

**SOCIAL HOUSING INVESTMENT WITHOUT PUBLIC FINANCE:
THE DUTCH CASE**

Public Finance and Management, 2006 by Gruis, Vincent, Nieboer, Nico

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Abstract

During the 1990s the Dutch government has reduced its financial support of social housing. The abolition of 'brick-and-mortar' subsidies and government loans has left housing associations with the challenge to fully finance their investments with capital-market loans and own resources. This paper discusses how housing associations respond to the diminished government support, focusing in particular on the problems related to the financial 'mismatch' of tasks and means between housing associations. Evidence from recent years shows that this problem cannot easily be solved.

Introduction

As in many other Western-European countries, the Dutch government has reduced its financial support of social housing (e.g. Boelhouwer, 1996; Smith and Oxley, 1997). Before the 1990s, Dutch housing policy was characterized by a relatively large extent of control by the central government. As part of the vigorous build-up of the welfare state, which lasted much longer in the Netherlands compared with many other European countries (Boelhouwer, 2002), the government strongly stimulated social housing investments through regulations and extensive subsidy programs. Many of these social housing investments were channeled through the housing association sector, which consequently flourished. In the Netherlands (2001), 99% of the not-for-profit housing stock, being 36% of the total housing stock, is managed by housing associations (Ministry of VROM, 2002). These are private, not-for-profit institutions, which have to fulfill public, social obligations, in particular by providing affordable and decent homes for low-income households. The status as social landlord is granted (and can eventually be withdrawn) by the national government. The legal rights and obligations of Dutch housing associations are formulated in the Social Housing Management Decree ("Besluit Beheer Sociale Huursector" - BBSH). This decree stipulates that all the activities of housing associations have to be in the interest of housing, especially housing of lower-income households. The same holds for the eventual profits that result from those activities. Housing associations must give priority to accommodating households with a weak position on the housing market (mainly lower-income households). However, they are allowed to provide dwellings for other target groups. They are also allowed to deliver high-rent or owner-occupied housing. As a consequence, Dutch housing associations are often typified as 'hybrid' organizations, which carry out public tasks, but are independent, private organizations, having market-driven objectives as well (Priemus, 2001, pp. 247-249). The BBSH formulates the obligations of housing associations in the form of general 'fields of performance': accommodation of target groups, preservation of the quality of dwellings and their environment, consultation of tenants, providing housing and care arrangements, securing the financial continuity and using financial surpluses in the interest of housing.

The Memorandum "Housing in the Nineties" (Ministry of VROM, 1989) marked a turning point in Dutch housing policy. Following the international trend, the national government announced a cutback in the financial support of social housing. The BBSH, introduced in 1993, allows housing associations a lot of administrative freedom. They are still supervised by the government, but, unlike before, on the basis of retrospective accountability. In addition, direct financial support through 'brick-and-mortar' subsidies and government loans was abolished during the 1990s. At the same time, the formal not-for-profit objectives of the sector were maintained.

The new regulatory context has left housing associations with the challenge to fully finance their social housing investments with capital-market loans and their own resources. In response, many associations have sought ways to strengthen their financial position through project development for the owner-occupied sector and through sale of a substantial number of dwellings. However, a noticeable number of housing associations has little financial resources. In addition, a substantial part of the properties of these poorer associations is located in regeneration and restructuring areas where substantial investments are deemed necessary, while many of the richer associations operate in areas where the housing stock is in a good shape and where social housing needs are relatively small. In short, there is a 'mismatch' of tasks and means. This mismatch can have negative effects on the effectiveness of the housing associations in achieving their public objectives:

- The poorer associations may not be able to achieve the social output that is desired in relation to local needs (e.g. in terms of developing sufficient affordable dwellings, keeping rents affordable, and contributing to the renewal of the housing stock). This issue became more urgent in recent years because of the growing pressure on the rental housing market. This pressure is a result from a growing demand in the rental sector and a relatively small number of new-built homes compared to the production in the 1990s.

- The richer associations are not effective in achieving their legal obligation to use their financial surpluses in the interest of housing.
- Consequently, there are many discussions in the sector and in the political arena about how the mismatch of tasks and means should be addressed. Among others, the following questions are raised in relation to the issue of matching (e.g. VROM-raad, 2003):
- (In what way) is it possible to make a reliable quantification of the financial means and tasks of individual housing associations?
- What methods can be applied to match tasks and means and to stimulate social landlords to match their tasks and means?

In this paper we address these questions in relation to recent responses of the Dutch housing associations and their supervisors to these issues. First, we outline the general responses of the housing associations to the abolition of direct financial support and discuss how it is possible that they are (still) able to survive financially. Then, we discuss methods to measure the means and tasks of housing associations. Next, we go into several potential measures to mitigate the mismatch between tasks and means. We conclude with a short summary of our findings.

Housing associations' responses to the abolition of direct financial support

On 1 January 1995, the Balancing and Grossing Act ("Wet balansverkorting geldelijke steun volkshuisvesting") came into force. This act was a key-step in the implementation of the national government's policy of reducing its influence on the social housing sector, as advocated in "Housing in the Nineties" (Ministry of VROM, 1989) . Until 1995, long-term government loans and subsidies were predominant in the development and exploitation of social housing. These financial commitments between the national government and individual landlords could have a duration of several decades, namely the expected exploitation period of the properties involved.

The act formed the legal basis for a financial trade-off of all the government's remaining subsidy commitments to each of the housing associations on the one hand and the outstanding government loans to each of these associations on the other (Dieleman, 1999: 252). Furthermore, (new) property subsidies for social housing have virtually disappeared since then (see e.g. Priemus, 1996). As a result of this operation, housing associations have become financially independent to a large extent.

In a financial sense, the Balancing and Grossing operation has been a success. Generally speaking, housing associations are in a healthy financial position. A recent assessment of the Central Housing Fund ("Centraal Fonds voor de Volkshuisvesting" - CFV), a supervisory body for the social housing sector (CFV, 2002a), points out that 95% of the housing associations have sufficient financial means to secure their financial continuity, and that 4% are in the 'danger zone', but have taken sufficient measures to secure their financial continuity. Only one association is in real danger. But, as Priemus (2001: 245) points out: "Foreign observers may find it difficult to understand how Netherlands housing associations have been able to survive without substantial property subsidies." Priemus (2001) mentions four key factors to explain this.

1. Existing financial reserves. The first key factor is that most housing associations emerged from the balancing and grossing operation in a relatively prosperous state, due to the moderate interest rate since 1995 and their 'hidden' resources due to undervaluation of their properties in their financial accounts.
2. Rental income. The second key factor is that rent income is substantial. The Balancing and Grossing operation was preceded by substantial rent increases. In the beginning of the 1990s, the national government decided to set the average yearly rent-increase for social landlords at least at 1% above the inflation rate. This real rent-increase was intended to promote costcovering rents and thus to reduce the need for property subsidy. As a result, rents have been increased well above inflation rate during most of the nineties, as we can

see in Table 1. These real rent-increases have helped housing associations to build up their financial reserves. It must be noted, however, that after the Balancing and Grossing operation the minimum rent-increase was reduced to 0,5% above inflation and, in 1998, the minimum rent-increase was abolished. The average annual rent-increase has declined towards the inflation rate since then. Thus, after the abolition of the minimum rentincrease, housing associations in general have not used the possibility to increase rents to strengthen their financial position further.

3. Property development. Another factor in explaining the financial independence of Dutch housing associations is that many of them have become active in the more lucrative development of expensive rental dwellings and owner-occupied dwellings. To illustrate this, Figure 1 gives an overview of the percentages of cheap and middle-rent dwellings as a percentage of the total of rental dwellings that were built in the 1990s by housing associations. We may assume that associations built most of their dwellings in the 'cheap' and 'middle' class and that most of the dwellings in these classes were built by associations. However, we can see that the sum of cheap and middle-class difference as a percentage of the total number of dwellings built by associations decreased during the nineties. This indicates that associations have become relatively more active in building more expensive rental and owner-occupied dwellings, which can be partly explained by the abolishment of property subsidies during the nineties.
4. Sales. The fourth factor mentioned by Priemus is that sales have increased substantially during the nineties. As we can see in Table 2, the number of dwellings sold by housing associations has increased from 2,000 in 1990 to over 20,000 in the late nineties. The proceedings from the sales have been much higher than the income that housing associations would have received if they had chosen to continue social rent.
5. Indirect support and guarantee structure. In addition to the factors mentioned by Priemus, it should also be taken into account that there is substantial indirect financial support of the

rented sector in the shape of the housing allowance system. About one third of all households in the social rented sector receive an individual housing allowance to help them pay their rent (in 2001, the average allowance was [euro] 44,- per household (Aedes, 2002)). Furthermore, the Dutch social rented sector is characterized by a sound guarantee structure in the shape of the Social Housing Guarantee Fund (WSW) and the Central Housing Fund (CFV). The WSW is a private institution which purpose is to guarantee loans that associations negotiate on the capital market. Initially, the guarantee applied only to loans taken out to refurbish post-war dwellings, but in 1988 the guarantee was extended to cover all investment in new construction and improvements. The CFV was established in 1987. It is a public institution which purpose is to provide financial support to weak associations, thereby allowing them to restructure themselves. The CFV is funded by obligatory contributions from associations (e.g. Priemus, 1996). The financial guarantee structure is highly appreciated by the lenders. The interest rate of housing associations' loans is only slightly above that of state loans.

6. Mergers. The final factor that could play a role in securing the financial independence is the fact that many associations have merged during the nineties. These mergers have resulted in a reduction of the number of housing associations from 824 in 1990 to 678 in 2000 (Ministry of VROM, 1994- 2002). However, the strengthening of the financial position has not been the most important prominent motive for mergers. In a survey by van Veghel (1999), the main reasons for mergers stated by associations were to achieve a better market-position (76%), further professionalization (73%) and to improve their services (67%). Improving their financial position comes as seventh (41%) out of ten possible reasons.

In conclusion: housing associations have responded to the abolition of direct financial support by increasing their sales, developing more lucrative dwellings and by merging with other associations. In general, they have not used the possibilities to raise their average yearly rent-increase. On the contrary: once the rent regulations allowed it, their yearly rent-increase has

decreased to the level of inflation. This seems to indicate that, in general, the housing associations have used market-opportunities to generate financial surpluses to be able to keep financing their social housing tasks.

The means and tasks of individual housing associations

Although the housing association sector in general is in a healthy position, there are substantial differences between the financial means and social housing tasks of individual landlords. Many of the poorer housing associations have substantial work to do in urban regeneration and restructuring, while other associations have plenty financial means for little investment needs. Because the BBSH stipulates that housing associations must use their financial surpluses in the interest (and social landlords are not allowed to invest in other sectors), there are frequent discussions about the transfer of financial means to those associations that are not able to fully realize the level of investments that is desired in certain localities. This suggests a kind of financial solidarity among the housing associations. Such solidarity is certainly not undisputed among the housing associations themselves. Rich housing associations wonder why they should help associations that 'obviously' have not been able to run a financially viable business. Poor associations are wondering why the rich associations are 'sitting on their butts' while they have so many resources.

On the basis of the BBSH there is a strong case to be made for financial solidarity between housing associations in relation to the mismatch of tasks and means. One of the first steps in addressing this issue logically is quantification of the problem: How large are the differences between tasks and means? Which housing associations have a shortage, which a surplus? How large are these shortages/surpluses? In this section we discuss these questions and the recent efforts that have been made to address them.

Quantification of the financial means: theory

As is the case for 'regular' enterprises, the financial position of housing associations can be inferred from their balance sheet. In principle, the financial means of an association can be assessed on the basis of their net worth, which is equal to the difference between the value of their assets and liabilities on their balance sheet. The assets of housing associations consist mainly of their housing stock, which is for the most part financed by loans. The liabilities of housing associations consist mainly of these debts. However, there are two factors that complicate determination of the net worth of a housing association (Gruis, 2000):

1. Valuation of the housing stock. The estimation of the net worth is largely determined by the method used to value the dwellings. Currently, two methods are being used in the Netherlands. Traditionally, housing associations value their dwellings on the basis of the historic cost price. Within this method, the value of a dwelling is set equal to its purchase or production price costs less depreciation. The yearly amount of depreciation is determined at the beginning of the exploitation of the dwelling. Nowadays, housing associations also use the income stream value. The value of the dwelling is then set equal to the present value of what an association expects to earn with the dwelling. The income stream value is calculated using the discounted cash-flow method on the basis of the expected income from rent (and sometimes sale) less expenditure for maintenance, taxes, etc. (see Gruis, 2002). As we can see in Table 3, the choice of the valuation method has considerable impact on the estimation of the net worth. In general, valuation on the basis of the income stream value leads to a much higher estimation of net worth.
2. Determination of risks. For the purpose of determination of the financial means of a housing association, the income stream value is seen as the best method, since it leads to a value that represents the actual expectations for the future proceedings of a housing association. However, since the income stream value has to be derived from future expectations, there is uncertainty about its level. Therefore, there is also uncertainty about the level of the net worth, which is the second complicating factor in determining the financial means. To cope with this complication, the risks involved in realizing the income

stream value and net worth should be quantified. This can be done by calculating the income stream value using different scenario's. For example, by determining the income stream value using a 'worst-case scenario' one can gain insight in how low the income stream value could be. Subsequently, the net worth that is calculated using this worst-case scenario can be seen as a safe indication of how much an association is expected to earn, even if things turn out much worse than expected. Thus, this 'risk-adjusted' net worth can provide an indication of the available financial means of a housing association (Gruis, 2000; see e.g. Gruis, 2002 for a more detailed discussion of the kind of risks involved in the management of social housing).

Quantification of the financial means: the approach of the Central Housing Fund

Since 2001, the CFV has the task of analyzing the financial position of the housing associations. As part of this task, it publishes a yearly report of its financial analysis, which contains an attempt to quantify the financial means and tasks of housing associations. In its approach, it finds the financial surplus of housing associations on the net worth, based on the income stream value, with a reduction for risks. The risk-reduction consists of three elements (CFV, 2002b):

1. Valuation risks margin. The net worth is reduced with a margin to express the specific valuation risks that are attached to the income stream value. This margin is determined by (re)calculating the income stream value of each housing association using a stochastic model for risk analysis. In this model, the CFV determines probability distributions for all the parameters that influence the income stream value. For example, the lifespan is set between 28 and 32 years, or the yearly rent-increase is set between 1% and 3%, while all values in between are deemed equally likely to occur. It is then possible to generate a probability distribution for the income stream value by means of what is sometimes called a

Monte Carlo simulation. On the basis of the probability distributions of the parameters that influence the income stream value, the computer calculates the results for many possible combinations of these parameters. The result is a probability distribution for the income stream value (see e.g. Vose (1996) or Gruis (2002) for a more detailed description of stochastic risk analysis). From this distribution, the CFV calculates the standard deviation of the possible income stream values. The CFV uses this standard deviation as a margin for the valuation risks (CFV, 2002b).

2. 'Going-concern' risks margin. The second margin is used to reflect the risks that are associated with the general going-concern operations of housing associations. This margin is set equal for all associations at 5% of the balance sheet's total and is deducted from the net worth.
3. Specific risks margins. Based on their characteristics, additional margins can be applied to express the specific risks of individual housing associations, for example related to their local housing market situation, the investments that they are undertaking or planning.

Table 4 contains an overview of the risk-reductions that have been applied by the CFV to determine the financial surplus of Dutch housing associations. When judging these figures, one should keep in mind that the method of the CFV is not undisputed. Because the CFV has to analyze the financial position of all (about 600) housing associations, they necessarily have to work with general assumptions and margins that will not be a fully accurate representation of housing associations' real risks. Furthermore, the CFV has to rely heavily on the information that is provided to them by the housing associations. The quality of the housing associations' estimations of their income stream value will depend heavily on their own expertise (which can vary considerably). Furthermore, richer housing associations may try to hide their wealth to prevent being accused of sitting on their money, while poorer associations may try to make things look better to prevent interference by the CFV in their management. Although the CFV carries out additional analyses to check if the housing associations give a realistic estimation of

their financial prospects, it is not possible to fully eliminate these motivational biases. A more fundamental question about the method of the CFV is if certain risks are being taken into account twice. For example: in their description of their method, the CFV states that the general (5%) margin, which is applied to all housing associations, is used among others to take into account risks concerning future lettability and the level of expenditure on maintenance and administration. However, similar risks are also taken into account in the determination of the margin for the income stream value.

Quantification of the financial tasks: the Central Housing Fund's investment norm

With the calculation of the financial means half of the problem of determining the mismatch between housing associations is solved. The other half is the quantification of the social housing tasks. Quantification of these tasks brings forth specific problems.

An important characteristic of the current Dutch housing system is that housing associations themselves are primarily responsible for determining their own investment policies. Hence, the view on what social housing tasks are can differ between housing associations according to their management's preferences. To enable a more objective assessment of social housing tasks, normative standards are needed. Traditionally, the establishment of such standards is a task of the politicians, since it involves the determination of (minimum) norms for affordability, availability, accessibility and quality of social housing. But, the establishment of such a general standard by central government is in contradiction with the fundamental choice for deregulation and decentralization. Nevertheless, the government could certainly use such a standard as a political instrument to stimulate housing investments and to inform the market.

At this moment, the government has not defined a normative standard that gives an absolute indication of the investments needed at a local level. But, even if such a standard would exist, there are substantial methodological difficulties in quantifying the financial costs that individual housing associations would have to make to reach these standards. This would require a

detailed assessment of housing associations' stock (quality and rents) and their local market situation. Also, a key would be needed to divide the need for new developments between the landlords that operate within the same locality. Thus, a detailed, fully comparable quantification of the tasks of each individual landlord does not seem feasible. Nevertheless, the CFV has developed an investment norm that allows an indicative comparison of the social housing tasks at a regional level. For the purpose of this norm, the Netherlands is divided into 54 regions. The investment norm expresses the social housing tasks in each of these regions as a percentage of the total tasks in the Netherlands, which are set at a 100%. The relative share of each region is a rough estimate that is based on the (relative) amount of social rented dwellings in each region that have been built:

- before 1945;
- between 1945-1970;
- in neighborhoods that have been recognized in the latest Housing Memorandum (Remkes and Pronk, 2000) as being problematic or being in danger of becoming problematic;
- in neighborhoods that have been recognized as areas for urban restructuring in the latest Memorandum on Urban Renewal.

Although the investment norm of the CFV is highly tentative and is not based on sound empirical evidence, it provides a rough basis for comparison of the social housing tasks with the financial surpluses of housing associations in each region. In Table 5 we have set the average financial surplus (net worth minus risk-reductions) of the ten strongest and ten weakest regions (according to housing associations' wealth) against the investment norm of these regions. We can clearly see that the bulk of the social housing tasks is concentrated in the weaker regions. Within these weaker regions, the tasks are largely concentrated in the 4 largest cities in the

Netherlands, as we can also see in Table 5. This supports the statement that there is a serious mismatch between housing associations' tasks and means.

Methods for transferring means and tasks

In response to the mismatch of tasks and means, housing associations have undertaken various initiatives to support each other financially. The methods that have been developed for transferring tasks and/or means vary according to the amount of housing associations involved and the involvement of the supplying housing associations. Table 6 gives an overview of various methods for matching.

Collegial finance is a relatively simple method: an association lends money to another association against an interest rate that lies (well) below that on the market. An advantage of this method is that associations invest their surpluses in social housing, instead of regular bonds or shares. Furthermore, if the WSW guarantees the loans, it is a relatively safe investment. Because this method does not require active involvement of the supplying housing association in the actual planning process, it can be used fairly easily and across great geographical distances. A practical problem of this method is that it may be difficult to match the amount and duration of the loan between the two associations. Financing through a fund does not have this problem. 'Rich' housing associations can invest financial surpluses in a fund, from which 'poor' associations can attract loans. Such a fund facilitates a voluntary, but organised transfer of financial means between housing associations, but the anonymity of a fund makes it hard for the supplying associations to judge if their money is spend on projects which they feel are important as well.

There are also methods, in which housing associations collaborate more actively. In liaisons, rich and poor housing associations are gathered in a regional organisation, which makes joint decisions about where the money should be invested. So, although housing associations give up

a part of their right to decide what happens with part of their resources, they also maintain an active role in the decision making process.

Active collaboration can also take place between individual housing associations, through project participation and stock transfer. Richer housing associations have, for example, developed new social rented dwellings and these dwellings are then managed by a poorer, locally operating colleague. Poor housing associations can also transfer a part of their (low quality) stock to richer colleagues who have the means to improve these dwellings. Complete mergers between rich and poor housing associations can be seen as the most radical method of matching means.

The organization of matching

The matching of tasks and means can be organized in different ways, varying from leaving it up to voluntary, ad hoc initiatives to the establishment of a central fund, based on obligatory 'taxes' of richer housing associations. Gruis (1997) categorizes the possible forms of organization of matching according to three organizational degrees:

- Voluntary, ad hoc matching, which basically leaves it up to the individual housing association to decide whether or not to ask for or to respond to needs for matching. This organizational form fits within a policy of deregulation and decentralization, but contains no real incentives for matching;
- Voluntary organized matching, which also fits within a central government policy of deregulation and could contain (soft) incentives for matching;
- Regulated matching by the central government, which could contain a hard guarantee that matching takes place but is in contradiction with a policy of deregulation.

Until recently, matching has taken place on a voluntary basis. This is in line with the housing policy of deregulation and decentralization that has been implemented in the 1990s. However, the number of initiatives has been very small. Mergers take place frequently, but, as we have stated earlier, most of them are for other reasons than financial matching (see e.g. Van Veghel, 1999). Collegial, bilateral finance is the method that is mentioned most in the national journal of AEDES, the umbrella organisation of housing associations. There are no exact figures available on the amount of collegial finance, but the general impression is that this amount is a very small percentage of the total amount of housing associations' finance. An initiative in the form of a fund is the Housing Investment Fund ("Wooninvesteringsfonds" - WIF), which has been established recently by the social sector itself (see below). Although this fund has raised [euro] 45 million since its start in 1999, this is far less than was expected. Recently, the WIF stopped acquiring money, mainly because of a lack of projects to invest in (Derksen, 2004). Thus, although there have been initiatives to match tasks and means, they have remained scarce, particularly in comparison with the lack of capital with some relatively poor housing associations. This has entailed discussions about how to organize the matching of tasks and means in such a way that the fulfillment of the social housing tasks is secured and that the rich housing associations are stimulated to invest their surpluses. A key issue in this discussion is if rich housing associations should be obliged to invest their surpluses by legislation or if the housing associations should keep their sovereignty with regard to their investment policy. Proponents of a forced transfer of capital argue that voluntary measures have proven ineffective. This view, which is rather popular with left-wing political parties, has met considerable resistance with right-wing parties and in the social housing sector itself, where it is regarded as a violation of ownership rights and as a punishment for good financial management. Nevertheless, the social housing sector is prepared to stimulate matching on a voluntary basis and to develop facilitating organizational structures.

An initiative from national government, to help organize the matching between housing associations, was the so-called Board of Balanced System ("College Sluitend Stelsel"),

established by the previous national government. This board has the task to help solve problems in fulfilling local social housing tasks, and comes into action in situations in which:

- there is a difference of opinion between a municipality and housing association(s) about the local social housing tasks;
- a housing association with sufficient financial means does not comply with a municipalities request to contribute to the social housing tasks;
- an association is not able to fulfill the social housing tasks due to a lack of financial means.

On the basis of its own analyses of the local situation, the board will advise the local parties and the State Secretary about the course of action to take. The board can also advise to grant financial support for the project at hand, which can be provided through the Central Housing Fund.

With the establishment of the 'Board of Balanced System', a first step has been taken towards a more regulated matching of tasks and means. However, there is little confidence that this board is sufficient to stimulate the process of matching. The main disadvantage of the board is that it remains a rather passive institution. The board only comes into action when conflicts between municipalities and housing associations occur. It does not play a proactive role in attracting funds from the richer housing associations.

In the latest Housing Memorandum (Ministry of VROM, 2000), it has been announced that the occurrence of matching would be evaluated in the beginning of 2002, with the explicit warning for housing associations, that if the matching has not taken place sufficiently, the central government will enforce matching through central regulations. Although this evaluation has not taken place, the VROM-raad, which is the leading counseling body of the Housing Ministry, has made a plea to establish an Urban Renewal Investment Company. This company should actively

stimulate and participate in projects in targeted neighborhoods. It should be financed by the central government's Urban Renewal Funds ("Investeringsfonds Stedelijke Vernieuwing" - ISV) and by taxes from richer housing associations (VROM-raad, 2002).

At this moment it is unlikely if the Ministry of VROM will follow the VROM-raad's advice, but the 'threat' of obligatory money-transfers has already had a function in stimulating the housing association sector to come up with proposals to organize the matching themselves. These proposals, which are currently being implemented surprisingly fast compared with the waiting attitude of the associations during the 1990s, consists of three elements:

1. Urban Renewal Guarantee Fund. In contrast to the Vrom-raad's Investment Company, the Urban Renewal Guarantee Fund is not financed through money-transfers, but through financial guarantees. Housing associations with financial surpluses, which they do not need for their own investments, can use these surpluses to back up the Guarantee Fund. The Guarantee Fund will subsequently guarantee loans for housing associations' neighborhood renewal projects. If, eventually, a housing association should not be able to pay of their debts for such a project from it's own resources, the associations who have provided the guarantees will pay the rest of the debt.
2. Matching Market. AEDES will set up a 'market place' where housing associations can meet each other. At this virtual market place, housing associations can subscribe to various financial arrangements (varying from single projects to local investment companies) as supplier of demander of finance. The demanding associations will describe their plans in an investment prospectus, which gives a clear explanation of the projects' objectives, activities, planning and costs. On the basis of this prospectus, supplying associations can see if the project's objectives and costs fit with their own preferences.
3. National Sale Association/Housing Investment Fund. A third initiative is the establishment of a nationally operating housing association that buys dwellings from individual housing

associations and resells them on the homeowners' market. Many of the housing associations' investments in the housing stock have to be financed through sale of properties. The sale of rented dwellings is, however, a time-consuming activity. Through intervention by this National Sale Association, housing associations are able to sell their dwellings at a moment of their choosing, and are thus able to cash in much faster. The National Sale Association is financed by housing associations with financial surpluses. Since September 2004, the National Sale Association has merged with the Housing Investment Fund.

These initiatives of the Dutch housing associations to organize the matching of tasks and means are so recent that it is not possible to say if they will be a success and if they provide adequate guarantees that matching takes place sufficiently. But, if they work, this middle-way between central regulation on the one hand and voluntary ad hoc initiatives on the other, is a suitable solution for an independent social rented sector which performs its social housing tasks without direct financial government support. However, it could also become clear that these voluntary initiatives do not work, exactly because of their voluntary nature. Then, the government may eventually choose to take the lead in establishing a system that is effective in terms of matching tasks and means.

Conclusion

In this contribution we have discussed how associations have responded to the diminished financial support from the central government. We have focused in particular on the problems related to the mismatch of tasks and means, centered around three questions concerning the quantification of tasks and means, the methods for transferring tasks and means and the organization of matching.

We have described how the financial surpluses can be assessed on the basis of a calculation of the net worth and the financial risks of a housing association. Although it is not possible to

make a fully reliable assessment - because predictions have to be made about future, unknown developments - it is possible to get a fairly safe assessment of housing associations surpluses by using adequate risk margins. This approach is also followed by the Central Housing Fund in their assessment of the financial position of housing associations.

We have argued that an accurate, comparable assessment of the social housing tasks of individual housing associations is not feasible, among others because this would require a detailed, in depth investigation into the quality of the housing stock of all 600 associations. Nevertheless, the Central Housing Fund has developed an indicative investment norm, which expresses the social housing tasks in different regions as a percentage of the total national tasks. Using this norm, a rough comparison is possible between housing associations' wealth and social housing tasks at a regional level. Such an analysis based on data gathered by the Central Housing Fund supports the statement that there is a serious mismatch between tasks and means.

In recent years, housing associations have applied different methods to transfer tasks and means: collegial finance, project participation, stock transfer, merger, regional liaisons and investment funds. Nevertheless, they have been applied only on an ad hoc basis and on a small scale, due to the lack of organization of the matching process. Currently, in response to the threat of obligatory money-transfers by the central government, the housing association sector has developed three organizational initiatives to stimulate transfers of tasks and means: the Urban Renewal Guarantee Fund, the Matching Market and the National Sale Association. With these initiatives a voluntary, but organized system could be realized that fits well into the current Dutch housing system, which is based on deregulation and decentralization. However, it seems wise for the central government to keep the pressure on the housing associations prevent association from falling back into a waiting attitude. Also, the system has to be evaluated within a few years to see if it is not necessary to implement a central regulation of matching after all to ensure the fulfillment of all social housing tasks. For housing associations, on the other hand, it seems wise to really start matching tasks and means on a much larger

scale. In today's context of large cuts in the central governments' budgets, some politicians are already looking eagerly at the housing associations' wealth and there is already some discussion if (rich) housing associations should not be taxed. This may even end up with a flow of money from the social housing sector into other sectors. Housing associations would have a much stronger position in such a discussion if they can show that they actively use all of their means in the interest of society.

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