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# Social housing in the Netherlands

The development of the Dutch social housing model

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**The Dutch model of social rental housing is often seen as a good practice for other European countries. This is due to the fact that the Dutch social rental sector has a large size, offers dwellings of a relatively good quality and functions without receiving substantial subsidies. However, current policies, both at the European and the national level, are threatening its unique characteristics.**

## 1 Dutch social rental housing in a nutshell

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There are about 2,4 million social rental dwellings in the Netherlands, which means that the Dutch social rental sector has a share of 31% within the total housing stock. The share of social housing is particularly high, often above 50%, in the bigger cities. Dutch social rental dwellings are let by housing associations, which can be defined as private organizations with a public task. The rental price of the social rental dwellings is usually well below the market price and rents are regulated by the government.

## 2 The historical development of Dutch social housing

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The first housing associations were set up in the second half of the 19<sup>th</sup> century. They were initiated by private organizations or companies that intended to develop housing for industry workers. Later on, in the first half of the 20<sup>th</sup> century, many municipalities also started deliver social rental housing through so-called municipal housing companies.

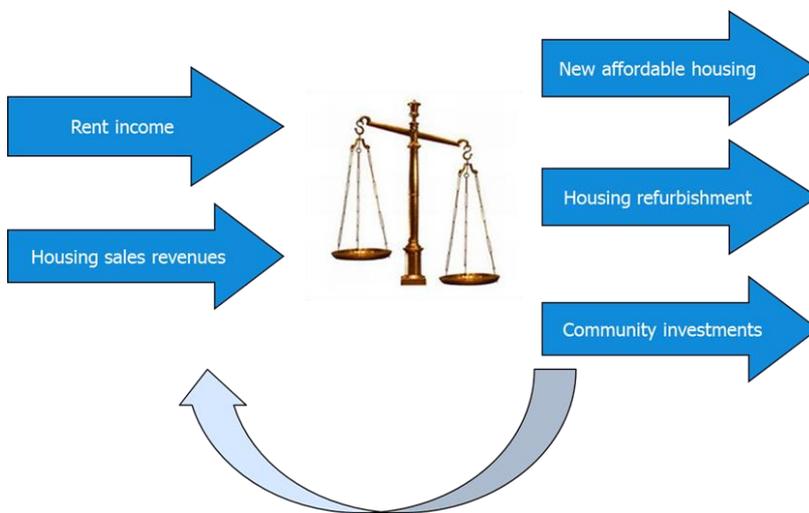
The heydays of Dutch social rental housing were between 1950 and 1990. In that period, the Netherlands suffered from a large housing shortage as a result of war-damage and strong demographic growth. In an attempt to diminish this housing shortage, the government provided generous subsidies to housing associations, thus enabling them to produce large numbers of newly built social rental dwellings.

In the 1980s, the housing associations gradually received more autonomy and in 1995 they gained financial independence as a result of the so-called 'grossing and balancing' operation, in which housing associations' debts to the state were written off against future government subsidies. In the same time period, most municipal housing companies were transformed into 'ordinary' housing associations.

### 3 The Dutch social housing model

Dutch housing associations function according to the revolving fund principle (see Figure 1). This implies that the income that housing associations receive from letting and selling homes is sufficient to cover their investments in new affordable housing, housing refurbishment and neighbourhood regeneration (community investments). Thus, Dutch housing associations function without receiving any direct government subsidies. They do, however, benefit of the Social House-building Guarantee Fund (WSW). The WSW guarantees the repayment of loans that housing associations take out. Since the WSW is backed by the government and the municipalities, it is considered very reliable and therefore has a triple A rating. As a result of the WSW guarantee, the interest rate charged on loans for housing associations is well below the market rate.

**Figure 1 The revolving fund principle**



### 4 Dutch social housing after 2000

After 2000, the financial position of the Dutch housing associations greatly improved as a result of low interest rates and a strong increase in house prices (selling dwellings is an important activity for Dutch housing associations). Consequently, many housing associations broadened their activities and started to invest in neighbourhood regeneration, social programmes and public-purpose buildings. At the same time, their management costs, and especially the salaries of their directors, also increased a lot. Furthermore, various cases of mismanagement and fraud came to the surface, causing widespread public and political indignation.

## 5 The future of the Dutch social rental sector

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Some recent policy measures that were taken at both the European and the national level are expected to have significant repercussions for the future of the Dutch social rental sector.

### 5.1 Policies at the European level

In an agreement between the European Union and the Dutch government, it was decided that the WSW guarantees, which the European Union sees as a form of state aid, are only allowed for the provision of so-called Services of General Economic Interest (SGEI). These are services that are provided outside the public sector, but under conditions that are defined by the government, in order to protect the 'general interest'. These government-defined conditions may diminish the profitability of the undertaking. State support is then allowed to compensate for this loss.

However, the state aid that is provided to SGEI's is bound to strict conditions. First of all, the activities that are carried out with the help of state support need to have a clear target group of disadvantaged households. Second, the state-supported activities should be clearly separated from potential commercial activities that are carried out by the same organization. Third, the state aid should be proportional, e.g. it should only cover the extra costs that are made for the sake of the 'general interest'.

Within Dutch social rental housing, only the provision of affordable rental housing and particular types of public-purpose buildings is seen as a SGEI-activity, and thus eligible for state aid (e.g. WSW guarantees). In relation to the provision of affordable rental housing it was decided that, from 2011 and onwards, at least 90% of all vacant affordable social rental dwellings (rent level below Euro 681) should be allocated to the so-called 'target group of housing associations' (households with a taxable income below € 34.229). Before 2011, only 75% of all vacant social rental dwellings was allocated to this target group.

### 5.2 National policies

At the national level, the government is about to introduce a yearly levy for housing associations. This levy should result in a revenue for the government of 1,7 billion Euro in 2017. In order to be able to pay this levy, housing associations may charge relatively high rent increases in the coming years, especially for higher income groups. Furthermore, they are supposed to work more efficiently, to lower the salaries of their employees, and to sell more dwellings. Plans to bring the housing associations under closer supervision of the national government are also being developed.

### 5.3 Conclusions

The policy measures that are described in this Section are expected to have serious consequences for the Dutch social rental sector. The sector will become smaller and more residualized (e.g. stronger concentration of lower income groups). Furthermore, housing associations will lose part of their autonomy, and they will be forced to focus more on their core tasks (letting and managing rental dwellings).

## 6 References

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