34. More than just housing

The importance of housing associations for a sustainable city

Jeroen van der Veer and Dick Schuiling

In the Netherlands, a policy has been implemented at national level that aims to shrink the social rented housing sector. However, the housing associations and a social housing sector of substantial size play a crucial role in the development of Amsterdam as a sustainable city. A change in thinking is required, away from shrinkage of the social housing sector and towards a dynamic balance in the long term. Collaboration at local and regional level remains essential here, as indicated by the agreements made between tenants, the municipality and housing associations in June 2015.

2.4 million social rented dwellings

There are 2.4 million social rented dwellings in the Netherlands, rented out by 360 housing associations and private non-profit organisations, all under state supervision. This corresponds to 31 percent of the national housing stock. This means that, in relative terms, the Netherlands has the largest social housing sector in Europe. The proportion of social rented housing in the larger cities is even higher: 46 percent of the Amsterdam housing stock consists of association homes, 24 percent of private rented homes and 31 percent of owner-occupied homes.

The average rent for all association homes in Amsterdam amounted to €485 per month as per 1 January 2015 (not including any individual housing benefits). The rent of social rented homes after a change of tenant is, on average, around 100 euros higher. In addition, every year housing associations offer some 2,000 free
market rental homes in Amsterdam. Almost 35 percent of these homes have a monthly rent of under €971 and are thus accessible to middle-income households. The average rent of these homes is around €840. This is relatively affordable. In the private rental sector, the rents are much higher on average, namely €2,120 (according to the supplier Pararius).

The volume of the association sector, its distribution across the city and the mix of income categories have been able to prevent the emergence of major concentrations of poverty and deprived neighbourhoods. In fact, since the 1920s, Amsterdam, with the architecture of the Amsterdam School, has been seen as a mecca of social housing. Especially after the Second World War, the city experienced major growth in housing associations.

In the Netherlands, the government now aims to reduce the social rented housing sector in favour of the private sector (rented and owner-occupied homes). The social rented housing sector, so the idea goes, should confine itself to its core task of providing housing for people with low incomes. In other Western countries, too, we see reforms in the welfare state leading to a reduction of the target group for social housing. A recent study of spatial segregation indicates this to be a European trend (see the contribution by Sako Musterd in this volume).

The influence of the European Union: Shrinkage of the social sector and landlord levy

The European Union does not concern itself directly with housing policies, but it influences this policy in the Netherlands through its competition policy. The European Union plays an important role in three issues relating to housing: a stronger curtailment on the low-income target group; the separation between state and market; budget agreements and spending cuts.

Since the mid-1990s housing associations have been financially independent and no longer receive state subsidies. Consequently, the funding of social housing has no longer formed
part of the national budget and the conditions for accession to the eurozone could be met. Since then, housing associations, as hybrid organisations, have been using income from market activities – such as the building of owner-occupied homes, the sale of social rented homes and the renting out of private-sector rented homes – to invest in social housing.

In 2005 the European Commissioner for Competition, the Dutch VVD politician Neelie Kroes, sent a letter to the Dutch government with complaints about unfair competition within the private sector. This was because housing associations borrowed money on the capital market. The Social Housing Guarantee Fund is a joint fund that guarantees the interest and repayment obligations of the associations. Local and national government provide a ‘back-up’ for this guarantee, and it is thus regarded by the European Commission as ‘state support’. The European Commission believes that state support should be limited to the low-income groups and, in the reasoning of the Commission, the social rented housing sector was too big with respect to the size of the target group. It was recommended to privatize a large share of the social rental housing. Moreover, the European Commission had difficulties with the hybrid character of the housing associations and advocated a strict separation of activities for the target group and market activities. Ultimately, the budget agreements in the context of the European Union resulted in spending cuts in the social housing sector.

In 2009, in a European decision, the European Commission forced the Netherlands to set a national income threshold for social housing tenants. As per 2011 access to the social rented housing sector is limited to households that earn less than €35,000 per year before taxes, although in the past the sector was always broader and also offered accommodation to medium-income households. In a city such as Amsterdam, it is also difficult for families with an income of up to around €50,000 to find an affordable rented home. (Temporarily 10% of new lettings may be allocated to households earning between €35,000 and €40,000).
The division required by the European Commission was cemented in national legislation. In addition, the task package of the associations was reduced. In the new Housing Act that came into force on 1 July 2015, the number of activities that associations are allowed to carry out was strongly limited. This involves, among other things, the efforts of associations to provide housing for middle-income groups, project development and improving and maintaining the liveability of neighbourhoods. Moreover, associations must make a strict separation between their social activities on the one hand and their market activities on the other. Although it cannot be denied that this legislation provides a partial answer to the excesses and scandals that have plagued the housing association sector, with major risks in, for instance, the field of derivatives and project development, it now seems that the pendulum is swinging the other way. Urban renewal and the construction of mixed neighbourhoods are being hindered by the legislation.

Another agreement at the European level assumed a budget deficit that would be no higher than 3 percent of the GDP. In the Netherlands, the government achieved this by withdrawing money from the social rented housing sector, namely by means of the ‘landlord levy’. Since 2013, social rented homes with a monthly rent of less than €710 are taxed with a levy that will amount to €1.7 billion in 2017 and €2 billion in 2018. The levy is applicable to all landlords that own more than ten social rented homes and is based on the value of the home. In international terms, this levy is unprecedented, because the building of social rented accommodation is no longer subsidised in the Netherlands, and instead landlords – and thus also landlords of social rented homes – must pay for part of the state deficit. In recent years the rents of social rented homes have risen more strongly, partly due to the landlord levy. The affordability is thus coming under pressure, also because housing benefits (a rent subsidy for low-income tenants) do not fully compensate for rent between €628 and €710.

Despite this, housing associations are improving the quality of their homes by investing in renovation and new construction.
Investments in quality also improve safety. In this respect, associations are replacing old boilers and gas heaters in order to prevent carbon monoxide poisoning, and they are making homes more energy-efficient. From July 2011 to December 2014 the Amsterdam housing associations realised almost 27,000 ‘energy label steps’ in the existing housing stock. However, the landlord levy is putting such investments under pressure.

**Housing associations involved in neighbourhood sustainability**

The broad range of tasks taken on by housing associations in combination with the realisation of mixed neighbourhoods has favourably influenced the development of Amsterdam in recent times. Associations are involved in neighbourhood sustainability in close collaboration with the tenants and local government. Ever since 1994 performance agreements have been made between the associations, the municipality and tenants in Amsterdam.

In recent decades, housing associations and the municipality have invested in urban renewal in districts such as Zuidoost, Noord, Nieuw-West and Indische Buurt. The quality of the housing stock has been improved through renovation and demolition/new construction and a mix of social rented housing, owner-occupied homes and private sector rented housing has been created in these neighbourhoods. Urban renewal does not only mean improving the quality of the housing stock, but also that of facilities and amenities, such as the building of multifunctional centres with welfare and health facilities. This policy of urban renewal and liveability has worked. The satisfaction levels of residents in parts of Bos en Lommer, Indische Buurt and Bijlmermeer improved substantially between 2001 and 2015.

Housing associations are also involved in the transformation of empty office buildings (some 15 percent of the stock
in Amsterdam). One example is the repurposing of the GAK building beside the A10 motorway, carried out by Stadgenoot and AM, where 651 urban studios for starters and students were realised. The social rented homes of Stadgenoot in this building are being used as accommodation for young people and also for refugees. The Elsevier building in Bos en Lommer, also situated alongside the A10, has been rendered suitable for students and entrepreneurs on behalf of DUWO and Rochdale.

In the future too, collaboration at local and regional levels between tenants, municipalities and housing associations will remain crucial. In June 2015 the Tenants Association of Amsterdam, the Amsterdam housing associations and the Municipality of Amsterdam made new collaboration agreements for 2015-2019, centring on the affordability of housing. The ultimate goal is to achieve a sustainable and dynamic balance in the social rented housing sector. Any sale, demolition or liberalisation of social housing must, in the long run, be brought into balance with the new construction of social rented housing so that sufficient affordable homes are retained.

**Shrinkage of the social housing sector is not a matter of course**

Foreign specialists visit Amsterdam because they see the social housing sector in the Netherlands as a model for emulation. Especially in Asia, the growth of the cities and the poor living conditions of workers are creating an increasing need for the construction of social housing. In China, the privatisation of construction of social housing (by the government and factories) began in 1978, but now the state is making a U-turn. The construction of 36 million social rented homes is planned for the period 2011-2015. In Taipei, the capital of Taiwan, 0.7 percent of the homes are in the social sector, and in this city the purchase price of an owner-occupied home is, on average, around fifteen times the gross annual income. Due to these huge affordability
problems, Taipei City plans to build 50,000 social rented homes in the coming eight years. But alternatives for providing affordable housing are now being sought in European countries, too. In Spain, the economic crisis had led to many people no longer being able to pay their mortgage. More than 150,000 families have lost their homes. Now support for the creation of housing associations is arising in various Spanish cities, including Madrid and Barcelona.

Social rented housing remains in demand – in Amsterdam too. Every year the city grows by 10,000 residents, including people on low incomes. Seen from this perspective, a major shrinkage of the social rented housing sector seems undesirable in the long term. Creative solutions are required, such as the transformation of office buildings and a more flexible approach to the existing stock of social rented housing. Furthermore, it is sensible for housing associations to continue to test the boundaries of the (new) law, so that their broad approach to their task, for instance in the field of liveability, can be continued – which should of course take place in collaboration with other parties.

The Dutch landlord levy is disastrous for the viability of the social rented housing sector. We can identify a paradox here: government policy forces the housing associations to maximum rent increases, while at the same time the government believes that housing associations should focus only on renting out social rented housing to people with low incomes. The landlord levy should thus be abolished as soon as possible.

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Further reading