

Governance in Housing in Amsterdam and the Role of Housing Associations

Mr. Dick Schuiling and Dr. Jeroen van der Veer,
Amsterdam Federation of Housing Associations, Amsterdam, The Netherlands¹

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Introduction

The position of the private not-for-profit social housing (providers) in The Netherlands is extraordinary. This country has the highest percentage of social housing (35%) in the European Union (see figure 1), which has nothing to do with prevailing poverty or socialism, and in the larger cities this share is even much higher. All this social - not: public - housing is for rent and there is no Right-to-Buy. The 1990s housing reform in The Netherlands did not result in a sharp decline in the share of social housing. But the way it is governed and controlled changed dramatically in the last decade. In the capital city, Amsterdam, the 14 Housing Associations (HAs) own 55 % of the total stock and have a share of almost 80% in the new house production.

This paper argues that housing policy in Amsterdam can be characterised by a situation of governance instead of government. There is a mutual dependency between local government and housing associations. The latter play an important and innovative role in local housing policy.

Firstly this paper will describe the position of the Dutch social housing sector in international perspective and the restructuring in the 1990s. Secondly we analyse the position of the social housing sector in Amsterdam and the mismatch on the Amsterdam housing market. By doing so we give an overview of the context in which HAs operate. Thirdly we get to the main topic of this paper, the mutual dependency between local government and HAs in Amsterdam. This mutual dependency is elaborated in three fields, namely new construction, transformation and allocation. Finally we will analyse the financial challenges that are faced by the HAs.

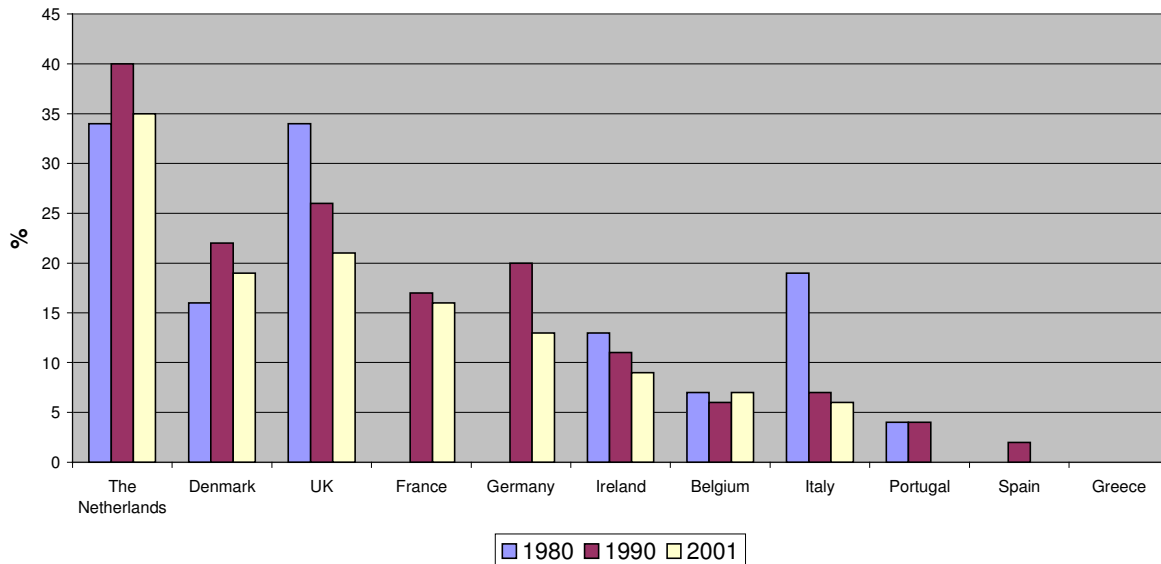
Social housing in The Netherlands

In several countries the restructuring of the welfare state has resulted in a fast decline of the social rented housing sector and a change from a broad system to a means tested system. Harloe (1995, p. 7) described two models of social housing provision: the 'mass' and the 'residual' model. Many countries of the 'mass' model type gradually transformed into the 'residual' type in contrast to The Netherlands. The United Kingdom is a clear example. The size of the social rented housing sector in the UK declined because of the sale of public housing.

¹ This paper doesn't necessarily represent the viewpoints of the Amsterdam Federation of Housing Associations, since it has been written on personal title.

Figure 1: Social rented dwellings as % of total stock in EU-countries

(Source: Eurostat and Statistics on Housing in the European Union, 2002)



The sale of public sector housing has also been practised in Eastern European countries with formerly a large share of state-owned housing. The same holds true for China. Since the mid-1990s, 80 percent of China's public housing has been sold to local residents (People's Daily, august 9, 2002). So large Dutch cities show now higher percentages of social rented housing than for instance Beijing. In a way the situation is comparable with Hong Kong where 47% of the housing stock consists of public housing (including subsidised sale flats) (www.housingauthority.gov.hk).

The Dutch social rented housing sector has always been (and still is) for broad segments of the population. In addition, the quality and standard of social housing is reasonably high.

The vast majority of social rented housing in The Netherlands is not owned by the state or local government, but by independent not-for-profit housing associations (HAs), from which sales cannot be enforced. Therefore we speak in this case of social instead of public housing. The last decades there has been an increase in the size of HAs, because of mergers and production of new-built. Their number decreased from 1,037 in 1990 to 701 in 2000 (including the few municipal housing companies left over) (Ouwehand & Van Daalen, 2002) and 600 in 2002. In 2002 the average size of a HA in The Netherlands was 4,000 dwellings, but in the big cities this figure is much higher. The 600 HAs own 2.3 million rented dwellings (35% of the total housing stock) (see table 1).

Table 1: number of inhabitants, dwellings and HAs in The Netherlands and Amsterdam

	Inhabitants	dwellings	social rented dwellings	number of HAs	average size HA
	1-1-2003	1-1-2002	1-1-2002	1-1-2002	1-1-2002
The Netherlands	16.192.572	6.709.732	2.347.632	600	3.913
Amsterdam metropolitan region	1.498.722	681.842	309.635	35	8.847
Amsterdam municipality	736.562	374.952	206.310	14	14.736

Source: CBS/BVE Bevolkingsstatistiek, CBS/WON Woningstatistiek, Ouwehand & Van Daalen, (2002)

The restructuring of the Dutch social rented housing sector in the 1990s: from loans and subsidies to revolving funds

The Ministry of Housing, Spatial Planning and the Environment (in Dutch: VROM) argued at the end of the 1980s that there was almost no quantitative housing shortage anymore, but an ‘oversupply’ of cheap housing and a growing need for more quality. In addition there was a misallocation of subsidies, because higher income people lived in subsidised rented apartments. In the national policy report ‘Housing in the 90s’ (VROM, 1989) a regime shift for social rented housing was announced, which has been implemented in the years after. The regime shift implied a change from brick-and-mortar subsidies to subject subsidies targeted to the lower income groups (rent subsidy). These subsidies (in 2003 received by 15% of the households and counting for half the budget of VROM) make it possible for low-income households to live in dwellings with a rent up to 585 euro² per month. As part of the regime shift, the HAs had to become financially independent, instead of depending on different kinds of subsidies. Construction subsidies have been almost completely abolished, except a few stimuli in the case of urban renewal and extraordinary land costs. All the future subsidies for running cost deficits of the existing stock of HAs were capitalised and exchanged against the outstanding loans from central government to HAs. This was a 17 billion euro operation, carried out in one year (Van der Schaar, 2003). From then on the HAs had to change into social entrepreneurs, working as revolving funds by spending their income from profit-making activities (like sales of new and existing houses) to loss-making operations (like refurbishment, transformation and construction of social rent). They have set up their own solidarity fund (Central Fund for Housing), for HAs in financial difficulty. Government control on HAs became less direct and afterwards, setting different performance fields beforehand.

Social rented housing in Amsterdam: share, location and lack of stigmatisation

Amsterdam is the capital and largest city in the Netherlands, although still small if compared internationally. Amsterdam municipality has 740,000 inhabitants. Ever since the Housing Act of 1901 promoting the construction of social rented housing was a main policy-target of Amsterdam municipality, which owns most of the land within its boundaries. The leasehold system was introduced in 1896. As a result the municipality has a large influence on what kind of housing is constructed. The vast majority of social rented housing in Amsterdam was not constructed by the municipality itself, but by independent not-for-profit HAs. Especially after the Second World War the size of the social rented housing stock grew rapidly from 18% in 1950 to 55% in 2002, replacing the private rented as the dominant sector. The 1980s were a period of urban renewal in the pre-war neighbourhoods. In the 1980s thousands of private-rented dwellings were demolished and replaced by new dwellings built by HAs. Social rented housing was also built on very popular locations in the city centre. In addition

² 1 euro is US \$ 1.18 and 9.14 Hong Kong Dollar (14-11-2003).

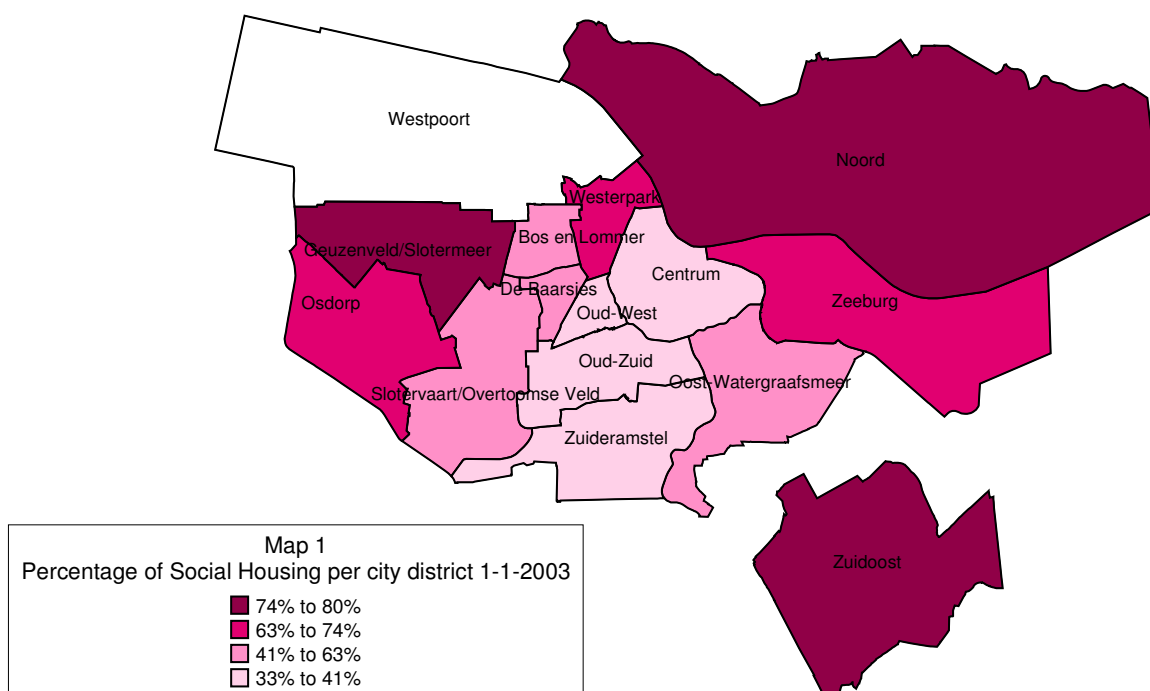
tens of thousands of private-rented dwellings were bought by HAs and renovated. The result was a decrease in the size of the private rented sector and a growth of the social rented sector in the 1980s. In the 1990s the share of the social rented sector remained stable around 55% (see table 2).

Table 2: Changes in the tenure split in Amsterdam municipality in % (1982 – 2002)

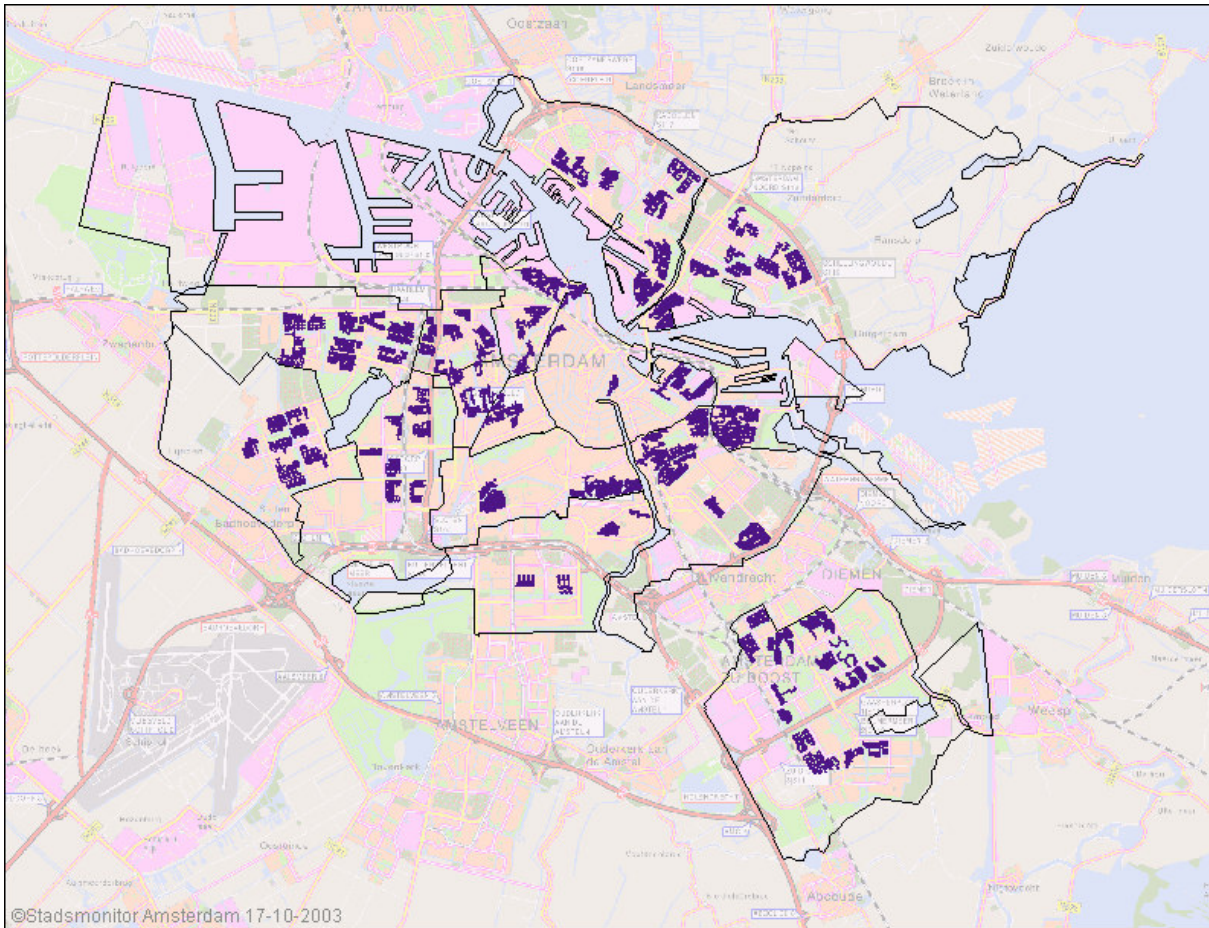
	owner-occupied	private rented	social rented
1982	6.3	52.1	41.6
1992	11.7	34.0	54.3
2002	19.6	25.4	55.0

Source: O+S Amsterdam & DGW SYStem WOningVoorraad-SYSWOV

In Amsterdam the 14 HAs own roughly 205,000 dwellings (55% of the total housing stock). The HAs in Amsterdam belong to the largest in the country. If we include their dwellings in the region the largest HAs own between 50,000 and 60,000 dwellings. Amsterdam is divided into 14 city-districts (stadsdelen) with their own directly elected city-district council. Every city-district has its share of social rented housing (see map 1). Even in the high status city-districts (like Oud-Zuid) the share of social rented housing is larger than 30%. The neighbourhoods that were constructed after the Second World War like the Western garden cities, Amsterdam-North and Amsterdam Southeast show high percentages of social rented housing (see also map 2).

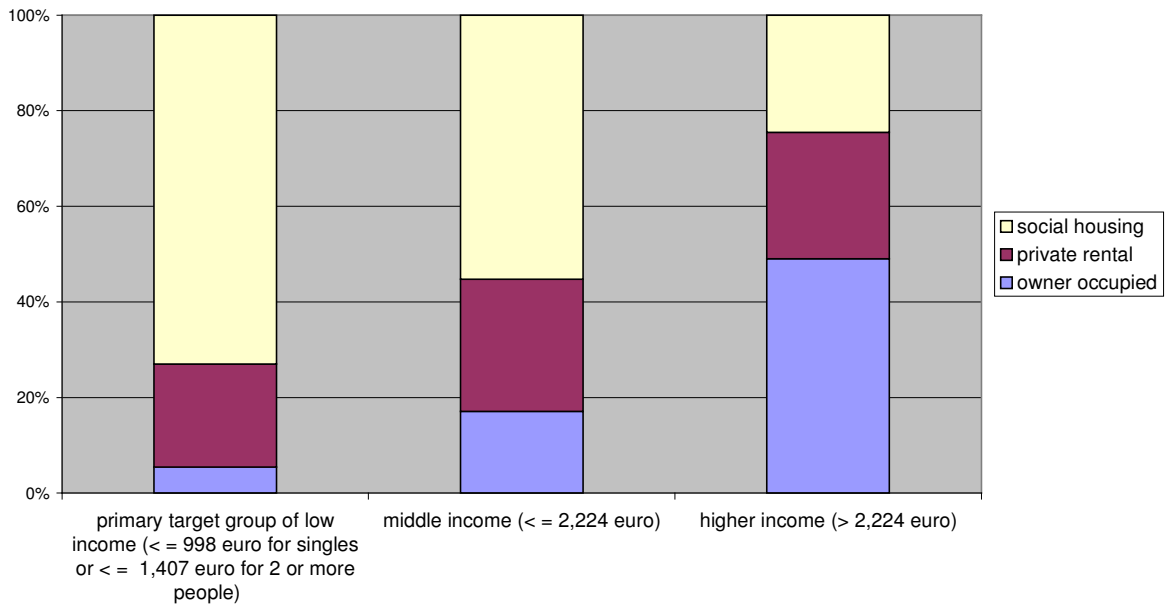


Susan Fainstein (2000) calls Amsterdam an ‘egalitarian city’. Because of the large size of the social rented housing sector, living in social housing is not stigmatised. Figure 2 gives for Amsterdam the distribution of income groups according to tenure. It shows that more than half of the middle-income groups in Amsterdam lives in social rented housing. Even 25% of the higher income groups inhabit a social rented dwelling.



Map 2: Concentrations (>82%) of social housing in Amsterdam municipality (2002)
 Source: Stadsmonitor Amsterdam

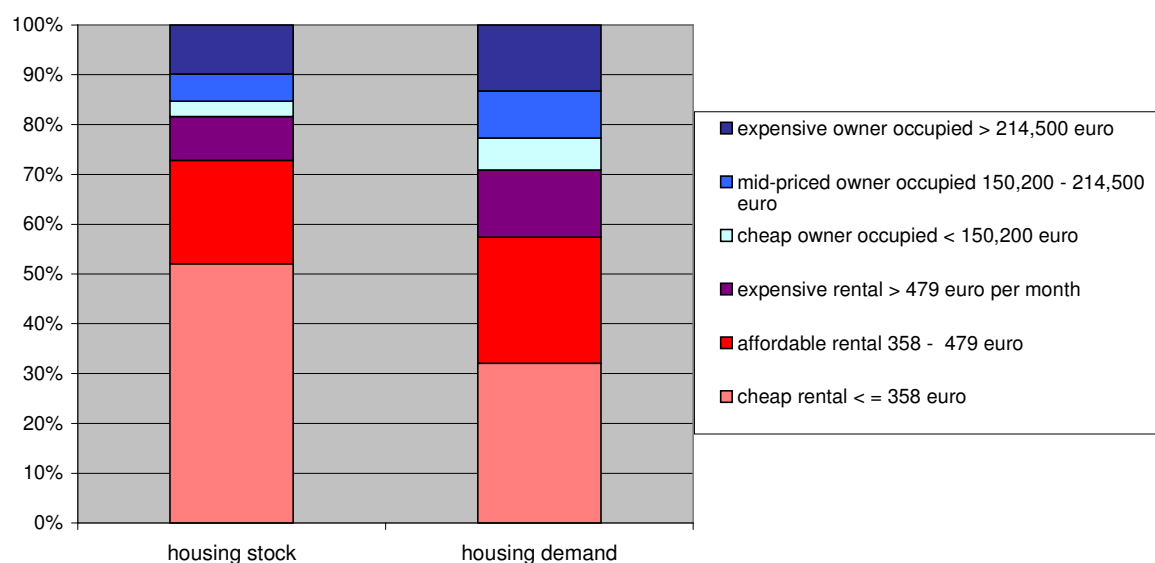
Figure 2: Incomegroup (net monthly income) versus tenure in %
 (Source: Stedelijke Woningdienst Amsterdam (2002), Wonen in Amsterdam 2001)



Local and regional mismatch and contrasts on the housing market

As was concluded above, the Amsterdam social rented housing sector is characterised by an income mix. However, one of the reasons many middle and high-income households live in social rented housing is that there is no alternative within city boundaries. The housing stock in Amsterdam consists mainly of small cheap multifamily dwellings in the rented sector, while there is more demand for larger dwellings and owner-occupied dwellings (see figure 3). The latter you find in the rest of the region for much lower prices.

Figure 3: Difference between housing stock and housing demand in Amsterdam municipality
Source: Vermazen (2003) WBO 2002 (Housing Demand Survey, 2002)

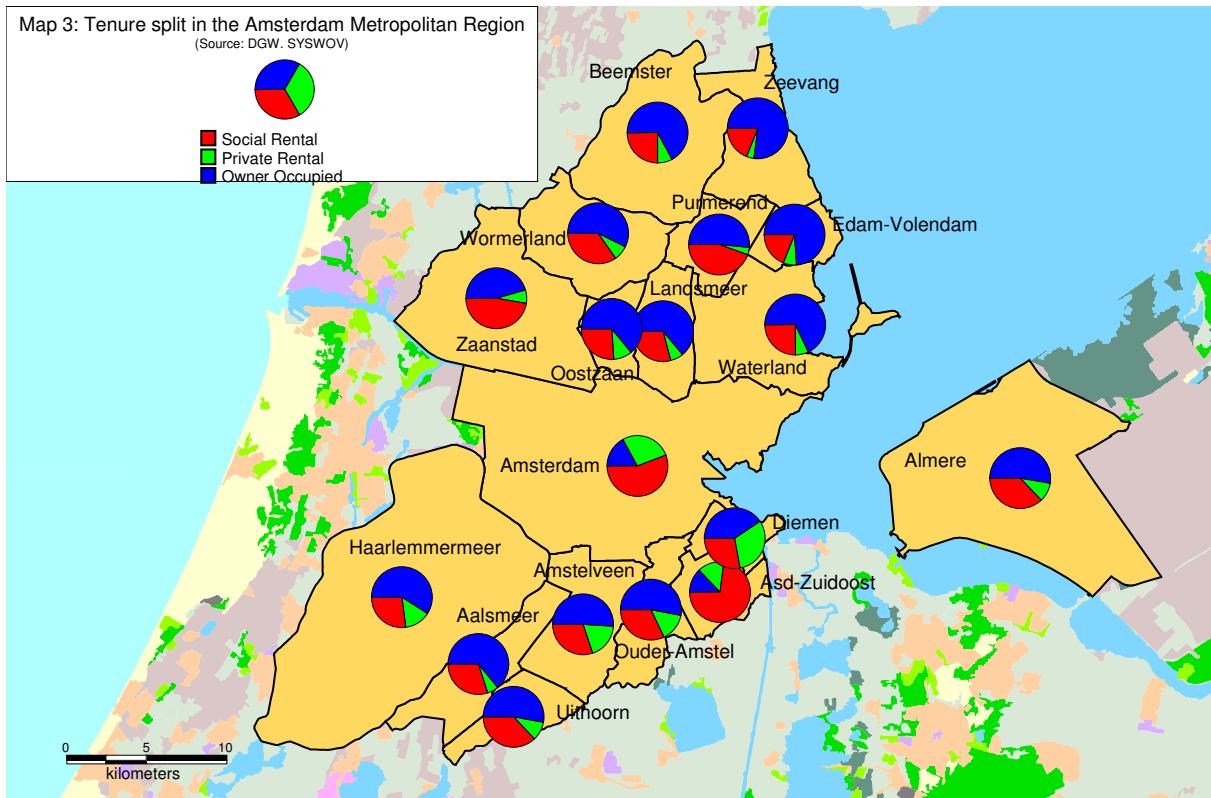


The Amsterdam metropolitan region consists of the 16 municipalities who co-operate in a regional co-operative body (ROA) and the new town of Almere. The region has 1.5 million inhabitants and almost 700,000 dwellings. If we look at the composition of the housing stock and population there are large differences between Amsterdam municipality on the one hand and the rest of the region on the other (see table 3 and map 3). In Amsterdam most of the housing stock consists of cheap small rented apartments in multi-story-buildings, while in the rest of the region most dwellings are single-family houses with gardens in the owner occupied sector.

Table 3: Tenure split in % in The Netherlands, Amsterdam and metropolitan region

	owner-occupied	private rented	social rented
The Netherlands	54.0	11.0	35.0
Amsterdam metropolitan region	36.5	18.1	45.4
Amsterdam municipality	19.6	25.4	55.0
Amsterdam metropolitan region (excluding Amsterdam)	57.2	9.2	33.7

Source: DGW SYStem WOningVoorraad-SYSWOV



As a result of the large differences in housing stock there are also strong contrasts between city and suburbs in population. Compared to the rest of the region Amsterdam municipality has more singles, more lower-income groups and more ethnic minorities.

Some argue that this difference between city and suburbs has to do with the ‘upward escalator’ function of the central city. Young people and immigrants move to the city to study or work and they leave the city when they earn more or have a family. Others stress that partly because of the overrepresentation of social rented housing in Amsterdam the municipality is becoming too exclusively a city of socially disadvantaged households. Research shows an increasing concentration of socio-economic problems and ethnic minorities in areas with a large share of social rented housing in Amsterdam (O+S, 2003).

The ‘pseudo’ market situation in a major part of housing in Amsterdam

The housing market in Amsterdam municipality is strongly regulated. Not only is 55% of the stock social rented housing, but the majority of the private rented sector falls also within the regulated stock in terms of price and allocation rules. The prices of rented dwellings in the Netherlands are based on a national point system. Dwellings receive points on the basis of several factors like square meters, (central) heating, insulation, quality of kitchen and bathroom, garden or terrace etc. On the basis of this national point system maximum rents are set. These regulations apply to all social- and private-rented dwellings with a rent up to the individual rent subsidy limit (< 585 euro per month in 2003/2004). Since the same system operates everywhere in The Netherlands, rents for comparable dwellings differ little from each other in different parts of the country (Ouweland & Van Daalen, 2002). Location does not play a significant role in the rent-setting system. On the other hand location is the most important determinant of property values and the price of owner-occupied housing. At the moment the national point system is under discussion. Some argue that location and market value should play a more important part in rent setting, also in the social rented sector. 95% of all rented dwellings in Amsterdam fall within the national rent-setting system. If we combine that with the fact that only 20% of the stock is owner-occupied this leads to the

conclusion that roughly 75% of the Amsterdam housing market is regulated, call it a 'pseudo' market, while for 25% of the stock a real market situation applies.

Mutual dependency between Local Government and HAs; a real governance situation

Central and local government themselves don't produce or transform houses in The Netherlands. That means that local government is dependent on the HAs for production, management and maintenance, transformation of the housing for the target groups of housing policy. Old ties like bricks-and-mortar contributions or running cost deficit subsidies are no longer available to steer the housing production and performance. On the other hand, the HAs remain dependent on local government for the affordable acquisition of land to build on, a fair share of production in the new areas, accompanying measures in the public realm in transformation areas etc.

In the best tradition of the Dutch 'polder model' of deliberating with almost everybody before taking decisions, there is a standing deliberation committee for housing in Amsterdam (Amsterdams Volkshuisvestingsoverleg), with representatives of the city, the city-districts, the tenants and the social landlords (HAs). This group prepares the so-called Policy Agreement on Housing (Beleidsvereenkomst Wonen Amsterdam, 2001). Important policy items are negotiated and decided in this procedure, stressing the need for transformation. Parallel to this Policy Agreement, different covenants between the city and the HAs or between the tenants' association and the HAs have been settled: on housing allocation, citizens' participation, leasehold contracts in transformation areas, sale of social housing. In the case of the stagnating new house production new conditions were settled to speed up the production by HAs. Some of the central policy fields touched above, will be elaborated below.

New construction

The result of the national housing reform was especially felt in housing construction. The share of social rented housing decreased from almost 100% in the 1980s to only 30% in the mid-1990s. However this does not mean that the role of the HAs in construction has diminished. On the contrary, in 2002 the HAs delivered 77% of all new housing in Amsterdam: 1,849 out of a total of 2,393 new dwellings. This includes new housing constructed by co-operations between HAs and private developers. In 2002 59% of these new HA houses were built for sale, 41% for low or affordable rent (Amsterdamse Federatie van Woningcorporaties, 2003). Most housing was built in 'mixed projects' with both owner-occupied and social rented housing. This offered extra possibilities for internal cross-subsidisation. In the 90s quality and design were considered more important than in the preceding decades. The HAs played an important role in increasing quality of dwelling and design.

The need for new dwellings in Amsterdam remained high in the last decade and the annual target is to produce at least 4,000. From 1998 the actual output has been much lower, causing a blocked and tense housing market with long waiting times in the rented sector and high prices in the owner-occupied sector. Between 1997 and 2000 the sale price increase was approximately 60%, levelling off afterwards and now there are slight signs of a price decrease. A special agreement on better conditions for new housing production was negotiated between the municipality and the Amsterdam Federation of Housing Associations. In this agreement measures are taken to speed up the production: lower leasehold land prices, higher initial rents, the possibility to sell off a part of the new social rented production after a number of years, the transfer of the costs of covered parking from the HAs to the municipality or the city-districts.

Transformation

One of the main purposes of the transformation of the post-war neighbourhoods is to offer a mix in tenure types and a higher quality to diminish the concentration of certain population categories in terms of low income and (un)employment. In that way upwardly mobile people from these neighbourhoods are not forced to leave the city for a house in the suburbs or new towns but are able to make a housing career within the neighbourhood. As elsewhere in the country, this has led to an impressive transformation programme aiming at differentiation of houses and households, starting with the areas seen as the most in need. These programmes can only be carried out, when there is consensus between the dominant property-owners, the HAs, and the municipality and city-districts, combined with consent of the majority of the present inhabitants. The latter requires adequate and satisfactory re-housing possibilities for those inhabitants who have to move. The HAs are the most important actor in the transformation of post-war areas. They own roughly 80% of the housing stock there, so contrary to commercial developers they have a stake in the area into the far future. Urban renewal in the high rise housing estate Bijlmermeer already shows signs of success. The position of the area changed from the bottom of the Amsterdam housing market to an area that is popular with the black middle class.

Allocation

In the field of housing allocation many operational activities were taken over in the 1990s from local government by the co-operating HAs, combined with the introduction of a more customer-friendly application system. In 2001 this was followed by a regional scaling-up. The administration, selection and allocation of applicants for an empty social rented dwelling is now done by a special regional organisation, set up and owned by almost all HAs in the region. Every two weeks people looking for a(nother) dwelling can apply three times by internet, post or telephone. Seventy percent of all applications are send through the internet, making the HA-site one of the most popular in the country. Although there are many applicants (up to 150 per dwelling), most people see it as a transparent and good system. Since September 2003 a nation-wide internet-portal is active, presenting a large share of all social rented dwellings in the country on offer. These innovative developments show that HAs are operating across municipal and even regional boundaries, while governments have still serious problems in serving market and customer territories instead of administrative jurisdictions.

Financial challenges in the balance between regular exploitation, improvement and sales

With the fading away of governmental housing subsidies, the capital of HAs across the nation is seen more and more as the most important source for financing the deficits in housing. However, the average financial situation of the HAs in Amsterdam is that they don't make a profit or run break-even on their regular exploitation of the existing stock, because of the low controlled rent levels. They make a loss on the higher-level improvements of that stock, because there is not much room for sufficient rent-increase afterwards. The construction of new social rented housing is running at a deficit of up to 70,000 euro per dwelling, and the transformation in the post-war areas is loss-making too. So, since central government subsidies are abolished, the balancing income, or profit, should come from sales or richer HAs elsewhere. But while the demand for investment is rising, the income from sales of existing and new housing is not. The sale of existing dwellings (694 in 2001 and 512 in 2002) is far below the negotiated target, while according to the agreement with the municipality there is still place for 26,349 sales till 2007. The market price in empty state is too high or unattractive for most sitting tenants to seduce them to buy their rented dwelling. So sales are

depending on the rate of dwellings coming vacant, and that rotation rate went down dramatically in the last couple of years. Income out of sale of newly developed housing became problematic too, because of low overall production and low market take-up of the more expensive dwellings. Therefore it is not amazing that HAs became more hesitant to invest with all risks in transformation and new production, while there is no vacancy in the transformation areas and a changed market situation in the owner-occupied sector and especially the newly developed areas. The same is true for the commercial developers, so there is no shift from the not-for-profit developers (HAs) to the commercial developers. The lack of construction output nation-wide is now of national concern and is not restricted to HAs.

In the areas of construction, transformation and allocation there is a real situation of mutual dependency: to a large extent governance in the sphere of housing in Amsterdam has replaced unilateral government.

Conclusions and prospects

Already for a century the existence of and governmental support for HAs created a longstanding affordability in Dutch and Amsterdam housing for broad segments of the population. The high share of social rented housing in the total housing stock and the rather wide dispersal helped to prevent sharp income segregation in housing in comparison to other countries.

The housing reform of the 1990s resulted in an unprecedented transformation of the HAs in terms of organisation and financial lay out. However, the housing reform did not result in a sharp decrease in the size of the social housing sector. Housing Associations still fulfil their social obligations but many of them are also quite successful risk-taking investors, who don't avoid problem areas and often create good architecture.

If we look back, we can conclude that the developments in Amsterdam social rented housing over the last decade produced a much more entrepreneurial approach among the HAs combined with the transfer of operational work, financing and responsibilities from local government to the HAs. The result is more efficiency and less distance between provider and customer. In the last decade we also experienced an increase in quality of dwellings and architectural design. A policy of constructing mixed projects and neighbourhoods could be carried out, even when central government subsidies vanished.

As elsewhere in the country, the quantitative output of new housing production and transformation became a severe problem since 1999, so the reasons for that are mainly nation-wide. If the Amsterdam HAs are ready for the future, depends largely on the possibility to earn money from sales and rent-increase for those tenants who can afford it. At the same time HAs will guarantee affordable rents for lower income groups. The sale possibilities are for a large part market-dependent. The rent-increase possibilities are decided at the national level. In the meantime the Amsterdam HAs try to prepare themselves the best they can for the future also in co-operation with colleagues in the region. For solving some important housing imbalance and finance aspects, the city becomes too small a base whereas regional co-production and co-financing can help.

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