Annually, nearly €2.5 billion is spent by housing associations on maintenance.

Maintenance and management in the broad sense, therefore, are important housing association activities.

Types of maintenance

In The Netherlands, the landlord is required to keep his housing in good repair. He is also responsible for the costs this entails. A distinction can be made here between planned and unplanned maintenance.

Only the small, daily maintenance is the responsibility of the tenant.

By unplanned maintenance, we speak of complaint repairs and re-let repairs. Complaint maintenance is that which housing associations carry out after requests are made by tenants. Re-let maintenance is carried out at the moment that the home changes tenants. The re-let maintenance that is done depends on the housing association's own policy.

The most important items in planned maintenance are long-range and major maintenance. In long-range maintenance, work is carried out on parts of the building in a specific cycle of several years. In major maintenance, the entire outside of the building or specific facilities (kitchens, bathrooms, etc.) in the home are tackled.

Management

Management of the housing stock is more than just keeping the homes in good technical repair. Even a home in perfect condition is not always rentable. In particular in the western part of the country (the *Randstad*, mentioned earlier), housing is still somewhat scarce. In the south and north of the country, there is more than enough housing stock, partly as a result of a shrinking population.

To a degree, developments on the housing market depend on the economic mood but the government's fiscal policy also has its influence. This makes it very important that housing associations keep a good eye on their housing stock's position on the market. They do that with a portfolio analysis, which indicates the position of sections of their housing stock at any given time. From this information, they can draw conclusions as to which sections are strong and which are weak on the current market. After that, an analysis is made of the developments that can be expected on the market. Based on these analyses, a well-considered decision can be taken about adapting/remodelling certain sections of the housing stock.

Revitalisation and Quality of life

Many communities - especially in the larger cities - are being confronted with an increase in decay, vandalism and social danger. The result of this is that tenants want to move out as soon as possible. The number of people moving house is drastically increasing and new tenants are not easy to find for the worst neighbourhoods. There is a threat of voids and no one seems to have a real connection with the community. For this reason, the housing associations are paying more attention to the transformation of communities and neighbourhoods and improving the living environment. In transforming these areas, the idea is to thin-out and condense the building through, amongst other things, demolition and new construction of both rental and owner-

occupied housing. It also involves renovating the housing stock as well as selling existing rental housing.

The current cabinet has identified forty districts which should have priority in being turned into 'desirable communities'. The housing associations' goal is that there be no (more) communities that slide into desolation. So every community made up of housing associations' housing that needs it, will be eligible for improvements. In order to achieve this collective goal, the associations have established an investment company. Should a housing association be unable to invest in a community for financial reasons, this company will step in.

The efforts for improving the quality of life in neighbourhoods are directed, among other things, towards:

- the quality of the housing stock: the technical condition, the facilities in the home itself, the home's appearance, noise insulation, the floor space in the rooms
- the quality of the living environment, management of the public spaces, maintenance of green areas, pavement surfaces, combating vandalism and decay
- the composition of the area, differentiation of tenants in terms of age and income

Together with the local authorities, tenants and shopkeepers, the housing associations are drawing up revitalisation and quality of life plans that will help tenants live in the area with more pleasure. Investing in a good living climate also serves to protect the housing's viability - a decline in the social climate of a district can have a negative effect on management operations.

Chapter 5

The affordability of the housing stock

5.1 Rent policy

The price a tenant pays for his home consists of the basic rent and the service costs.

The rental rate is revised every year, based on the current rent price system. The Dutch inflation rate is the basis for rents price increase. In most cases, the tenant is presented with a price increase. Until 1993, this increase was determined every year by the Minister, who could give this decision his or her own political colour.

The exact determination was necessary considering the direct relationship between rent and the subsidy system. Every euro in rent that came in meant a euro less in subsidy. When the Housing Ministry ordered in 1991 that the rent had to increase 5.5% for four years, it meant a guarantee that the subsidies could be reduced by 5.5% for five years (and corrected for the inflationary development of the variable costs).

Housing associations have been allowed more manoeuvrability for rents policy since 1993. These days, the government merely sets the parameters within which the housing associations can set their own rents policy. These limitations indicate the maximum acceptable development of the rent price per individual housing association and a maximum rents increase per home. The housing associations set a rents policy in which price differentiation is primarily based on the quality of the home.

The housing association sector confers periodically with the cabinet about the rents policy parameters for the coming and following years. Although the new cabinet has begun with a rents policy for 2007 that follows inflation, further discussions are being held to see if a somewhat realistic rents increase can be one of the possibilities in the coming years.

Rent increases for social housing associations

Year	Average rent increase	Inflation percentage
1995	4.5%	2.7%
1996	4,0%	2.0%
1997	3.6%	2.0%
1998	3.2%	2.2%
1999	2,8%	2.0%
2000	2.5%	2.2%
2001	2.7%	2.6%
2002	2,9%	2.6%
2003	3.2%	2.9%
2004	2.9%	2.9%
2005	1.6%	1.2%
2006	2.3%	1.7%

Source: Aedes

Rent policy

Based on the rent policy commission's proposals for the short term, through 2004, the annual rent policy will be geared to the average inflation of the last five years. Depending on the ratio between the rental price and the quality of the home, the rent increase may be differentiated to a maximum 2%-point above the average inflation.

5.2 Rent subsidy

The Rent Subsidy is a housing benefit and intended for people who are not able to pay the housing costs for their rental home, and it has been in effect since 1975.

In order to be considered for rent subsidy, regulations are used that have to do with age, income, personal means and the rental price.

In 2006 nearly one million tenants were given rent subsidies for a total amount of more than €2bn. The average individual amount per household was €150 per month.

To guard against the rent subsidy getting out of control, housing associations take into account the ratio of household income to rent owed when allocating their homes.

Example of income and expenses for two households (2006)

Incomes	Single person 65+	Family of two adults/ two children
Monthly income	887	1,226
Individual rent subsidy	146	171
Child benefits		169
Expenses		
Rent	346	381
Heating	68	77
Electricity	24	62
Food	194	545
Other	435	596

in euros per month
Source: NIBUD

Rent quota

Despite the housing associations' allocation policy, there is still great pressure to control government expenditure on rent subsidies. These expenditures are especially dependent on outside factors such as the development of income levels, but other economic developments expressed in unemployment figures and work disabilities also play a role. In addition, this large section of the budget is caused particularly by developments in the number of elderly with or without a small pension. Living costs are considered high for these people as well as some of the middle-income households.

Chapter 6

The relationship with tenants

Before the Second World War, the connection between the tenant and his housing association - which had the same religious, political or trade group colour - was very close. Following the war, this tie was considerably weakened. The government started distributing the scarce housing and housing associations were no longer allowed to allocate homes exclusively to members that belonged to their own group. After the wave of democratisation in the 1970s, the tenant had more influence as a member of the housing association. In the 1990s, the relationship between tenant and landlord is more business-like.

6.1 Rules for allocation of housing

Distribution

Following the Second World War, housing was scarce, so the government took the initiative of setting up a just and efficient method of distribution. On the basis of the Housing Allocation Act of 1947, local authorities were made responsible for distribution policy. Housing seekers would register with the city authorities and when it was their turn, they were referred to the housing association who would then rent the home that had come available. People with specific medical or social problems would receive an urgency statement which enabled them to be helped earlier. Also people who had been registered for a long time were eventually given urgency. Some regions with little scarcity in living space were stamped as de-regulated. That meant that the local authorities could decide themselves whether rules would be established and, for example, the allocation would be put in the hands of the housing association or the expensive segment of the market would be kept apart from the regular distribution. The local authorities were always the ones to issue a residence permit.

Housing Act

In 1993, the Housing Act replaced the old Housing Allocation Act of 1947. On the basis of this new Act, the local authorities and registered social housing associations are given the task of making sure that the lower-priced side of the housing stock is allocated to the people with lower incomes and other special attention groups intended in policy.

The basic principle of the Housing Act is that, essentially, everyone can live anywhere.

Local authorities may only stipulate that house seekers have a social or economic tie to the region, and no longer to the city. This regulation has important consequences for the regional co-operation between municipalities and the social housing association. Furthermore, the stipulations may only apply to low-income rented and owner-occupied housing.

Supply system

The new vision of the way in which housing seekers are able to find living space has led in many municipalities to a new housing distribution system - more client-oriented. This supply system, also known as the Delft model, is no longer based on waiting lists. The housing association presents the homes that have become available in a free housing publication. If someone wants a certain home, they can make their interest known through Internet, a voice response system or by sending in a completed form.

Often there are several candidates for a home. The determining factors in that situation might be: age, in the case of starters and length of occupancy, in the case of those moving (up) to another home. Systems have also been developed whereby housing seekers are given points according to length of registration. A newly vacant home will be allocated to the person with the most points.

Real emergency cases receive a priority card that they send in with the form. Sometimes, within three months, they are guaranteed to have a home. If they refuse that, their priority is revoked. The real advantage of the supply system is that housing seekers (can) actively search for the home they want. The more client-friendly 'finding process' leads to more satisfied clients, quite apart from the housing shortage which still exists in many areas. This is why housing seekers will have to apply several times before they receive an invitation to view a home. For housing associations, the supply system produces much less bureaucracy and an immediate insight into the housing's popularity. Still, there is criticism that the client is not at the centre, but the building is! New models were developed because of this, where housing seekers could, for instance, take options on certain homes. Housing is also allocated by lots. The housing allocation systems are slowly developing into mediation systems which help the client in his/her search for a home.

6.2 Rent agreement

Rules

If a housing seeker accepts a home, he signs a rent agreement, which contains a number of general rules taken from the rent regulations. These cover issues such as rent increases and rent protection. A number of specific rules from the housing association in question are also stated.

Obligations apply for both landlord and tenant. The landlord must keep the home he offers in good repair. He must also provide a peaceful living environment, meaning that he may not enter the home any time he wants or, for instance, build a discotheque next door to the complex that he rents to the elderly.

The tenant may use the home only as his or her own living space, must pay the rent and take care of small, daily repairs. Finally, when moving out of the home, he or she must leave it in good condition.

The tenant may give notice any time, as long as the stipulated period of notice is adhered to. The landlord may only give notice if the tenant causes a great deal of noise or other nuisance, does not pay the rent or refuses a new rent agreement following renovation. This also applies to the situation in which the landlord urgently needs the home himself or intends to demolish it. If the landlord establishes actual default and misbehaviour on the part of the tenant, he can ask the judge to dissolve the rent agreement immediately.

The rent protection does not apply to very expensive homes that have been deregulated.

At most, a tenant can have the home checked as to whether it was legitimately deregulated. To do this, he or she can go to the rent commissions - an independent body that can make a decision in conflicts between tenant and landlord on issues such as the rent price level or the service costs and the correctness of a rent increase.

Rent price

The rent price is also stated in the rental agreement and is divided into base rent and service costs. In the section covering rent and living space in the Civil Code, there are rules about the annual rent increase, the service costs and the procedures to be followed.

The rent price for housing may not - also after an increase - come above the maximum reasonable rent, except if it has to do with de-regulated housing. The rent level is limited by the quality of the home, which is expressed in a point system. To establish the quality of the home, use is made of the housing evaluation system (WWS), in which a home is given points for floor space, facilities and living environment.

Service costs

The rules surrounding rent price determination and rent increase apply only to the base rent. In addition, the landlord can request a contribution for services such as the hiring of a caretaker, the supply of energy and water (usually in flats with collective installations) and providing floor coverings or furnishings.

There are no rules governing the amount of service costs because the package of services can vary greatly from one landlord to another. There are, however, stipulations that the landlord may only charge the actual costs and that these costs may not be more than what is reasonable or usual. If there are disagreements over the service costs - for instance, over the amount charged, over the way in which services are rendered or the way general costs are distributed among all the tenants - the rent commission could be asked to settle them.

Rent increase

Once a year (usually on July 1st), housing associations may increase the rent. They may also adjust the rent during the year if the home changes tenants, particularly if the quality and price are not completely in tune with each other. Apart from these two instances, housing associations may not make a one-sided adjustment to the rent. If an institution wants to improve a home and then ask a higher rent price, they must first have permission to do so from the tenant.

Two months before the increase goes into effect, the landlord must state in writing: the present rent, the rent increase, the proposed rent price and the effective date. If the rent increase is above inflation, the landlord must provide extra motivation for the increase by, for example, stating the maintenance plans for the coming year and sending along a specified point count for the home. Furthermore, the landlord must indicate how the tenant can officially object to this.

Tenants have the legal possibility of requesting the rent to be lowered if the home shows serious maintenance problems. The rent decrease will vary according to how serious the problem is. When the landlord has repaired the problem, the rent will be raised back to the level it was before the request.

6.3 Involving the tenants in management and policy

The introduction of the BBSH (rules governing the social rented sector) has strengthened the formal position of the tenants. From 1 July 2002, landlords and/or their representative organisations may make a binding nomination for two vacant seats in the Supervisory Board. Furthermore, there are extensive rules about providing information and consultation with tenants. Finally, the work of tenant committees must be supported and a complaint committee must be in place.

There are tenant committees that consult with the staff of housing associations on daily issues connected with individual homes or a complex. And there is a co-ordinating tenants' or residents' board that consults with the management of the association about broader policy issues, such as rent policy, maintenance policy and demolition or sales policy.

Aedes vereniging van woningcorporaties

Aedes is the branch federation for social housing associations. The principal tasks for Aedes are to act as a platform for members, to safeguard their interest, advice and information, research and to act as an employer organisation. Nearly all 500 social housing associations in The Netherlands are members of Aedes. The social housing associations in The Netherlands manage 2.4 million homes. The Aedes organisation has 120 employees. Expertise in all issues relevant to housing is available from Aedes.