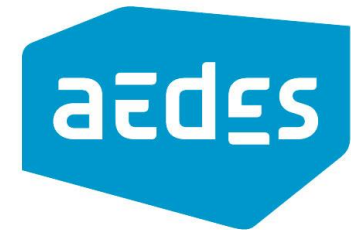


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Dutch social housing in a nutshell

This nutshell on the Dutch social housing sector is provided to you by Aedes. Our conviction is that stakeholders from abroad should have access to this information, since exchanges of knowledge and international contacts lead to new insights on an European level. That is why Aedes set up a fulltime agency in Brussels in 2011. In this brochure it is briefly described which topics are covered by its lobby activities and which developments in the Dutch housing sector take place.

**Aedes, Dutch association of social housing
organisation**

July 2013

Introduction

Social housing organisations ensure that more than 2.4 million households in the Netherlands have access to adequate and affordable housing. They also contribute to the quality of life in neighbourhoods, districts and regions. At present, social housing organisations account for some 60 per cent of the construction of new dwellings in the Netherlands and invest in areas such as care, student housing and sustainability.

As the Dutch housing association, Aedes represents the interests of 345 social housing organisations from its offices in The Hague and Brussels. The organisation works towards a better functioning housing market and contributes to raising the level of professionalism in the sector. Aedes advocates for optimal regulatory and policy conditions for social housing organisations.

Social housing organisations are non-profit sector associations or foundations. As social enterprises, these specially registered entities, pursue social goals. They ensure an adequate supply of affordable, good-quality homes for the less privileged in society and those on lower and middle incomes. They strictly monitor their social performance, involve various interested parties in their policymaking and account for their policy decisions to public stakeholders and society.

The aim of this brochure is to provide stakeholders with answers to a range of questions. What is a Dutch social housing organisation and what does it do? In which areas do municipal authorities, other stakeholders and social housing organisations meet in the local arena? How is the social housing system structured in the Netherlands? And what are the challenges currently facing social housing organisations?

Range of activities: for whom, why and how?

For whom:

The principal target group of social housing organisations is those households with a lower income. The cheaper rented housing is intended primarily for them. Other groups requiring special attention from social housing organisations include the elderly, the disabled, immigrants, the permanent and temporarily homeless, itinerant communities and asylum-seekers. A unifying element of these groups is that they all experience problems finding appropriate or affordable housing by themselves.

People from all walks of life rent social dwellings. There is a huge diversity in terms of rent levels and types of homes. This diversity makes the social in the Netherlands special. Renting a home is often related to the tenant's phase of life. People starting out on the housing market often rent. Older people also sometimes decide to sell their home and choose the convenience of renting. The choices for this group are also getting greater all the time: easy-to modify new buildings, flats made accessible for senior citizens or more expensive apartments with care facilities nearby.

Social housing organisations not only build and manage social rented homes, on a smaller scale, they also cater for the demand for more expensive rented homes and cheaper owner-occupied homes. Although such activities are not labelled as 'services of general economic interest' (SGEIs) and must be fulfilled without state aid, they facilitate mobility on the housing market. Tenants who can afford to do so can move on to a more expensive dwelling, freeing up cheaper homes for people who need these.

How?

Dwellings are allocated on the basis of clear national and local rules. People looking for housing can, for example, see on websites which social rented dwellings are available for rent and apply for these on the basis of their preferences. It is a so-called choice-based letting system. Dwellings are allocated as adequately as possible on the basis of transparent criteria set in advance, such as length of registration, length of tenancy, urgency, income and/or family situation. The general framework for the allocation of all type of dwellings is arranged nationally through the national Housing Allocation Act and locally by means of municipal ordinances.

Rights, obligations and allocation criteria

The main responsibilities of social housing organisations are defined in six so-called performance areas of the Social Housing Management Decree (BBSH). The organisations are supposed:

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

In addition, the quality of life in neighbourhoods and districts, area development, restructuring, public purpose dwellings and living & care all fall under the responsibility of social housing organisations.

Since 2010, social housing organisations have also been bound by new allocation criteria. These were agreed after the European Commission and private investors criticised the size and scope of the Dutch social housing sector. Due to the state-aid decision of the European Commission on 15 December 2009, housing associations are required to let 90% of their vacant social housing (rent below €681,- a month) to households with an income until € 34,229 or households with a care requirement. Just 10% is eligible for other targets and needs not linked with income.

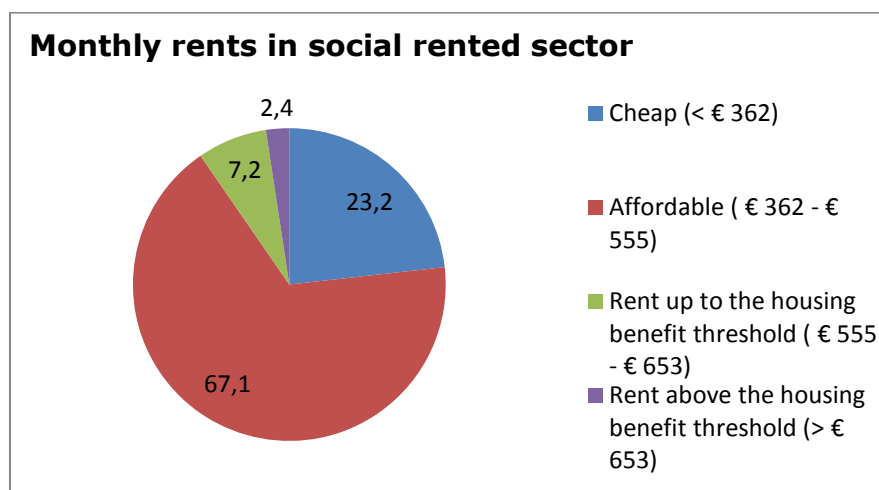
This is related to European state-aid rules and Services of General Economic Interest (SGEIs)¹. This situation, which imposes a single national income threshold that does not take account of the size of the household or the local shortages of the housing market, is quite unique within Europe. A comparison with other countries shows that the Dutch income threshold (approximately € 34,229) is not particularly high. It is, for example, comparable with Belgium, where just 7% of the housing stock is social housing. In France, the income threshold for some households, in a tight housing market such as in Paris, can be almost twice that in the Netherlands.

Rent levels

Within the strict framework set out by national rent policy on maximum yearly increases and maximum rent levels, a social housing organisation may conduct its own rent policy for its own housing stock. This means a social housing organisation can take account of the quality and market position of its dwellings, policy on maintenance and home improvements, investments in new building and restructuring programmes. The social housing organisation can vary rents between different complexes or individual homes. If a dwelling becomes available, the social

¹ More on this in section 'The EU and Dutch social housing organisations'

housing organisation can increase relatively low rents in one go to the maximum allowed rent ceiling set by the government for each dwelling. In practice, the social housing organisations in the Netherlands ask on average 72 per cent of the maximum permitted rent on the basis of the points system included in the housing evaluation system. In comparison, commercial landlords ask on average 80 per cent of the maximum cap. The maximum permitted rent can only actually be realised in a few overheated housing markets, for example in Amsterdam and Utrecht.



Source: CFV, *Sector Impression of the Performance of Social Housing Organisations 2012, price level 2011*.

The average gross rent a month in the social rented sector is € 443,- in 2010. Energy costs, residential services and other utilities are generally not included in this rent price. The share of total net housing costs (35,3%² for tenants) in disposable income is still one of the highest in the European Union.

² Haffner, M. & K. Dol (2011), *Internationale vergelijking van woonuitgaven met EU-SILC*

Lease contracts for social housing are open ended. The rent is based on the quality and the location of the dwelling and is determined by means of a valuation points system. This system grants points for floor space, facilities and location. The challenge for social housing organizations is to strike a balance between the break even rent and the maximum rent that tenants can afford. There is a ceiling of € 681,- a month, legally the maximum social rent.

Social housing tenants with a gross combined income of no more than € 29,000 per annum per household are entitled to housing benefits. For small households, young people and the elderly, the income threshold is lower (€ 21,000).

Developments in rent increases

At present, an income-related rent increase is being introduced through which occupation of social housing by people with a higher income will be tackled. This means that higher incomes (based on the European threshold of € 34,229) will see a higher rent increase than was previously legally possible. This is a consequence of the governmental policy to incentivize these middle income households to move out of social housing and capture these extra incomes through a special 'social housing tax'.

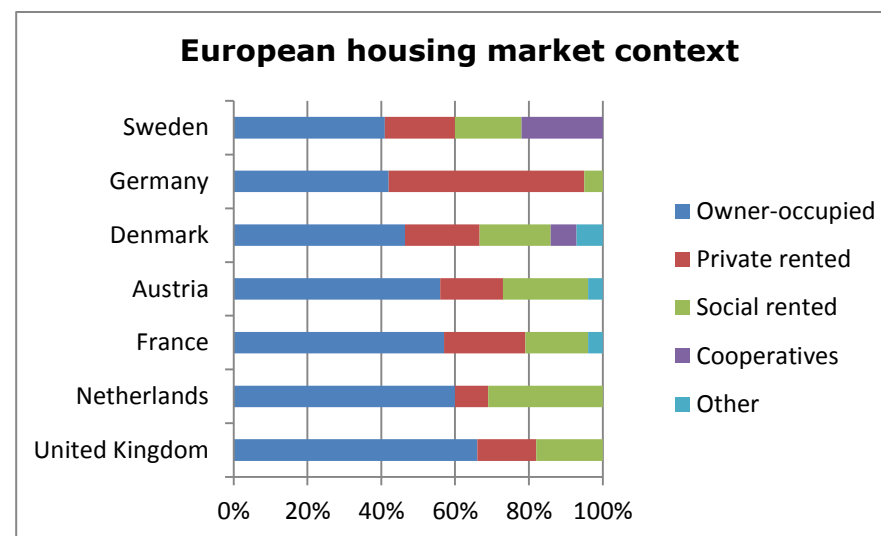
It is likely that in some years a so-called 'rent sum approach' will be introduced, as argued for by Aedes. In brief, this will mean the following: Households that have lived in social rented accommodation for a long time currently still pay a lower rent than people who have lived for a short time in the same type of home. Larger rent increases are only possible when new tenants move into a home. This system means that people who have lived for a longer period in the same home will not be keen to move. This hampers mobility up the housing ladder. The announced rent sum approach is aimed at promoting mobility on the housing market for higher incomes. The yearly rent increase

will be calculated on the basis of an agreed proportional increase of the total rent income for each social landlord. This will mean that the rents will better reflect the value and quality of the home and lower the differences between new and sitting tenants. This in turn will bring greater balance to the rented market and the broader housing market.

Housing market context

For various reasons the proportion of social rented homes in the Netherlands is the highest in Europe, but the percentage of owner-occupied dwellings is not exceptional by European standards. What has increasingly been missing is an affordable middle segment of dwellings for rent, home-ownership or cooperative housing. Since 1980, the proportion of owner-occupied housing has risen fastest in two European countries: the United Kingdom and the Netherlands (66 respectively 58 per cent owner-occupied). Alongside demographics and socio-economic explanations, tax-deductibility of mortgage interests, state guarantees for buyers, high loans-to-value mortgages, strict rent regulation, restrictions on special planning, state aid and solidarity instruments in social housing all play a significant role in the Netherlands. That explains the dependence on investments from social housing organisations in diverse segments of the Dutch housing sector.

Compared with countries such as France, Germany, Austria, Sweden and Denmark, the Netherlands has a high proportion of owner-occupied housing (see graph). These proportions also vary greatly if we look at regional differences. The degree of urbanisation certainly plays a role in this. Amsterdam, for example, has more than 70 per cent rented housing and a city like Berlin has as much as 90 per cent.



Source: CECODHAS Housing Europe review, 2012

The scale of the rented sector, representing almost 35 per cent of the entire housing stock, is an exception within Europe. This percentage is two to three times higher than in other Western European countries. Another striking feature is that 80 per cent of the Dutch rented sector is classified as social rented housing (< € 681 in 2013). This is believed to be a result of the high prices of owner-occupied homes, tax incentives on mortgages for home-owners and an unattractive investment climate in the strictly regulated rental market.

The average prices of social dwellings in the Netherlands are often higher than in other EU countries. This is mainly related to the broad scope of the interventions of the social housing organisations and the high quality requirements for dwellings.

The social housing sector in historical perspective

Origins

Social housing organisations emerged from private initiatives. They arose in the nineteenth century, when socially active citizens, entrepreneurs and church bodies became concerned about the lot of the workers, who were living in appalling conditions. They then really flourished after the introduction of the Housing Act of 1901. This made it possible for the State to subsidise the building of housing. Social housing organisations were 'permitted' if they worked only for social housing and used any reserves for the good of social housing.

Fluctuations in government intervention policy

After World War II, the housing crisis led to building on a large scale. Not only by the social housing organisations, but also by municipal housing associations. Government influence on planning, production, quality and pricing policy was comprehensive. The social housing organisations were charged with implementing the government's policy. They lost much say on allocation. At the end of the 1960s, the government took a step back again, recognising that it should not be undertaking tasks that could just as easily be left to civil society organisations.

The privatisation of the social housing organisations meant that authorisations and responsibilities were decentralised and there was scope for the organisations to make their own policy. A major step in this privatisation process was finally taken with the 'Brutering' (Grossing and Balancing Agreement) in 1995: in one fell swoop, all the subsidies the State would be liable to pay to

the social housing organisations in the future were set off against the outstanding loans the organisations owed to the government. An operation involving a sum of almost 16 billion Euros. This released the State from the heavy burden of many years of fixed subsidy obligations. The introduction of the Economic and Monetary Union (EMU) criteria for public debts played an important role here.

Complete independence

This meant the social housing organisations became financially independent, which had significant consequences in terms of the professionalization of their management. Many of the organisations changed their legal form and became foundations. The 'voluntary boards of directors' disappeared and director-board members took over, controlled by a Supervisory Board.

Current reforms and the parliamentary inquiry

These changes in regulation and governance brought about both success and failure. In the past years incidents attracted a great deal of negative publicity and tarnished the image of the sector. These incidents can be divided roughly into three categories: mismanagement and excessive risk-taking in development projects, financial mismanagement and speculation, fraud and self-enrichment. These incidents led to public anger and a parliamentary inquiry being launched which, in 2014, will be used to investigate the social housing sector. The aim of this investigation is principally to investigate the functioning of the Dutch social housing regime in terms of legitimacy, efficiency, effectiveness and accountability. The outcomes could lead to profound changes if needed.

In the meantime many developments take place both in the sector and in government policy. The government is preparing a new Housing act with stricter regulation of the structure and

the activities of social landlords. These are some of the developments in regulation and governance, which have been initiated recently:

- Yearly rent increases used to be based on the inflation level by the government. Since 2013 increases are based on the inflation plus a percentage depending on the household income. These income-based rent levels should be replaced by a yearly rent-sum which sets a cap on the yearly increase of rents per individual housing organisation. This solution is fairer between sitting and new tenants and easier to administer.
- The ceiling of the monthly rent based on a point system which takes into account various parameters of the dwelling (e.g. number of m² or energy performance) will be reformed to better take into account the market value of the dwelling, and as such its location.
- The report 'Supervision with Bite'. This deals with the governance of the sector. A choice is made in this for stricter, more professional internal supervision and a stronger independent, external supervisor. In addition, greater demands are set for the quality of the Board of Management and the Supervisory Board;
- The salaries of directors of social housing organisations have been made more transparent and are publicly available through the Aedes website;
- In cooperation with the CFV (Central Fund for Social Housing), a benchmark has been set up by Aedes, so that social housing organisations can compare their performance in a targeted way against that of relevant colleagues;
- Once every 4 years, an inspection must take place at every Aedes member. During this, social housing organisations must account for the choices they are making and for their social performance.
- In the meantime, the government is planning to implement a number of measures to more strictly

delineate the tasks of the providers of social housing. The government also believes that the size of the social has a negative influence on the housing market. At the same time it is seizing a part of the assets through a rental levy amounting to approximately € 1.7 billion per year.

Successes of the social housing organisations

It should not be forgotten that social housing organisations have also contributed to great successes in recent years. In recent years more than 50 per cent of total housing production has been realised by social housing organisations. In this way, the social housing sector has compensated to a significant extent for declining production in the commercial sector.

Until recently, even without direct subsidies, social housing organisations have proven their ability to continue to invest in a counter-cyclical manner. These new investments by social housing organisations have also increasingly involved urban renewal and improvements to the quality of life in old and deprived urban neighbourhoods. The number of homes earmarked for demolition doubled and more and more investments were made in neighbourhood facilities such as schools, community centres and care centres. Quality of life was improved in cooperation with municipalities and civil society organisations. Thanks to these joint efforts, the quality of life in the most risky neighbourhoods has been considerably improved during the past 10 years.

Another striking change was the expansion of the provision of services to the tenants. Housing concepts have been developed, for example in cooperation with care organisations. Together with other organisations, new commercial and social services were offered and interim forms between renting and purchase developed (see below).

Surveys have revealed that, generally speaking, the tenants are satisfied or very satisfied with the services provided by social housing organisations and the quality of the housing. All in spite of the shift in the target group that has quietly taken place: more attention for tenants in need of a particular approach: people in need of care, immigrants, the temporary and permanent homeless.

Specific target groups

Which type of dwellings are needed is a local issue. Social housing organisations are the builders of homes where people can feel at home, many of which are dependent on extra help or care. This allows people to continue to participate in their communities in spite of a disability up to an advanced age and live longer in their home. By not only focusing on low-income households in the past, neighbourhoods were able to keep or regain a mixed composition which safeguards social cohesion within urban areas.

Investments and finance

New dwellings

Alongside renting homes, building new homes is a major role of social housing organisations. The aim of this is to build sufficient dwellings to cater to demand from the target groups. These homes must be of a good quality. In 2011, social housing organisations built some 35,700 such homes, more than 28,900 for rental. This is approximately 60% of the total number of new dwellings built in the Netherlands in that period. In the past, social housing organisations were able to keep investments going despite unfavourable economic circumstances, thereby bucking cyclical trends. Now, however, they too are being forced to focus on the highest set priorities and work in a more optimal cost-conscious manner. This is mainly due to the new social tax levy. Hence any benefits and incentives are not likely to benefit tenants and local areas. New construction and other investments are being cancelled or delayed which risks to exacerbate the economic downturn.

Management and neighbourhood improvement

Maintenance and investments in 2011 (in %)

Maintenance	3,4 billion
Investments	9,4 billion
▪ Rented housing	8,0 billion
▪ Owner-occupied housing	593 million
▪ Quality of life	290 million
▪ Public purpose buildings	480 million

Source: CFV, Sector Impression of the Performance of Social Housing Organisations 2012

Various forms of social investment benefit a range of needs

Social housing organisations realise among others housing projects for young people and shelters for people who would otherwise be living on the street. They also ensure a good living environment by providing accommodation for all kinds of local facilities, from community schools to sports and welfare facilities and multi-functional buildings (public purpose buildings).

For social housing organisations, housing management does not only involve energy-saving measures, home improvements and maintenance. It also involves the quality of life in the neighbourhood which is under severe pressure in some places. The challenge facing social housing organisations today is to maintain quality of life in neighbourhoods and villages, or to bring it back. Social housing organisations invest a great deal of money in quality of life and public purpose buildings, spending 770 million Euros on this in 2011.

Loans: Means of finance

The goal is to provide adequate housing in the future on a sustainable basis. New investments are financed from mainly sector bank loans using their assets as security. This makes the sector highly capital intensive and dependent on the situation on the financial markets. The financial and economic crisis brought a prosperous timespan to a halt. It is becoming more difficult for social housing organisations to continue their activities. Government measures are also restricting their capacity to make investments.

In recent years, suppliers of social housing have gone in search of new forms of finance, such as bonds. To increase their chances of obtaining favourable finance conditions, they started asking credit rating agencies to issue (globally recognised) assessments of their creditworthiness. This brings advantage in terms of obtaining finance, as well as benchmarking in relation to other sectors. The disadvantage is

that risk selection could start occurring and this could jeopardise the current solidarity within the social housing organisations sector.

Income from own resources

Social housing organisations can make use of their own resources and surpluses. This is the case for example in the Netherlands, Denmark and France, where the social housing sector has to reinvest its income within a closed system that essentially acts as a revolving fund. An important source of income is the sale of a part of the housing stock to individual households or private investors. However, strict rules prevent speculation. Sales with more than 10% reduction need to be approved by the Dutch minister of Housing. These rules are being eased to facilitate the sale of social dwellings to private households and investors.

Guarantee structure

The retreat of government during the last decade of the last century brought with it a huge shift in the finance of social housing. Since then, the social housing organisations have borrowed on the capital market. This led to a guarantee structure arising during the 1990s that gave financiers every confidence to provide loans that hardly involved any risk for the State and the municipalities.

Three-layer security scheme

All registered social housing organisations have access to a 3-layer security scheme to guarantee the loans they contract with banks to finance their social housing activities. The three levels of security include the following:

1. The **Central Fund for Social Housing (CFV)** is a special independent public body that ensures financial supervision of the organisations, notably through yearly reports that classify organisations depending on their solvency and liquidity. The CFV reports to the Ministry of Housing, which expects social housing organisations to comply with the conclusions of the reports. In the case of financial difficulties at an organisation, the CFV can provide financial help to the organisation or provide specific project support to enable it to get through its activities. The CFV is financed through charges levied on all social housing organisations.

2. The **Guarantee Fund for Social Housing (WSW)** is a private organization set up by the social housing organisations themselves. It acts as second guarantee in the event that the CFV, the first level, has insufficient capacity. The “security reserve” it can draw on for this purpose (€481 million in 2012) was established from the guarantee fees. Organisations have to pay when contracting a loan with the WSW guarantee. The WSW enables social housing organisations to borrow on favourable terms. WSW has a solid security structure and the guarantees it provides are very highly regarded. The world’s leading ratings agencies, Standard & Poor’s and Moody’s Investors Service, have awarded WSW their highest possible ratings of AAA and Aaa respectively. At the end of 2011 WSW guaranteed loans totalled around € 86.3 billion. This rating is important for the social housing organisations in enabling them to obtain access to the international public capital markets, to obtain the cheapest possible loans.

3. The **Dutch State and municipalities act as a guarantor of last resort through the WSW** with interest-free loans in the event the sector can no longer overcome its financial problems and the WSW is nearly exhausted. This public risk has never been used, and therefore public guarantees have more of a back-up role.

The disadvantage of the solidarity structure is that a *moral hazard* might arise. This means there is a chance of excessive risks taken by individual landlords because the solidarity system ‘will cushion the blows’. That is why a sharp financial supervision of the social landlords is crucial.

Our challenges

Shrinking and expanding

The tasks facing social housing organisations vary greatly between the regions. In areas where the population is shrinking, the emphasis is on keeping villages liveable and retaining facilities. The housing stock there will eventually have to shrink, while large parts of the densely populated Randstad conurbation will still be geared to growth and restructuring. This demands completely different approaches at local and regional level, as well as exceptionally good cooperation between municipalities and social housing organisations.

Integral approach

In order to restructure neighbourhoods, all kinds of measures are being undertaken, such as sale, replacement new building and home improvements. Not only are structural and energy-saving measures necessary, but also social and economic interventions (neighbourhood facilities, shops, jobs). In short, an integral approach. The social housing organisations cannot do this alone. In restructuring projects, social housing organisations therefore work closely with residents, municipal authorities and local stakeholders, as well as commercial parties.

Cooperation with stakeholders

Internal

Social housing organisations account for their activities in various different ways. Internally, this is to the Supervisory Board. In the case of an association, finally to the general assembly of members. The social housing organisation is accountable through its annual accounts, its annual report and an overview of key figures.

Participation by tenants

These days, tenants are in a much stronger position than before. Their position is better established in a formal sense. Evaluations have shown that, generally speaking, tenants and landlords arrive at sound, successful forms of consultation. With the introduction of the renewed Landlords and Tenants Consultation Act in 2009, tenants' organisations have obtained a better position that well reflects their wishes and interests. For example, differences between tenants' organisations within the social housing sector and in the commercial rented sector have been removed. Polls show our tenants are satisfied with the services provided by social housing organisations.

Municipalities

Municipalities and social housing organisations are partners at local level. Together, each with its own responsibilities, they are responsible for social housing. In addition, they discuss and determine the quality and quantity of housing. The municipality is responsible to lay down a vision for housing document in relation to developments in spatial terms, and on the housing market. The municipality is also responsible for stimulating a favourable investment climate.

Social partners and market players

Thanks in part to the increased involvement in urban renewal, the target group for social housing organisations broaden and a need emerges for more services and better cooperation with other civil society organisations, such as welfare and care bodies. Social housing organisations independently develop new services for tenants, such as caretakers and neighbourhood managers in case of problems in the neighbourhood. A large number of new services was developed together with other civil society organisations, such as care services, integrated social support to prevent evictions, help with debts and educational courses. Social housing organisations also entered into alliances with property developers and institutional investors to use their joint expertise for the development and

management of projects and neighbourhoods. Together with construction companies they aim for higher cost-efficiencies through supply chain management and more efficient procurement methods.

The relationship with the owner-occupied sector

Why sell?

Another component of the regular operations of social housing organisations is the sale of homes. Social housing organisations are in greater need of the income derived from this for new investments.

Selling off rented homes can also be part of an integral plan for the restructuring of a neighbourhood. The conviction is that hybrid ownership forms between rental and ownership tenure and different types of homes contribute to the diversity within a neighbourhood and create an attractive residential neighbourhood with a good quality of life.

Changes in housing stock

	2007	2008	2009	2010	2011
Number of homes sold (to:)	15.000	14.200	13.400	15.500	18.100
<i>Households</i>	<i>14.300</i>	<i>13.400</i>	<i>13.100</i>	<i>15.100</i>	<i>14.300</i>
▪ Sitting tenants	34,2%	29,7%	24,7%	23,2%	19,0%
▪ New household	65,8%	70,3%	75,3%	76,8%	81,0%
<i>Institutional investors & others</i>	<i>700</i>	<i>800</i>	<i>300</i>	<i>400</i>	<i>3.800</i>
Sold with discount to households	27,1%	29,5%	38,5%	42,2%	43,0%
Sold without discount to households	72,9%	70,5%	61,5%	57,8%	57,0%
Gross selling price (x 1000)	€ 141	€ 147	€ 140	€ 142	€ 133
Number of new-build homes	32.354	31.944	40.500	36.500	35.300
Number of new-build homes sold	8.500	8.500	10.000	7.900	6.700

Source: CFV, Sector Impression of the Performance of Social Housing Organisations 2012

According to the provisional figures from the social housing organisations, the number of sales to private households keeps on increasing. Still, it is less than 1% of the social rented housing stock a year. In 2011, 14,300 rented homes were sold to private households. However, sitting tenants show less and less interest in buying their own homes leading to a larger share of new households in this segment.

Sale constructions subject to conditions

With these sales, social housing organisations are contributing to mobility on the housing market. They sell large volumes in the lower price segments on the housing market, which are within reach of first-time buyers. Different sale constructions subject to conditions are used. Social housing organisations can offer a buy-back guarantee. This means that they give a discount on the market value and offer a buy-back guarantee to the buyer. At the moment the property is bought back, the social housing organisation or developer shares the change in value with the buyer in accordance with a fixed formula. It is a popular product in an uncertain housing market. Questions about negative effects on the market, consumer's debts and the ability of the new owners' investment opportunities must however be assessed carefully. It is used strategically by social housing organisations and developers for longer-term stock management.

The EU and Dutch social housing organisations

Dutch social housing organisations increasingly feel the influence of EU policies and regulation in their daily activities. Although social housing remains the responsibility of the national states, many other competencies of the EU have such an impact that they directly influence the position of social landlords and their working conditions. In this chapter we describe some of the most relevant EU topics for Aedes members.

The rules for state support and the SGEIs

In the decision of 15 December 2009, by means of Directive C(2009)9963 the European Commission set the conditions subject to which social housing organisations in the Netherlands could receive State aid like the WSW guarantee, CFV aid or discounted land without contravening EU competition rules on SGEIs. This stipulates that yearly 90 per cent of homes becoming available must be allocated to households with an annual gross income below € 34,229. In addition, an administrative division has to be made between social and commercial activities. Projects in the first category can receive compensation for the public task set out in the Decision, but this does not apply to the latter category of activities, which must be performed without state aid as this would be seen as unfair competition.

The view of the European Commission is explained in the European Decision for compensation for the operation of SGEIs. This framework applies to *'social housing for disadvantaged groups or socially excluded groups who are unable to find housing on the open market owing to solvency*

limitations.' The problem however is that the Dutch government and the European Commission translated this target group in a restrictive manner in face of the lack of alternatives and the existing housing needs in the Netherlands. The national income level of € 34,229 fails to take account of households as middle-income groups, who are unable to find housing on the market due to their solvency limitations. In addition, the restricted public service to provide SGEI removed other core tasks, which are realised by suppliers of social housing in the neighbourhoods and districts. In its report on Social Services of General Interest from the end of 2010, the European Commission states however that social housing *'encompasses the development, rental / sale and maintenance of homes at affordable prices, as well as the allocation and management of these, including residential neighbourhoods and districts. Increasingly, the management of social housing includes other social aspects.'*

The European Semester, EU's economic supervision on housing markets and social housing

According to the European Commission, the housing market in the Netherlands remains an issue requiring an extensive range of measures to end stagnation. This is shown by the recent assessment by the Commission of the Dutch economy. In its macro-economic analysis it mentions that the risks to the economy in the Netherlands mainly relate to the housing market and high private household debt and that the unfavourable outlook in the housing market has an impact on the real economy via wealth and confidence effects and also, indirectly, on the financial sector, implying that the risks involved should be closely monitored. In the country-specific recommendations for the Netherlands the European Commission indicates the Netherlands should step up efforts to gradually reform the housing market.

The Commission seems to hope these measures will result in a healthy commercial rented market of sufficient size. Such development can, according to the Commission, help the housing market out of the doldrums. Whilst at the same time it warns continuing attention is urged to ensure that social housing is available to disadvantaged citizens, who are unable to obtain housing at market conditions, including in high demand locations.

At the same time, due to the accumulation of risks and inefficiencies for the rest of the economy, the EU recommended the Netherlands to undertake reforms in the housing sector. Specific and detailed recommendations were issued in 2013, as part of EU's European Semester of economic governance. According to the EU the Dutch government should step up efforts to gradually reform its housing market by:

- Accelerating the planned reduction in mortgage interest tax deductibility, while taking into account the impact in the current economic environment
- Introducing a more market-oriented pricing mechanism in the rental market
- Further relating rents to household income in the social housing sector.

Refocus social housing organisations to support households most in need.

Energy savings

The Directive 2009/28/EC on renewable energy, implemented by Member States by December 2010, sets ambitious targets like a 20% share of energy from renewable sources by 2020. Since the built environment is responsible for 40% of greenhouse gas emissions, social housing organisations take responsibility for reaching these goals.

Energy savings and sustainability are high on the agenda of the social housing organisations. Shared ambitions and goals and agreements with other parties are laid down in the updated National Covenant on Energy Saving in the Rental sector, aiming at an average of energy label B in the 2.4 million social housing organisation's dwellings. This represents an energy saving between 2008 and 2021 of 33 per cent.

Part of the Energy Covenant is the total housing costs guarantee. This assures tenants that total housing costs will decrease thanks to energy saving measures in spite of any rent increases needed for the investment. The housing costs guarantee, which consists of a phased plan and a computation model, was set up by Aedes and the Dutch Tenants' Association.

Greater attention is being devoted to sustainable energy, on social dwellings. Many alternatives are being used by social landlords. For example solar power, cogeneration and geothermal energy. This is a major challenge in complexes that are partly rented and partly owner-occupied. There are still stumbling blocks to achieve this. The legal, financial and fiscal environment should be improved to make these investments in social housing successful.

Structural funds

Structural Funds are subsidies provided by the European Union to reduce economic and social differences between regions. These Funds provide opportunities to stimulate extra investments by social housing organisations. They can be used for energy saving, area development and areas with dwindling populations. The Dutch government will decide, together with the regions, in the end of 2013 on how to use the funds made available to it in this way.

For the Netherlands, two Structural Funds are important: the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The ERDF is intended to ensure an economic balance between various European regions. The ESF strives to reduce differences in living standards and prosperity between European regions.

The Netherlands will set out its priorities in a number of regional Operational Programmes and in a national Partnership Contract. The priorities for low carbon measures, for sustainable urban development and for social cohesion have direct links with social housing activities and could generate new projects and investments.

Initiative report European Parliament on social housing

The Initiative report on "Social housing: a way out of the crisis" drafted by Karima Delli has been adopted on June 11 by the European Parliament. This report acknowledges the role of the social housing sector in combating poverty, promoting inclusion and social cohesion and highlights the long-term social and economic role of social housing.

Concerns are being raised about both the direct and the indirect impact of some austerity measures in the context of the current social and economic crisis, such as cuts in housing benefit and social services, the taxation of social housing providers, the cancellation of new housing projects and the selling off of parts of national social housing stocks – which could exacerbate a vicious circle of long-term social exclusion and segregation.

Moreover, the report criticises the fact that some Member States are squeezing capacity in the sector by taxing social housing providers. The restrictive definition of social housing

given by the Commission within the field of competition policy, which only targets disadvantaged groups, raises concerns too.

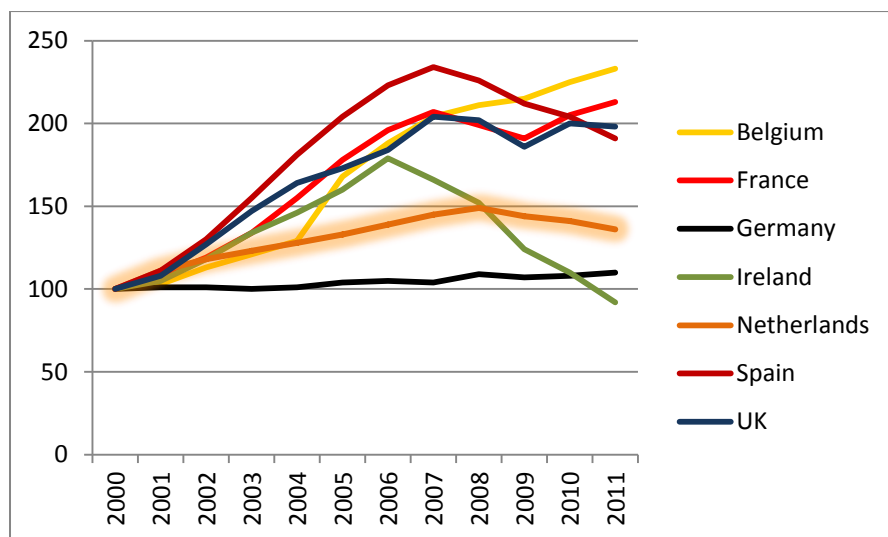
Over all, this report confirms the importance of the social housing sector, since it is able to take away the shortcomings of the market by guaranteeing decent and affordable housing.

Lessons learned: from a European perspective

Looking at other European countries is useful to observe relevant European trends in housing markets and social housing. Based on among others the CECODHAS Housing Review 2012 a few remarks shed light on the Dutch situation in the European context.

In spite of the dramatic increase in house prices in the Netherlands prior to the crisis and the current decline, there has been no sudden crash here as there was in Spain or Ireland (see graph). One of the reasons for this is that a large-scale oversupply of new buildings did not arise, meaning that the current decreases in turnover and prices are less drastic than in those countries. The existence of a (social) rental sector has probably prevented many more Dutch households to get over-indebted through mortgages, especially more vulnerable lower income households as was the case in these countries. Countries with a high share of a rented sector show modest price differences. Germany serves the best example.

Nominal house price indices, 2000=100



Source: European Mortgage Federation, Hypostat (2012)

In the eighties and nineties Germany and England, among others, experienced massive sales of social housing due based on ideological and financial-economic reasons. In the Netherlands, the austerity measures and the social housing levy are another major influence that could push towards this kind of trend. Fingers are also being pointed towards Brussels, which is said to be demanding a limited social rented sector.

Still, the dominant position of social housing organisations in the total rented housing stock in the Netherlands is striking. If we look at the rest of Europe, it would be more logical for the Netherlands to focus reforms in the rented sector on a greater supply at the top end, rather than on more home ownership. This trend is now slowly becoming visible in the Netherlands.

Through rent increases, sales and other possible reforms, part of the social housing organisations' property will in effect be

'liberalised', e.g. brought outside of the social segment. This means that the European competition authorities have got their way. In 2005, they requested that measures be taken to reduce the social rented sector. If the current Dutch developments continue, the image of the Netherlands and its sizeable social housing sector will need re-adjustment.

Aedes Brussels office

Aedes' EU Public affairs focuses on crucial European issues to safeguard and optimize the legal, fiscal and financial conditions for Dutch social housing providers. This contributes to the achievement of their sustainable and long term social and financial goals. Main topics in European context are Services of General Economic Interest, social business, economic governance, state aid rules, the prevention of energy poverty, EU funding like Structural Funds and public procurement.

Aedes is an active member of CECODHAS Housing Europe, the European federation of public, cooperative and social housing. Its members manage 27 million homes all over Europe. In 2013 Aedes is chair of the CECODHAS working group on Social affairs.

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