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9 Impact of social housing on the social structure of the Randstad

Marja Elsinga, Harry van der Heijden and Rosa Donoso Gomez

Introduction

The Randstad metropolitan region in the Netherlands is regarded worldwide as a model of a 'successful' polycentric metropolis. In terms of strategic spatial planning, actors in the housing market and housing policies are of major interest. Many different policies are possible, but this contribution focuses on the role of social rental housing in urban policies in the Randstad.

In 2019, about 30% of the Dutch housing stock consisted of social rental housing, and that makes the Dutch housing system different from most other housing systems. In the Randstad, the share of social rental dwellings is even higher, at 45%. This social rental sector provides affordable rental dwellings for a wide target group and explicitly aims to contribute to enhancing the quality of neighbourhoods. The housing associations that own and manage social rental housing play a key role in urban renewal and part of their remit is to ensure that there are mixed neighbourhoods. Moreover, social housing in the Netherlands is not public housing, as such, because it is provided by housing associations which are private non-profit organisations with social objectives. These private organisations with a public role became financially independent in 1995. In 2015 a new Housing Act came into force that implied some fundamental changes for urban policy: more targeting of lower-income groups and less emphasis on the urban dimension.

This chapter evaluates the Dutch social housing model and its impact on the quality of neighbourhoods. We describe the theoretical debate on the link between affordable housing and planning and the different models for social rental housing. We then describe the history of the Dutch social housing model, how the goals and characteristics of this model have changed over time, and how the current debate and the new Housing Act can be explained. Then we will look at the changing link between social housing and urban renewal and how social housing has changed from being a solution into being a problem. We then focus on the outcome of the Dutch social rental model by looking at the composition of the population of the large cities in the Randstad. Finally, we will reflect on the consequences of the 2015 Housing Act and whether there is any alternative to the policy direction implied by the new Act, a targeted sector at a market price.

Affordable housing and urban policies: different policy models

Urban policies and affordable housing

Many housing researchers have identified the link between land use policy and the provision of affordable housing (Priemus, 1998; Oxley, 2008; Mueller and Steiner, 2010). Whitehead (2007: 27) explains that the effective provision of affordable housing depends 'on the specifics of the legislative framework and the resultant property rights as well as on political will'. The spatial planning system is in many ways interrelated with the provision of affordable housing. For instance, affordable housing policy is generally defined at the national level as part of wider welfare policy, although it is at the local level where affordable dwellings are actually provided. Property rights, whether those of owners or of tenants, will directly affect the institutions of land development. The chosen property system will be an outcome of the implied welfare system. In the Netherlands, as in other parts of the world, municipalities play a key role in the provision of social housing by providing the space for it. Although their role has evolved throughout the twentieth century and right up until the present day, municipal land policy and management have competences that guarantee land for providers of social housing (Taşan-Kok *et al.*, 2011). Land management and provision in the Netherlands is closely related to the social rental system, in particular when it comes to the 30% of social rental dwellings that exist in the housing market.

Land policies that incentivise the provision of affordable housing can take a variety of forms. Depending on the context, the key question is how to enable the provision of housing for social rent and ownership both at an affordable price and a market price. Planning for residential uses and densities according to the demand for housing is one way to accomplish this, as is done in the United Kingdom (Crook and Whitehead, 2002). In the United States, something similar occurs on the basis of a mandate granted by the federal government to state-level governments. Each state prepares a consolidated plan which includes housing needs assessments, a market analysis and a strategic plan; and involves the participation of a range of not-for-profit corporations and municipal housing departments such as affordable housing providers. Another way to ensure the provision of affordable housing is through inclusionary zoning. These are municipal ordinances, which are sometimes mandatory, as in the case of California, with the purpose of facilitating the provision of housing for low-income homeownership (Schuetz *et al.*, 2011). Inclusionary zoning involves setting a percentage of units in each new or renovated building that must be sold as affordable housing. In exchange, developers receive a 'density bonus' or access to land in lieu of other incentives. Although inclusionary zoning seeks to promote mixed-income communities and equitable growth for all residents, research shows that inclusionary zoning can push up house prices and reduce the provision of dwellings, depending on the housing market in the local area (Schuetz *et al.*, 2011: 321). Both these examples of land policies

from the United States and the United Kingdom focus on low-income homeownership. The United States also has low-income rental housing, and there are additional programmes organised by the federal government that require collaboration at the planning and local level in order to be applied. To promote the well-being of neighbourhoods that include public housing, cities and housing authorities can join the *Choice Neighbourhoods Initiative*. The goal of this initiative is to bring economic opportunities to areas that already have a high concentration of public housing, to create mixed-income communities that have access to public transport (Been *et al.*, 2010).

Another example that demonstrates the link between planning policy and affordable housing policy can currently be seen in some Latin American countries. Apart from the self-help settlements, which are another way in which lower-income groups solve their housing needs, the main government policy is a subsidised scheme for low-income homeownership. Low-cost dwellings are provided by the private sector, but the municipalities play a crucial role as providers of serviced land (land with utilities, ready for construction) at an affordable price. The challenge is to coordinate the construction of housing development in the centre of the city and not only in the urban periphery where land is cheaper. In the case of low-income homeownership strategies, the price and management of land becomes a critical factor in the price of housing units. Government decentralisation and the modernisation of planning systems are important factors that influence the adoption of land policy instruments and regularisation (Smolka and Furtado, 2014). The focus on financial mechanisms to promote homeownership and investment in infrastructure pushes up land prices due to speculation, thereby transferring economic benefits to existing land owners (Fernandez and Maldonado Copello, 2009). Value capturing strategies are therefore now being implemented under constitutional mandates such as the ‘social function of property’. Land policy and land regularisation are today in the centre of a portfolio of strategies to address both housing and urban challenges (Donoso and Elsinga, 2018).

In comparison to other regions in the world, the Dutch experience is therefore remarkable in terms of the results of a century of social rental policy. The history of land development and cooperation between municipalities and housing associations has helped to produce integrated and less segregated cities compared with many other countries (Tammaru *et al.*, 2016). Social housing is not found mainly in the urban periphery as in Latin America, and neither is it concentrated in certain districts as occurs in some US cities. However, although social housing is well integrated in Dutch cities, social mixing including inter-ethnic contact is still not evident (Boschman, 2012). Flourishing urban areas such as the Randstad attract many people, resulting in a high demand for housing, high land prices and high house prices. In Randstad cities, making space for affordable housing is, by definition, an issue, and therefore the resilience of an existing and already integrated social rental sector is important. The model of the social rental sector in the Netherlands is finding its way into the local planning system.

Broad social rental housing as a goal of urban policy

There is an ongoing debate in housing studies on the sustainability of such a 'unitary rental sector'. This means a social rental sector for a broad target group that is in competition with the commercial rental sector. According to Harloe (1995), such a model is not sustainable, while according to Kemeny (1995), it can be. Since the Netherlands is mentioned as a typical example of such a broad-based social rental sector, we will elaborate on this debate (see also Elsinga *et al.*, 2008).

Harloe's theory of the development of social rental housing in advanced capitalist countries is based on the proposition that in capitalist societies there tends to be an inverse relationship between the degree to which there are major opportunities for private accumulation in various aspects of providing for human needs, and the extent to which such provision may, at certain historical junctures, become wholly or partly decommodified (Harloe, 1995). When applied to housing, this means that housing will normally be provided as a commodity in capitalist societies. Only when adequate provision in a commodified form is not possible and when this situation has some broader significance for the dominant social and economic order, recourse is made to large-scale, partially decommodified, state-subsidised and politically controlled social rented housing (Harloe, 1995).

Harloe distinguishes two main models for social rental housing in Western industrialised countries: the mass model and the residual model. The characteristics of the mass model are extensive programmes for social rental dwellings, which are not specifically directed at housing the lowest income groups. Consequently, social housing tends not to become stigmatised under this model. These large-scale programmes are supported by production subsidies; income-dependent subsidies play a relatively unimportant part. Small-scale new construction programmes that are intended to house only the lowest-income groups characterise the residual model. Under the residual model, social housing tends to become more stigmatised, since it is used to accommodate politically, economically or socially marginalised groups. The mass model came to fruition in Western Europe after the Second World War. Starting in the mid-1970s, according to Harloe (1995), the situation in the United Kingdom moved towards the residual model. Harloe argues that (mass) social rental models naturally progress towards residual models. A reversion to mass provision is only likely to occur if the emergent phase of capitalist development gives rise to a new rationale for social rented housing production that targets sectors of the population which are part of the economic and political mainstream rather than at the margins (Harloe, 1995).

According to Kemeny (1995), Harloe's 'unilinear' theory is typically based on the Anglo-Saxon situation. As an alternative, Kemeny – a British researcher living in Sweden – has developed a theory of the dynamics of rental systems in which he distinguishes two rental housing models that may arise simultaneously in different countries.

Kemeny's theory is based on the proposition that the interaction between the economic development of rental housing stocks (maturation) and their long-term policy structuring can lead to different development trajectories for (rental) housing systems. The key dimension in this process is whether renting becomes compartmentalised into segregated markets or not (Kemeny, 1995). The concept of maturation is central to Kemeny's theory. The point of departure here is that non-profit organisations, unlike for-profit organisations, work on a cost-price basis: since non-profit providers generally do not require a market return on their equity, their financial costs are lower when debt represents a smaller proportion of the market value of the property, i.e. when the ratio of equity to market value is higher (Kemeny *et al.*, 2005). According to Kemeny *et al.* (2005), this ratio is a measure of the solidity of the rental organisation. The maturation process means that solidity increases over time, both through the amortisation of debt and the appreciation of market values.

Table 9.1 Main features of rental market models.

| | Dual/residual rental market | Unitary rental market |
|--|---|---|
| Objective of social housing policy | Separate non-profit from market: no direct competition between non-profit and for-profit rental sectors | Integrated rental market, with direct competition between profit and non-profit rental sectors |
| Function of non-profit rental sector | Safety net function | Provision of housing to large segments of the population |
| Regulation | Non-profit rental sector closely regulated and subsidised | Regulation and subsidies for non-profit sector are phased out to allow direct competition with commercial providers |
| Rent levels | Social rent levels | Market-dependent rent level but lower than market rents |
| Segmentation of sector | Strong market segmentation Owner-occupied sector dominant (it is 'normal' to buy one's own house) | Limited market segmentation Sectors compete for households (tenure neutrality) |
| Households in non-profit rental sector | Strong concentration of low-income groups | Less strong concentration of low-income groups; medium- and high-income groups also included |
| Neighbourhoods | Marginalised | Implicit idea of mixed neighbourhoods |

Source: Authors.

Kemeny terms the rental system that results from this ‘dualist’ since its distinguishing characteristic is the existence of parallel public and private rental systems that are subject to increasingly divergent forms of provision and conditions of tenure. Because access to the public rental sector is restricted to households on a low income and many households are not attracted by the private rental sector with its high rents and limited rental protection, demand is steered strongly towards the owner-occupied sector. As mentioned above, the dual rental market model bears a close resemblance to Harloe’s residual housing model (Elsinga *et al.*, 2008). The main features of a unitary rental market model are summarised in Table 9.1, with those of the dual rental market model also included by way of comparison.

Kemeny focuses on the emergence and sustainability of unitary rental markets. There are, however, severe threats to the unitary rental model (Elsinga *et al.*, 2008). First, the model is threatened by widespread support for homeownership policies. All governments in Europe support homeownership and try to encourage middle-income groups in particular to buy their own home. Moreover, competition between non-profit and for-profit housing is considered a problem by some policymakers. The Dutch, Swedish and French models have all been criticised by the European Commission because they distort competition. Since non-profit organisations receive ‘state aid’, their competition with for-profit organisations is deemed unfair. Second, the *raison d’être* of non-profit housing in a unitary rental market has been questioned. What exactly is their social aim and why should non-profit housing serve social aims? However, the urban dimension has often been neglected in this debate (Elsinga and Lind, 2013) which is of particular concern in this chapter. Regarding the urban dimension there seems to be an implicit assumption that a broad social rental sector implies mixed neighbourhoods. We now turn to this below in the next section after an overview of how the Dutch social housing system came about and changed over the course of years.

The Dutch social housing model

History and present situation

Social housing in the Netherlands has its roots in the civil society of the nineteenth century, when social housing emerged from private initiatives. The emergence of housing associations was consistent with the pillarised nature of Dutch society at a time when a wide range of institutions, such as trade unions, banks, insurance companies and farmers’ cooperatives, were organised along protestant, catholic, liberal or socialist lines (Lijphart and Crepaz, 1991). But regardless of their background, housing associations focused mainly on healthy housing for working class families and were never intended only for the most vulnerable households, thus not meant as a residual model.

Housing associations became the subject of an increasing degree of government influence with the passing of the Housing Act in 1901. It was intended

to regulate social housing providers and set up a framework for the provision of low-interest government loans to private non-profit organisations. Government influence grew gradually stronger during the twentieth century. After the Second World War, the social housing sector became a crucial tool in tackling housing shortages. From 1945 until 1990, the Dutch government remained closely involved in the activities and funding of housing associations and the social rental sector became a key element in the Dutch welfare state. As a result, housing associations were gradually transformed into semi-public institutions with strong financial and hierarchical ties with government. Parallel to the private housing associations, many municipalities set up their own housing departments that provided housing for those that were not served by housing associations: often the most vulnerable groups (Van der Schaar, 1987).

State control over housing associations was valued by social democratic politicians, while their private and non-public character was important for the support of the Christian Democrats and the Liberals. Christian Democrats in particular, who were part of almost all the post-war administrations in the Netherlands, valued the strong position of civil society organisations in providing affordable housing and sought to shield these from direct political involvement. The societal position of housing associations in the Netherlands was therefore the carefully balanced outcome of the distribution of political power.

Since the late 1980s, there has been growing pressure to transform the social housing system into a more marketised one. This implied encouraging homeownership and deregulating the social rental sector. Step by step, more freedom and responsibility were accorded to the social housing associations. In the 1990s, this process led to major deregulation and financial autonomy (Houard, 2011).

Housing associations have been financially independent from the government since the 'grossing and balancing operation' of 1995, when government loans as well as supply-side subsidies for building new dwellings and renovating existing ones, were abolished. The only remaining form of central government support is the guarantee for social housing loans. This is provided by the Guarantee Fund for Social Housing (WSW or *Waarborgfonds Sociale Woningbouw* in Dutch), which was set up in the 1980s, initially to fund housing improvements but later for all social housing loans. The WSW is funded by the associations themselves and backed by the government, which delivers a favourable rating. It enables non-profit associations to guarantee their loans, thus ensuring access to the capital market and low interest rates. The result is that housing associations now work as a revolving fund: they sell off a proportion of their dwellings and use the revenues for new investment. This has become a core component of their business. Moreover, housing associations manage their own financial resources and increasingly they use derivatives to limit the interest risk on their loans. For tenants on low incomes, a housing allowance is available, both in the social and private rented sector (Elsinga and Wassenberg, 2014).

Finally, almost all municipal housing companies have been 'privatised' to become housing associations. This means that housing associations are *de facto* the only providers of social housing in the Netherlands, blurring the informal separation between housing for low- to medium-income households, which was previously provided by housing associations, and housing for the most vulnerable, which was provided by municipal housing departments (Houard, 2011).

Governance

The provision of affordable housing in the Netherlands is characterised by the close involvement of local authorities and non-profit housing associations. In general, Dutch municipalities have a relatively high degree of autonomy in public affairs and the delivery of public services. *Co-governance* is a principle that is deeply rooted in Dutch public and administrative law and this enables local authorities to be involved in executing and implementing national policies. Since the 1980s, the delivery of public services in the Netherlands has been subject to strategic decentralisation in specific areas of public policy. Social housing was one of the first policy fields to be decentralised in the 1980s and 1990s. This shift was triggered by a policy document published by the State Secretary for Housing in 1989 and it ushered in a new era for the social housing sector, continuing the trend towards more autonomy that had started in the 1960s. The document stressed the importance of private initiative. It went on to state that housing associations had an important part to play in providing adequate housing for all, as laid down in the Dutch constitution. It also provided guidelines for enhancing the financial independence of the housing associations, with the Central Housing Fund (CFV or *Centraal Fonds Volkshuisvesting* in Dutch) and the Guarantee Fund for Social Housing Construction (WSW) being the main policy instruments (Elsinga and Van Bortel, 2011).

The Central Housing Fund is a government agency which supervises the financial viability of housing associations. It can order remedial action on the part of housing associations if they run into financial difficulties. If necessary, the CFV can provide additional financial support to housing associations while they implement these remedial actions. The WSW was set up in the 1980s initially to guarantee loans for housing improvements, and later to guarantee all housing loans. This guarantee fund is backed by the government, resulting in a triple A credit rating from the financial rating agencies. The fund enables non-profit organisations to guarantee their capital market loans, guaranteeing them access to the capital market and low interest rates. This check-and-balance double system provides a robust safety net for housing associations.

The financial and operational autonomy of social landlords and the absence of government subsidies imply that the Dutch government's ability to influence the behaviour of housing associations has become highly limited compared with the past. Legally, the government still provides official

supervision, but the state entrusts the monitoring of performance by social housing associations mainly to the self-regulating capacity of the sector and to performance agreements between local governments and social housing associations, as described in the Social Housing Management Order (*Besluit Beheer Sociale Huursector*). Central government does not want to act as a micro-managing regulator for the social housing sector. Rather, it prefers to operate more like a systems manager, making sure that the necessary instruments, checks and balances, such as independent performance audits and internal supervisory boards, are in place to safeguard high-quality performance and good governance.

Some self-regulating instruments have been developed by Aedes, the national umbrella organisation for housing associations, and others have been set up by (groups of) housing associations. Members of Aedes are required to abide to a code of governance that is based on a corporate code used in the private sector. In addition, independent performance assessments every four years are compulsory for Aedes members. The regulations to guide the activities of housing associations (the Social Housing Management Act) are intentionally vague when it comes to the results expected from social landlords. This was based on the notion that performance should be negotiated at the local level by local performance agreements between housing associations and local authorities. Market discipline and competition between local social landlords were seen as the main performance incentives. Central government focuses primarily on supervising the financial viability of housing associations and only intervenes in cases of gross mismanagement and fraud. Supervision on performance is almost absent. Under the terms of the Housing Act, the responsibilities and operating conditions of housing associations are laid down in the Social Housing Management Order (abbreviated to BBSH in Dutch).

Since the 1990s, the public remit of the housing associations has been extended. Two policy areas have been included in revised editions of the BBSH. In 1997, the quality of neighbourhoods (*leefbaarheid*, meaning 'liveability') was added to the list of performance areas. In 2001, the responsibility for providing housing for households that require extra care and support was included in the BBSH. This performance field is often translated as the task of providing housing for the elderly, but in fact it also includes housing for other vulnerable groups such as disabled persons, drug users, homeless people or those in danger of losing their homes. Housing associations have an important degree of freedom with regard to their activities in this field (Houard, 2011).

This degree of freedom, in combination with the growing wealth of housing associations, has led to an unclear picture of the role of housing associations. Recently, some associations have invested in projects such as tunnels and boats while others have become the victims of fraud and mismanagement. Furthermore, the largest housing association in the Netherlands speculated with financial derivatives and almost bankrupted the whole social rental sector when the interest rates went down. This caused substantial societal

distrust and resulted in a parliamentary inquiry. The conclusion of the parliamentary committee was that the social rental system failed due to a lack of regulation; there was weak government supervision and the self-regulation completely failed. The results of the inquiry are included in the new housing act that was enacted in March 2015.

The changing relationship between social housing and urban policy

In the seven decades since the end of the Second World War, roughly four distinct periods can be discerned with regard to the role of social housing in urban policy in the Netherlands. The first two periods fit within Harloe's mass housing model and the development of Kemeny's unitary model discussed above. In the third period, the mass housing model came to an end, but the unitary model flourished, because of the mature and (financially) independent position of housing associations. In the most recent fourth period, a development in the direction of a residual or dual model appears to have started (also see the next sub-section).

In the first period that immediately followed the Second World War, housing policy focused primarily on *solving the housing shortage* by building new homes as rapidly as possible with the aid of government funding and supply-side subsidies. Because of budgetary constraints, there was a tendency for the construction of cheap, austere dwellings in large-scale housing projects. The social housing sector was regarded as better able to execute and manage these projects than the private rental sector (Haffner *et al.*, 2009: 214). In the larger cities, especially in Amsterdam and Rotterdam, municipal housing companies played an important role in producing and managing new social rental housing. The persistent housing shortage meant that in the 1950s and 1960s, housing policy in the Netherlands focused on adding new dwellings to the housing stock and in particular social rental dwellings, mainly built on greenfield locations just outside existing cities.

In the 1970s and 1980s, the emphasis shifted to *improving housing conditions* (Boelhouwer *et al.*, 1996). With regard to urban renewal, this meant a shift from demolishing dwellings as part of 'urban reconstruction' (with dwellings usually being replaced by offices, shopping malls and motorways) to improving the existing housing stock (Schuiling *et al.*, 1990). Housing quality problems in larger cities were, by now, concentrated in the pre-war privately owned housing stock, which was primarily made up of private rental and owner-occupied dwellings. Urban renewal concentrated on improving or replacing this stock. First, owners could apply for renovation subsidies. Second, municipalities or housing associations could buy neglected private properties, renovate them and add the improved dwelling to the housing stock of housing associations. Subsidies were available for buying as well as improving and managing these dwellings (Van der Heijden and Westra, 1988). Third, private dwellings were bought by municipalities and replaced by new-build dwellings. Often, these new dwellings were managed by housing associations.

Under the flag of ‘building for the neighbourhood’, housing policy in the cities aimed to provide better quality housing for the existing population, especially low-income groups (Schuiling, 2007). This was often accompanied by a process where private owner-occupied or private rented dwellings were converted into or replaced by social rented dwellings. In summary, social housing was considered the solution to the problem of urban decay during the 1970s and 1980s.

In the 1990s, housing policy and housing production in the Netherlands became more and more influenced by *market forces* and the phasing out of supply-side subsidies. The figures relating to new build homes changed radically: 70% of the production of government-designated new-building sites now had to be realised by market players without the aid of subsidies, whereas prior to that period, over 50% of production was still being realised through subsidy schemes (Boelhouwer *et al.*, 2006). At the same time, the focus of urban renewal changed from curative to preventive (Schuiling, 2007; Heijkers *et al.*, 2012). Ever more urban renewal projects were situated in neighbourhoods where social housing predominated, much of which had been built during the early post-war period; dwellings that were 30–40 years old. Urban renewal was no longer only about the quality of the housing stock or the living environment, but also about social and economic problems in neighbourhoods, such as the concentration in particular areas of low-income groups, the unemployed or ethnic minorities. This means that from being considered the solution to urban problems, social housing itself was regarded as the problem. In a 1997 white paper on urban renewal, housing associations were seen as key players in the urban renewal process since many of the problems were concentrated in areas where social rented housing predominated (Ministerie van VROM, 1997). Creating mixed neighbourhoods became an important policy goal. Social engineering was one of the instruments used to realise this (Schuiling, 2007). As a means of creating mixed neighbourhoods, part of the housing stock of housing associations was sold to the owner-occupied sector, either by selling off existing dwellings or by replacing demolished social rented dwellings with owner-occupied dwellings in order to improve the social quality of neighbourhoods, which had been part of the housing associations’ new remit since 1997. At the neighbourhood level, housing associations often provided play facilities for children, neighbourhood wardens, environmental maintenance and community centres, particularly where local authorities had failed in these areas. They justified this investment as a way of improving the quality of life in their neighbourhoods and maintaining the value of their properties. Thus, housing associations had come to initiate and dominate the urban renewal process as the largest property owners. This reflects both the growing power of the associations and the diminishing capacity and financial resources of the local government.

Over the past 15 years, the position of housing associations and their role in urban renewal has come under pressure. This process started in 2005 when the European Commission, as part of the European Union’s competition

policy, advised the Dutch government to take measures to prevent state aid from straying into areas that should be subject to free competition. This state aid concerned the value of loans for housing associations, guaranteed under the public-sector backstop of the Dutch Social Housing Guarantee Fund. At the end of 2009, the Dutch government and the European Commission reached an agreement on the measures to be taken, under which a minimum of 90% of rent-controlled dwellings due to fall vacant must be allocated to lower-income households (Priemus and Gruis, 2011). The remaining maximum 10% can be allocated to middle-income groups. At the same time, the associations increasingly became the subject of political discussions. In addition to the question about whether they were using their capital sufficiently and efficiently, there have been a series of incidents involving gold-plating, fraud and financial incompetence (Van der Heijden, 2013; Hoekstra, 2017). As a result, housing associations are being forced to focus more on low-income groups and financial resources are being withdrawn by government. In the last 15 years, not only has social housing itself been regarded as a problem, but more and more the social landlords themselves became to be seen as part of that problem.

Since 2008, economic circumstances have changed and as a result, housing associations have had to focus more on their annual revenue, while their 'soft' goals such as enhancing their tenants' quality of life or well-being have become less of a priority (Elsinga and Wassenberg, 2014). Until the economic crisis, selling off dwellings to cover the losses incurred by renovation work and constructing new dwellings seemed to be an adequate financial model. However, the difficulties in the wider economy in the period 2009–2013 have meant that people were more reluctant to buy houses, including those offered by housing associations. Consequently, housing sales in these years were much lower than expected and this has undermined the housing associations' business model for urban renewal. Renewal activities had to be postponed or delayed all across the country, not just in the Randstad. Activities in the areas of demolition, refurbishment and new construction decreased, while cheap and simple maintenance measures prevailed. The demand for social rented dwellings has also changed as turnover rates have dropped and waiting times for even rather low-quality apartments have grown substantially. In this context, the urgency for renewal dropped (Elsinga and Wassenberg, 2014). Since 2014 the housing market in the Netherlands has recovered and housing shortages in the Randstad cities have increased. Renewal activities of housing associations have not increased much due to a deteriorated financial situation, caused especially by a new landlord levy, introduced in 2013.

Private renting as solution for the middle-income group

At its core, the debate is about who has the power to decide about the social housing stock: who owns the property, who makes decisions on refurbishments, new construction of social property, and who decides on rent levels

or sales? This has been the debate since the housing association became a financially independent private organisation with social objectives. For many decades as we have seen, there was reliance on self-regulation by the social rental sector, by means of a governance code and social assessments for example. The parliamentary inquiry committee mentioned above concluded that self-regulation had failed, and the 2015 Housing Act therefore includes a stronger role for local government and closer supervision by central government. Moreover, the 2015 legislation also seeks to bring about a stronger position for tenants.

The discussion about creating a level playing field resulted in more targeting of social rental dwelling on lower-income groups. An income limit and a rent limit were introduced and regulations introduced in 2011 implied that 90% of social dwellings must be allocated to households with an income below the limit (€34,000). Moreover, an income-dependent rent policy was introduced in 2012 which implies extra yearly rent increases for households on an income above the limit. The assumption is that this extra rent increase will encourage middle-income groups to leave the social rental sector.

Housing associations not only have to pay corporation tax, but also a new landlord levy per dwelling, which was introduced in 2013. In this way, central government encourages housing associations to sell dwellings or increase rents beyond the limit of 'social housing'. For the 'non-social dwellings' housing associations do not have to pay the landlord levy. In other words, the central government provides incentives to housing associations to reduce their stock and to move towards the residual model. In addition, there is a new policy for housing allocation implying the lowest-income households only qualify for the most affordable dwellings. This results in increasing spatial concentration of the lower-income households.

For many decades the support for social housing and home ownership went hand in hand at the cost of the private rental sector. The implementation of the 2015 Housing Act is a clear demonstration of a move away from the unitary rental model. The support for homeownership is sustained. What is new is the ambition to increase the private rental sector. There is room for investment since the middle- and higher-income households are not able to access the social rental sector while many cannot afford to buy a house. Private investors are supposed to fill this gap called the middle segment of the housing market. The Housing Minister is explicitly addressing foreign investors.¹

The impact of the Dutch model on the social fabric

In this section we analyse the consequences of post-war housing policy and urban policy on the social fabric of the largest cities in the Netherlands (the Randstad cities Amsterdam, Rotterdam, The Hague and Utrecht), using figures from the National Housing Survey. The main question here is whether changes in policy during the 1970s and 1980s (which were based on social housing as the solution to urban problems) and again from the mid-1990s (which were based on social

housing and housing associations as a major part of urban problems) have led to changes in the social fabric of cities. We will focus on the income distribution and the position of different income groups within the urban housing market.

We begin our analysis by looking at the development of the different forms of tenure in the four largest cities. To put this development in perspective, we first present the development of tenures in the Netherlands as a whole (Figure 9.1). In the Netherlands since the Second World War, owner-occupied housing has increased as a share of the total housing stock, while private rented housing has decreased steadily. The proportion of social rented housing increased until the end of the 1980s and then started to decrease. With regard to the social rented sector, this development is in line with the policy changes that we described in the previous section.

In the four largest cities of the Netherlands which makes up the main part of the Randstad, the development of tenures is roughly comparable with the national picture, although there are significant differences with the national figures regarding the size of tenures (see Figure 9.2). In the largest cities, the share of the owner-occupied sector in the housing stock is much smaller and the proportion of both forms of rental is larger. Also, the expansion of social housing lasted rather longer in the large cities. In the early 1990s, over 50% of the housing stock in the largest cities was social rented housing. However, from the mid-1990s onwards, the importance of social housing in the cities started to decline as a consequence of the change in policy with regard to new production as well as urban renewal.

What did this rise and fall in the social rented sector mean for the representation of different income groups within the social rental sector? Figure 9.3 shows

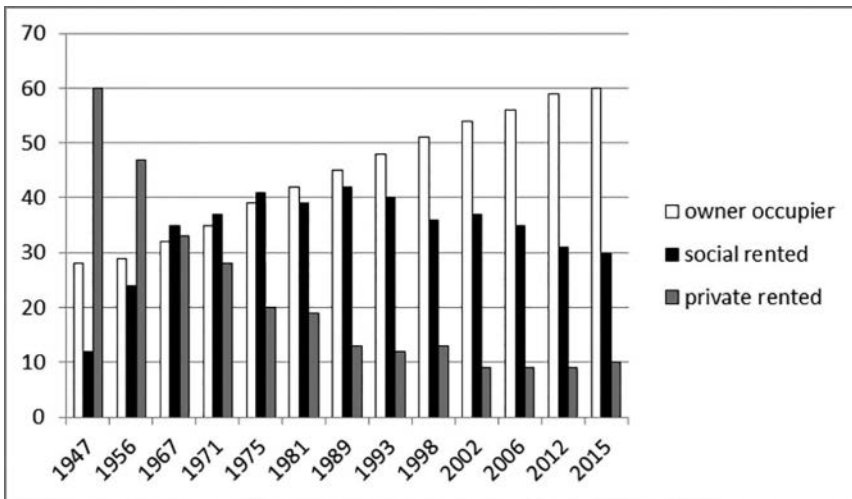


Figure 9.1 Housing stock according to tenure in the Netherlands, 1947–2015.

Source: Dutch National Housing Survey, several years.

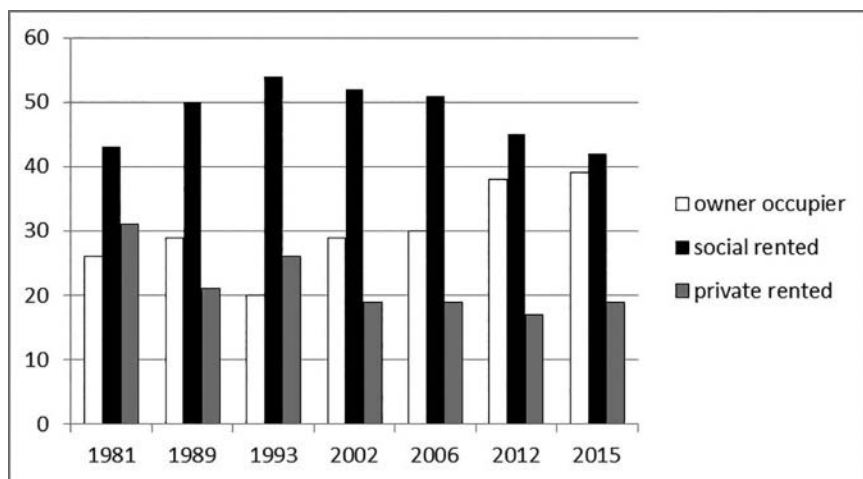


Figure 9.2 Housing stock according to tenure in the four largest cities of the Netherlands, 1981–2015.

Source: Dutch National Housing Survey, several years.

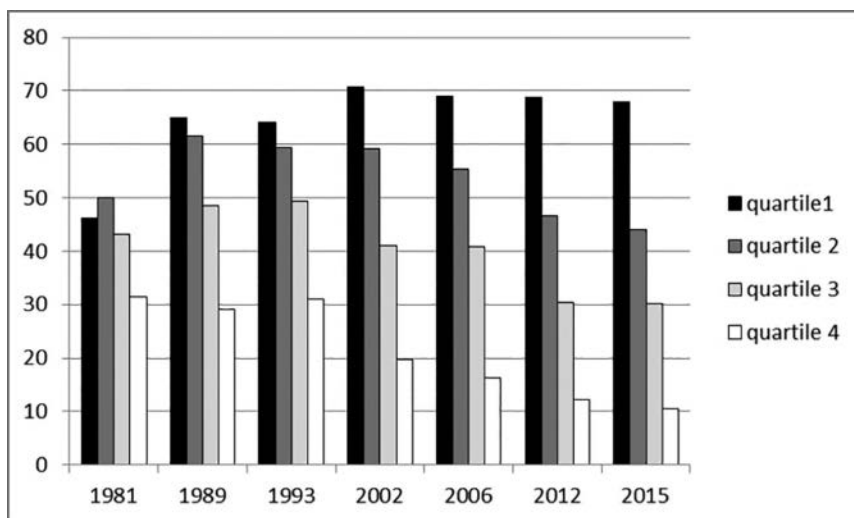


Figure 9.3 The share of households in social rented housing per income quartile in the four largest cities of the Netherlands, 1981–2015.

Source: Dutch National Housing Survey, several years.

that until 2002 the proportion of low-income households (quartile 1) living in social rental housing increased. After 2002, this stabilised at about 70%. But it also becomes clear that until 1993 the proportion of middle and higher-income groups living in social rented housing also increased; in 1993 over 30% of people in the highest-income group (quartile 4) in the large cities were

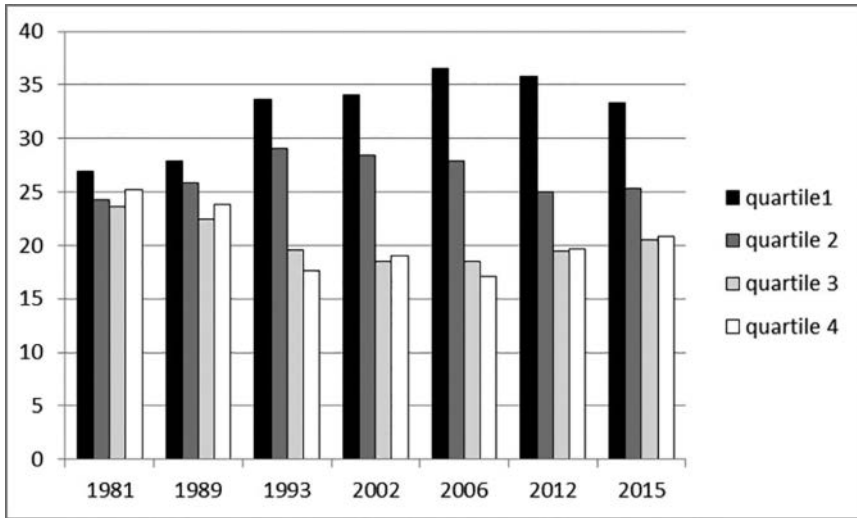


Figure 9.4 Households living in the four largest cities of the Netherlands by income quartile, 1981–2015.

Source: Dutch National Housing Survey, several years.

living in social rented housing. Housing associations were indeed providing housing for broad sections of the population. But in the second half of the 1990s, the proportion of middle and high-income groups living in social housing began to decrease and the concentration of low-income groups increased.

What have been the consequences of the decreasing proportion of social housing in the urban housing stock and the increased concentration of low-income groups within the social rented sector, in terms of the position of low-income groups on the urban housing market? Are low-income groups being pushed out of urban housing markets? Figure 9.4 shows that between 1981 and 2006 the concentration of households in the first two income quartiles living in the four largest cities increased continuously. Since 2006, the share of low- and lower middle-income households (income quartiles 1 and 2) has decreased while the proportion of medium-high and high-income groups (income quartiles 3 and 4) has increased. It seems that households in the first and the second income quartile have been the ‘victims’ of the marketisation of housing production and the obligation to target the decreasing social rented sector towards the lowest-income groups.

Conclusions

Social housing: solution or problem?

The housing model in the Randstad is something of an exception due to its huge social rental housing sector. Since more than 40% of the housing stock is social rental housing, the sector plays a key role in planning for housing

in the Randstad. The role of social housing has changed substantially over recent decades, however. In the 1950s, social housing formed the main solution for the post-war housing shortage. In the 1970s, the renovation of deteriorating private housing stock and its conversion into social housing was a typical solution for the worsening of urban neighbourhoods. All this led to rapid growth of the sector which reached a peak of 54% in 1993 in the four large Randstad cities. Subsequently, social housing changed from being a solution to being part of the problem. The 1997 White Paper on Urban Renewal concludes that ‘problem neighbourhoods’ are mainly neighbourhoods where social rental housing predominates. The solution presented here is to remove social rental dwellings, either through demolition or sale, in order to create more mixed neighbourhoods. Moreover, social housing providers also became financially independent and the sale of social rental housing became a key element in their portfolio management. In 2005, social housing was considered an issue in the context of fair competition in Europe. State aid for social housing for a broad target group including not just lower-income households was deemed to be false competition with commercial landlords. This was the reason for ending open access to this sector and targeting social rental dwellings at just lower-income households. The figures presented in this chapter show that recently the number of high-income households in the four main cities of the Randstad has increased substantially, to the detriment of low and lower-middle income households.

The 2015 Housing Act is forcing housing associations to adopt a new role in urban renewal. The question is what exactly this role will be, what the role of the local government will be and whether local government will apply other planning instruments to affordable housing. Another interesting point for discussion is the extent to which municipalities are willing and able to take on the work that housing associations have been forced to abandon. Although cities like Amsterdam and Utrecht are trying to increase the production of private rental housing for middle-income groups, the results are limited because housing shortages in these cities lead to rents that are not affordable for these households.

Towards a dual or residual model?

Dutch social housing is often cited as an example of the unitary rental model: a broad model with ‘market-like’ rents. Currently, the 2015 Housing Act is pushing housing associations towards a different model: a new role for social rental housing. Does this mean that social housing in the Netherlands is moving towards a dual or residual housing model? This would be social housing as a safety net, associated with marginalisation and stigmatisation, and yet let at near-market rents. This may be the impossible compromise between the two extremes of Kemeny’s model. It would also seem to incentivise all those who are able to buy to leave the social rental sector as soon as possible. It is obvious that there is no longer support for a unitary rental sector. The sector is clearly moving towards the dual or residual mode.

This raises the question of whether social landlords and municipalities have a vision on the spatial distribution of the social housing stock. For the time being, it looks like it is heading towards a marginalised sector active in the worst urban neighbourhoods, offering homes at near-market rents. A new vision could imply the ambition to create a smaller sector that is spread fairly evenly across the city, providing affordable housing for lower-income groups.

Note

- 1 See for example <https://www.investingindutchhousing.nl/> (accessed July 2019).

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