The Impact of Local Decisions on the Allocation of Land and Housing related Welfare; A Dutch Case Study

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Abstract

Several governments reduce the level of involvement in planning and housing, and also shift the remaining tasks in this policy domain to local tiers of government. Planning and housing policies are important for the redistribution of welfare in a broad sense. So, the shift of responsibilities to the local level has increased the impact of the decisions of local government on the distribution of land and housing related welfare. This paper investigates the distributive effects of local discretion in the Dutch institutional context. The variance in these effects between local jurisdictions, will be confronted with empirical data on the effect of the attitude of local political parties on the behaviour of housing associations. Understanding these relationships is important for designing and implementing national as well as local policies. In international comparative research, more attention to local discretion can improve our understanding of how national housing systems really work.

Introduction

In most developed countries housing has become part of the arrangements of the welfare state. The government redistributes wealth via taxes and subsidies and thereby provides housing welfare. Apart from this narrow concept of welfare related to housing, we can also expand it to the quality of housing and the surrounding neighbourhood, to housing related quality of life, or to its effects on well-being of the residents. This kind of welfare is also – although often in a more indirect way – produced and distributed by state interventions such as urban planning, or other interventions in the land market. It generally results from co-production of the local actors that provide housing welfare in this broader sense: the municipality, the providers of social housing, real-estate developers, contractors, healthcare institutions and other parties that might be involved in the local production of housing. For the moment, we call this set of actors a local housing regime (Mossberger & Stoker, 2001; C. N. Stone, 1993).
When the government shifts powers related to planning and housing from the central level to regional or local tiers of government, it can be expected that local housing regimes get more influence on housing related welfare and its distribution. In the UK the term *new localism* is used for this strategy to devolve power and resources away from the central government, towards front-line managers and local government, within an agreed framework of national minimum standards and policy priorities (Corry & Stoker 2004 in: Stoker, 2004, p. 117). This also seems to affect social housing (Brenner & Theodore, 2002; Calavita & Mallach, 2010; Stoker, 2004).

In that case, to a larger extent than before, the benefits of citizens in terms of housing related welfare will vary between municipal jurisdictions. This raises several questions, some of which will be explored in this paper. For example, what is the potential variance in benefits in a specific country? And what can explain the local choices that produce this variance?

In order to explore these questions, we will focus on the context of the well-developed Dutch welfare state. Here too, decentralisation has taken place, both in housing and in planning.

In this paper we argue that the allocation of local housing welfare depends on the characteristics of what we have called the local housing regime. In the Dutch regime, the housing association and the local government take the lead. Our hypothesis is that the relationship between the two has a significant influence on the degree of housing welfare within a municipality.

In the first section of this paper, the concept of housing welfare is clarified. The second section explores the governance of land and housing related welfare, relating it to the perspective of regime theory. In the next sections we present the essentials of the Dutch way of producing and distributing land and housing related welfare, followed by a section which estimates the intermunicipal variance of that welfare. In the last section we explore the extent to which this variance can be explained by the political attitude of aldermen and the town council towards housing associations, followed by a discussion on the findings, and our conclusions.

**What is housing related welfare?**

In economics, welfare is defined as the transfer of wealth from one group of citizens to another, mostly poorer or otherwise disadvantaged, group of citizens. Institutions to arrange this can be private – for example Churches, guilds or private charities –, but in most countries the state plays an important role in distributing welfare.

In international comparative studies the typology of Esping Andersen is often used to describe the different characteristics of welfare states (Hoekstra, 2003, p. 59). In Esping Andersen’s typology of welfare state regimes, (which is fundamentally different from the notion of regimes we use in our regime approach in the next sections), three factors are distinguished: ‘*the way in which the mobilisation of the working class took place; the coalitions between the political parties; popular support for the conservation and expansion of the welfare state*’ (Esping-Anderson, 1990 in: Hoekstra, 2003, p. 59). It follows that there are three welfare regimes: *social-democratic welfare state regime, the corporatist welfare state regime and the liberal welfare state regime* (Hoekstra, 2003, pp. 59-60). The current Dutch welfare state has both social-democratic and corporatist characteristics (Ekkers, 2006, p. 44). Within a welfare-state, people pay taxes to the government. In return, the government provides services and provisions in social security, health, education and housing. This is the concept of welfare economics.

Housing is one of the four pillars of the welfare state. It is a very important aspect of everyday life, and often associated with security, health and well-being (Kemeny, 2001, p. 53). However, housing is often disputed as a universal form of public provision while the other three usually aren’t (Kemeny, 2001). Therefore, housing is often depicted as the wobbly pillar of the welfare state (Torgersen 1987 in: Helderman, 2007; Kemeny, 2001; Malpass, 2008).

When we focus on land and housing related to welfare, several characteristics can be discerned. The basic mechanism of welfare – redistribution of income – generally takes the form of subsidies to either
the consumer (tenant or owner), or the provider of (social) housing. Subsidies can be tied to houses or to land, or both. This is the economic welfare redistribution.

But housing has qualitative aspects that relate to welfare as well. By using its legal powers to set minimum standards for living space, amenities, thermal insulation and so on the state can protect low-income households against having to live in substandard accommodation. By setting standards for public spaces and public amenities, and by deciding at which locations specific types of housing may be constructed, the state can protect low-income households against having to live in substandard locations. This can be regulated in land use planning, and it results in a spatial redistribution of some elements of welfare. And finally the state can create or support various institutions that contribute to housing related welfare, such as rules of access to the housing market, the institution of housing associations, legal provisions for tenants’ rights, and so on.

Based on these considerations, in this paper we use the term land and housing related welfare for the material and immaterial benefits of all state interventions related to land and housing for specific groups of households. Land and housing related welfare is ‘produced’ by institutions, and it is distributed in a specific way across households as well as in space and over time. The topic of this paper is to explore how local processes of governance affect the social, spatial and temporal (re) distribution of land and housing related welfare.

The governance of land and housing related welfare

Our definition of land and housing related welfare implies some kind of role of the state. Because real estate - land and housing - are fixed in space, this kind of welfare cannot be produced without some level of participation of the lowest tier of government, in the jurisdiction where the interventions are finally ‘landing’.

At this local level of urban expansion or renewal, the local government does not act alone. Well-known concepts in analysing such processes are ‘collaborative planning’ (Healey, 1997) and regime theory (Healey, 1997). In this paper we will refer to a regime theoretical approach.

Regime Theory

Regime Theory appeared in the 1980’s as a approach to investigate the changing role of the government in the US and UK. It is a dominant paradigm in the field of urban policy (Stoker & Mossberger, 2001). The economic crisis of the mid-seventies, the rising of New Right and the necessity to cut public spending affected local government in many ways. The local government had to reinvent themselves (Taylor, 1998). The local government needed the assistance of the private sector, and transformed from a so-called ‘managerial’ approach towards an ‘entrepreneurial’ (Harvey 1989 in:Taylor, 1998, p. 140).

Regime theory tries to explain this changing approach to governance. According to Stone (1989) the power struggle between rulers and challengers is not about control and resistance, but about gaining and fusing a capacity to act (C. L. Stone, 1989). Power is fragmented and regimes are collaborative arrangements through which local governments and private actors assemble the capacity to govern (Stoker & Mossberger, 1994, p. 812). In this way the power of a regime is the “power to” or the capacity to act, rather than “power over” others or social control (Taylor, 1998, p. 229).

It follows that: ‘Urban regime theory starts with the assumption that the effectiveness of local government depends greatly on the cooperation of nongovernmental actors and on the combination of state capacity with nongovernmental resources. As the tasks of governments become more complex the cooperation of various nongovernmental actors is required (Stoker & Mossberger, 1994, p. 197). Stoker and Mossberger define Stone’s (1989,1993) urban regime as follows: ‘Urban regimes are coalitions based on informal networks as well as formal relationships, and they have the following core properties:

- Partners drawn from government and nongovernmental sources, requiring but not limited to business participation;
• Collaboration based on social production: - the need to bring together fragmented resources for the power to accomplish tasks;
• Identifiable policy agendas that can be related to the composition of the participants in the coalition;
• A longstanding pattern of cooperation rather than a temporary coalition (Stoker & Mossberger, 2001, p. 814).

‘To qualify a regime requires that a coalition meet all of the above criteria’ (Mossberger & Stoker, 2001).

However, regime theory also comes with some problems. According to Stoker & Mossberger: ‘Regime theory, is more a concept or a model rather than a theory because it has limited ability to explain or predict variation in regime formation, maintenance or change’ (Stoker & Mossberger, 2001, p. 811). It can be used to describe the current regime, but regime change remains undertheorized.

Despite the limited explanatory power of regime change, cross-case analysis reveals that regime formation and change is related to: ‘demographic shifts, economic restructuring, federal grant policies and political mobilization, especially in the case of progressive social reform coalitions’ (idem, 812).

In this paper we use the preliminary term local housing regime, which has several things in common with what Stone (1993) has called a development regime. In the next section we will take a closer look at Dutch practices in the perspective of regime theory.

Localism

The importance of urban regimes for the (re)distribution of land and housing related welfare has increased in countries where central governments decentralise part of their powers in matters of planning and housing to the regional or local level. In the UK this tendency has been framed as (new) localism. ‘New Localism can be characterised as a strategy aimed at devolving power and resources away from central control and towards front-line managers, local democratic structures and local consumers and communities, within an agreed framework of national minimum standards and policy priorities’ (Corry & Stoker 2004 in: Stoker, 2004, p. 117).

Until now, in the literature on urban processes in European countries, little attention has been paid to the distributive effects of localism and the new chances it offers for urban regimes to have influence on land and housing related welfare. The general idea seems to be that local voters will decide what they want from their council and aldermen. But what is the range of options, and do the choices made from this range indeed reflect the political power balance within the local communities?

Land and Housing related welfare: the Dutch case

In this section of the paper we will further explore the relevance of the argument and the questions put above by presenting a more detailed picture of the (re)distribution of land and housing related welfare in the Dutch institutional context.

In international comparative research, the Dutch welfare state is generally classified as a corporatist welfare state with social-democratic characteristics. As Salamon & Anheier (1994) put it, one of the aspects of corporatist welfare regimes is that the government has deliberately preserved pre-modern institutions for the provision of welfare (Salamon & Anheier, 1994). Given the roots of many of these organizations in the religious and other social ‘pillars’ of Dutch society, housing associations can be seen as the offspring of pre-modern institutions. Helderman (2007) has enriched our understanding of the working of this type of welfare regime by introducing a fourth type of welfare regime, i.e. the ‘associational order’. The central coordination mechanism in this associational order is the negotiated agreement between the state and providers of social or public goods (Helderman, 2007).
Although curtailed by successive neo-liberal interventions, in the Dutch welfare state still an impressive amount of money is transferred between social classes, places and generations. For example related to housing, the majority of all households benefits from this redistribution, but just to emphasize that welfare is not always redistributed in a 'progressive' way, the net benefit to the highest income classes was higher than to the lowest income classes (Pommer & Jonker, 2003, p. 193). In the later years, this picture has not changed fundamentally.

**Local Institutions for land and housing related welfare in the Netherlands**

The composition of the housing stock is the primary material basis for (re)distribution of land and housing related welfare. The second important factor is the way in which the housing stock is extended by new construction. At this moment about 55% of the Dutch housing stock is owner-occupied, and the major part of the rented stock is owned by housing associations. There is no public housing. This identifies local authorities, housing associations and private developers as the key local actors in the (re)distribution of land and housing related welfare.

At January the first of 2011, the Netherlands counted 418 municipalities (Rijksoverheid, 2011). A Dutch municipality consists of a city council with members of different political parties, a municipal executive board with the aldermen, a major and civil service. The executive board is not elected, the major is chosen by a governmental body consisting of Cabinet and the Monarch, the Aldermen are chosen by the parties with a majority on the council (Needham, 2007, p. 124). The city council is the legislative body that governs the city.

A municipality has various resources. First of all, the municipality receives an annual grant from the national government. Grossly this is half of the budget. The level of this grant is based on 60 measures, like size, amount of minors, etc. etc. (Rijksoverheid, 2011). Besides that, there are specific grants, provided by the national government for specific targets. Second, the municipality has its own earnings from fees, revenues from active land policy, property tax, and other taxes. Local taxes make up only a small part of the total municipal income. The income from active land policy is an interesting one, to which we will come back later on.

According to article 21 of the Dutch constitution, the municipality has the duty to secure and improve the living conditions and environment on its territory. One of the instruments for local authorities to achieve this is their key role in Dutch spatial planning. It is the municipality who has ‘far and away the most effect on the way in which land is used’ (Needham, 2007, p. 121), because it is the only planning agency which can provide a building permit. Therefore, the local authority is always involved in new housing projects.

A last important role of the local authority relates to housing policy. In this domain, their direct powers are limited, they are supposed to negotiate covenants with locally active housing associations about (for example) the share of low-rent housing, renewal of the stock and so on. This more indirect way of steering is one of the consequences of central government’s policy of making housing associations independent of state subsidies.

**Housing associations** are the second important actor with regard to land and housing related welfare. Housing associations (about 400 in total) are private non-profit organisations with specific tasks in the (broad) field of housing. They have to comply to regulations in the Housing Act. Housing Associations are governed by a self-appointed Board, and managed by one or more Directors. In 1995 the financial ties between housing associations and the national government were cut. Since then, the budget of Housing Associations is meant to be a revolving fund, fed by income from rents, and the occasional sales of housing units.

This revolving fund enables the associations to go on delivering social housing, below market prices. But as a consequence of this policy change, the central government has lost its direct control of investments in social housing, and to a considerable extent housing associations are free to decide how they will respond to local housing needs. This freedom includes choices on how broad the association will define its tasks in housing (only social, or also mid-range rented or ownership housing), and in housing related fields such as (residential) care, social aspects of urban renewal, or the provision of
real estate for education, community centres and the like. In none of these fields of activity local authorities have direct power over investment decisions of housing associations.

The third actor consists of private developers who engage in new construction, often on the basis of (more or less) speculative acquisitions of building land. Developers can be large companies covering the national market, often tied to banks or pension funds, others are smaller with a regional or local scope, tied to local building companies. And there is a group of developers that are tied to housing associations, producing social rented housing as well as housing for sale, in an attempt to cover the deficit on new social housing from the returns on commercial housing.

Looking at the way local authorities, housing associations and developers interact, we think it does not add to our understanding of the redistribution of land and housing related welfare to frame their collaboration as a (development) regime. That is because the relations between local authority and developers generally do not have a wider scope in content and time than a (successive) range of single projects, there is seldom a longstanding pattern of cooperation between these actors. The relationship between local authority and housing association(s) however is more complex and does meet almost all of Stoke & Mossberger’s (2001) criteria, except for the element of business participation. Although some housing associations have adopted a more commercial attitude, or do engage in commercial property development, this cannot be regarded as full-blown business participation. To take that into account, we will speak from now on of a social housing regime as the local coalition – with local authority and locally active housing associations as key participants – that can manage important controls of the (re)distribution of land and housing related welfare in the Dutch context.

In analogy to developments in the UK, the scope of control of the Dutch social housing regime has widened by decentralisation policies in planning and housing. The local freedom in spatial planning has increased with the acceptance of the National Spatial Strategy document in 2004. ‘It leaves the municipalities and provinces to work out in more detail where the development should take place,’ (Needham, 2007, p. 59). Ten years earlier, the central government had put all earmarked subsidies for urban regeneration in one single budget, leaving it largely to the cities how to spend this money. And as we have seen in the previous paragraphs, central government has also released much of its control of investments and management of housing associations. This fits within the thoughts of new localism, as is often discussed in the UK, which also seems to affect social housing (Brenner & Theodore, 2002; Calavita & Mallach, 2010; Stoker, 2004). Also in the Netherlands there is a tendency in urban policy towards more tailor-made solutions, closer to the public. At the moment this goes hand in hand with cutbacks from the national government in local public budgets.

**Land and housing related welfare in the Netherlands**

Now that we have sketched the key features of the local institutions for governance of land and housing related welfare in the Netherlands, this paragraph will focus on the content of this type of welfare. If we assume that local actors will try to get the largest possible share of resources for their local community, then what is at stake?

The most important external resources come from the budget of the central government. We have summed them up in figure 1.
We will take a closer look at two of these resources and benefits at the national level. 

*Housing tenure* is a very substantial carrier of housing related welfare. Depending on their income and rent level local tenants can apply for fiscal rent allowances. Home owners will get tax deduction depending on their income and the interest they pay on their mortgages. That is all money redistributed by central government.

Within specific margins, if the social housing regime decides to keep local rents low, less money from the national tax revenue flows to the local households, but the spending power of these households may slightly increase. The local authority cannot tax this additional income. It may have to spend less itself, insofar as local public services have income-related rates. The local business community will profit from that, but only partly, much will be spent outside the local economy. Low rents decrease the investment capacity of the local housing association on neighbourhood renewal, maintenance or new social housing units, and that is a potential disadvantage for the local authority as well. Most probably the sum of such cost/benefit considerations – if they were made – is that the social housing regime will be reluctant to strive for low(er) rents.

On average, a home-owning household in the Netherlands receives more financial support from the central government than a renting household. That could be a reason for local authorities to focus on new construction for sale, and to stimulate the local housing association to sell its surplus stock – if any – of social housing units to the tenants. Apart from these considerations, local authorities may have many other reasons to prefer housing for sale, such as the attractiveness of the community for households with a higher social-economic status. That may lead to tension within the social housing regime, and we have found signals of that in the booming years of the housing market just after the year 2000. At this moment, the fallen demand and the crisis in housing production have increased the importance of a good relationship between local authorities and housing associations.

In the realm of national resources *construction subsidies* have been re-invented (after their total abolition in 1995) in order to keep up housing production in the current crisis. The central government had decided where these subsidies would be available, and where they have been used it did speed up (or maintain) production. However, a recent evaluation showed that in the period after the use of these subsidies production fell so much, that in the end total production in the subsidized municipalities did not substantially differ from that in the municipalities without subsidy. Nevertheless, it is an example of strategic choices of local authorities (in coalition with developers) aimed at redistribution of national housing related resources. The direct welfare effects for citizens are absent, because the benefits went to developers and helped them to reduce their losses or to keep up a profit. One might even argue that the welfare effect for citizens is negative, because the subsidy may have prevented a downward tendency in house prices, since – apparently – the houses would have been built anyway.
Local resources

We now turn our attention to the local resources and benefits that can be used by local authorities and housing associations to produce land and housing related welfare. We have sketched the way in which both actors can have influence on welfare in figure 2.

In the upper part we see the controls that can be managed by the local authority. In the provision of land for construction the local authority can take two completely different routes, i.e. active or facilitating land development. Many local authorities have chosen to get actively involved in the development of land. ‘The core of this method is that the municipality buys the land which is to be developed, puts in the infrastructure, services the building plots, retains the shared facilities (infrastructure and public spaces), and sells the serviced building plots to the developers.’ (Needham, 2007, p. 182). In the past, up to 79% of the land not used for industry (housing included) was provided by the municipality and this was taken for granted (Needham, 1992, p. 670; 1997). Nowadays our estimate is that active municipal land policies account for only half of the building land provided. The other half is produced by private developers, with the local authority in a facilitating role. This second way became fashionable in the 1990’s when the profit margin on development went up. Here, the land isn’t purchased by the municipality. The desired land use is achieved via the statutory powers, like the land use plan.

The differences between these two ways of land provision have implications for welfare, because of their financial and qualitative consequences. Active land development is mostly profitable for the municipality (betterment). And the local authority can use the contract for selling building plots to impose qualitative requirements on the developer. If these requirements are well-tuned to the needs of the local community, its well-being will increase without having to pay a price. And the proceeds of active land policy can be used in various ways to improve welfare. Some local authorities use it to reduce the land prices for social housing, without having to shift the burden of that to the general municipal budget. Others use it to improve the quality of public amenities in the development area. And in the end, the remaining revenue is added to the general municipal budget, where it can be spent on whatever the city council thinks is good for the local community. On the other hand, the money earned with land development can be spilled on inefficiencies in the administration, in planning departments, or on qualitative requirements that are not appreciated by the public. And occasionally the municipality will have to pay the losses caused by the risk it runs in the development market. Needless to say that at this very moment many municipalities who have pursued an active land policy have a hard time (Berns, Celik, Michiels, & Schenk, 2010). They had to book a loss of 414 million euros in 2009, whereas a year before the aggregated profit on land development of Dutch municipalities amounted to 600 million euros (CBS, 2011). On the other hand, a range of several good years have preceded the present downturn.

As we have seen, municipalities do have an alternative, i.e. the facilitating land policy. In that case they negotiate with private developers about the qualitative aspects of the plan (beyond the legal requirements in the land use plan), and about a financial compensation for the municipal costs for preparing plans, supervision and public amenities.

In that case, betterment is earned by private parties, developers and land owners. Assuming that the land prices for commercial housing will be the same, it is much less certain that part of this betterment will be ceded for lower land prices for social housing. It is not very likely that developers will pay more than they have agreed for public amenities, the more so when these are not in the area they develop themselves. If the developer and the landowner are local, income will be transferred from the buyers of the houses to these other local people. The local economy will only benefit if the buyers come from outside the community. Local benefits will decrease if developers and landowners are outsiders, and the community may have to pay higher local taxes or accept less quality of public amenities. All in all the balance in terms of local welfare tips in favour of the active municipal land policy, and indeed it is favoured by a wide range of political parties, not only those on the left hand side of the spectre (De Kam, 2010). On the other hand there are three kinds of objections to active land
policy. The principal argument is that public bodies should not mix up their public role (planning, qualitative requirements) and the role of private party in the land market (Segeren, 2007). We have anecdotic evidence that now that housing production had to be scaled down, a municipality did not choose to concentrate the remaining production capacity on the best location in terms of spatial quality, but on the one where is owned the land itself. The second objection lies in (potential) inefficiency. And the third objection regards the financial risk.

Planning is a second instrument for the distribution of land and housing related welfare. It gives local authorities the legal right to decide where and how much housing will be constructed, and to specify some categories of tenure, i.e. social/affordable and privately commissioned housing. By its nature, planning affects the spatial distribution of welfare, for example which amenities will be available to residents at which distance, the social mix in new residential areas, the distance to sources of environmental nuisance, and so on. It does not only affect the welfare of residents, but – because experienced differences in welfare will probably express themselves in higher prices of housing – also the economic prospects of housing associations. Therefore, it is an important topic in the negotiations between local authority and housing associations. Some associations are not content with the outcomes of the social housing regime in this respect, and have decided to act more as a commercial developer, forcing their way into development by speculative acquisitions of land. A peculiar aspect of Dutch housing policy is that the system of rent regulation offers only limited possibilities to take spatial qualities into account. That means that social housing tenants at good locations enjoy several free advantages.

Figure 2. Social housing regime and the production and distribution of land and housing related welfare in the Netherlands
In the lower part of figure 2 we have summed up the potential contributions of the housing association in welfare. The first is by expansion or improvement of the housing stock. The revolving fund of Dutch housing associations enables them to take their own decisions on the amount and the types of housing they will construct in the local community. Experience of the past years of housing crisis shows that the associations have been able to keep up the level of housing production longer than commercial developers. This has increased housing welfare, because it enables residential mobility in the housing market. The financial burden has been carried by the associations. These financial transfers come on top of the ‘normal’ gap financing of social rented housing. All this means that managing housing quantity is an important contribution of social housing regimes to welfare, that – depending on the market situation - stretches more or less beyond social housing.

In the Dutch context the role of housing associations is of crucial importance for housing *affordability*. In the absence of brick and mortar subsidies from central government, they are the only institutions that can and do provide housing at prices below cost price level. On average, the gap between the net present value of rents minus costs, and the investment in a new rental unit is 63,000 euros (CFV, 2010), 72). This gap is financed with the remit of current operations and the proceeds of selling existing rental units. The level of investment is hardly reflected in the rent level of new construction, because associations set rents below the level where the tenants are entitled to their rent allowance. The consequence is that land prices – which are frequently the subject of negotiations between local authority and housing association within the social housing regime – have no effect on rents, only on the gap to be financed by the housing association.

The last set of controls relate to *housing quality*. Housing associations tend to construct relatively much floor space in their units, because they have bad experiences with small units from the past, and also because they want to invest in quality that they expect to be paid back in the market in the event of selling their property in the future. Another aspect of quality is the accessibility and adaptability for people who need care, and the investments housing associations do in real estate for residential care, health, community schools and other community facilities. Last but not least, housing associations make their contributions to local welfare by participation in neighbourhood renewal, both in a physical way (upgrading, demolition/new construction of the housing stock and public areas) as in their participation in social programs.

**Local variance in land and housing related welfare**

Ideally, we would want to translate the qualitative review above into a model and a cost benefit analysis. At the present stage of our research that is not possible. In this section we will pick some of the controls – primarily related to land - and make an estimate of the potential variance in their direct material effect.

The first decision that can be made by a Dutch social housing regime is about the *share of social housing in new construction*. This share varies from zero to a 100 percent in any given year. Over the last three years, the average share of housing completions commissioned by public bodies and housing associations increased from 26 to 33% of housing completions (CBS, 2011). To this should be added an unknown amount of housing completed by developers tied to housing associations.

Also related to housing construction is the *(anti)cyclical investment of housing associations in housing for sale*. A rough estimate of the size of these efforts is that when housing associations would have followed the downward trend (-35%) of completions by private developers between 2008 and 2010, at least 5,000 units less would have been produced (CBS, 2011). Again, this is a low estimate, because of anti-cyclical behaviour by developers tied to housing associations; many of these developers operate at a financial loss (CFV, 2010). Another figure illustrating this anti-cyclical behaviour is that construction for sale increased from 8,500 to 10,000 units between 2007 and 2009, whereas the profit per unit went down from 18,000 to 6,000 euros (CFV, 2010). About one third of the associations runs
the risk of building for sale, having over 2,000 completed but unsold units by the end of 2009, and 9,500 units under construction, but not yet sold. The investment at risk is 1 billion euros (CFV, 2010). A second important choice is about active or facilitating municipal land policy. Slightly over 40% of potential building land is owned by public bodies (Bossema, Kroon, & Heuvink, 2008). In 2009 66 out of 463 municipalities, reported to have no (or not higher than 200,000 euro) expenditures on building land.

Having chosen an active land policy, local authorities can decide to ask a low or moderate price for land for social or affordable housing, lower than the price of land for commercial housing. Land prices for social housing vary between an exceptional zero, to 35,000 euros or higher. On average they will be around 18,000 euros.

If there is no active land policy, housing associations have to buy their building plots from commercial developers. The local authority cannot force developers to charge low land prices for social housing; it would have to negotiate about that with the developers. Under those circumstances, housing associations will be inclined to engage themselves in speculative acquisitions of land, in order to have a more equal position in the development processes. By the end of 2009 the value of land owned by associations was 2 billion, and in that year they had to write off 93 million because of negative market developments (CFV, 2010).

And the last type of decisions we will consider is the participation of housing associations in neighbourhood regeneration or ‘liveability’ measures. Total expenditures on the latter were 300 million in 2009, half in social, half in physical measures. Another 300 million was invested in real estate for care, education and so on (CFV, 2010).

**Estimates of local variance**

In figure 3 we have estimated the variance in contributions of the housing associations under two theoretical social housing regimes: a cooperative regime, and an antagonistic regime. The variance is calculated with a national average as point of reference. This national average has been estimated by dividing aggregate national data by the number of municipalities.

**Figure 3. Estimated variance of contributions to land and housing related welfare, by social housing regime (2010)**

<table>
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<th>nature of social housing regime</th>
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<th>cooperative</th>
<th>antagonistic</th>
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<tbody>
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<td>134 contribution</td>
<td>134 contribution</td>
</tr>
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<td>housing association rented</td>
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<td>60 € 3,600,000</td>
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<td>28 -€ 168,000</td>
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</tr>
<tr>
<td>new, unsold</td>
<td>5 € 100,000</td>
<td>10 € 200,000</td>
<td>0 € 0</td>
</tr>
<tr>
<td>land price social rented</td>
<td>€ 18,000</td>
<td>€ 8,000</td>
<td>€ 35,000</td>
</tr>
<tr>
<td>value of land bank</td>
<td>€ 5,000,000</td>
<td>€ 1,000,000</td>
<td>€ 25,000,000</td>
</tr>
<tr>
<td>devaluation of land bank</td>
<td>€ 200,000</td>
<td>€ 40,000</td>
<td>€ 1,000,000</td>
</tr>
<tr>
<td>expenditures on liveability</td>
<td>€ 600,000</td>
<td>€ 1,200,000</td>
<td>€ 300,000</td>
</tr>
<tr>
<td><strong>total housing association</strong></td>
<td><strong>€ 2,656,000</strong></td>
<td><strong>€ 4,952,000</strong></td>
<td><strong>€ 1,432,000</strong></td>
</tr>
<tr>
<td>municipality value of land bank</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income social rented units</td>
<td>30 € 540,000</td>
<td>60 € 960,000</td>
<td>5 € 175,000</td>
</tr>
<tr>
<td>deficit on land banking</td>
<td>-€ 1,000,000</td>
<td>-€ 2,000,000</td>
<td>-€ 500,000</td>
</tr>
<tr>
<td><strong>total municipality</strong></td>
<td><strong>-€ 460,000</strong></td>
<td><strong>-€ 1,040,000</strong></td>
<td><strong>-€ 325,000</strong></td>
</tr>
</tbody>
</table>

A cooperative regime with supportive municipal land banking will probably have a deficit on the municipal side, caused by the deficit on land development due to the building crisis of this day, and the relatively low land prices for social housing. But the housing association will deliver twice as much in terms of social rented units and units for sale (also taking risks with these), expenditures on liveability, and it won’t have to pay high risks on its own land bank. In the antagonistic regime, the
association delivers a minimum amount of social units, and it is more or less obliged to engage itself in (the risks of) land banking. Much of its contribution is ‘lost’ in this risk premium.

**Local political attitude: an explanation of the observed variance?**

We will now look for an explanation of the observed variance on some of these topics by one of the variables that one would expect to be relevant in a social housing regime, i.e. the political preferences in the local community. These preferences are expressed at council elections every four years. We have analysed the views of political parties on 15 different issues relevant to the provision of land and the position of housing associations, both in/around 2006 and in 2010, and translated these views into an index for the local political attitude (De Kam, 2010). A negative score on this index means – for example - that a specific party is opposed to a substantial share of social housing in new production, and/or does not want housing associations to get their building land at reduced prices. Not very surprisingly, the scores on this index grossly reflect a left-right scheme: socialist, social-democratic and green parties have a positive index, Christian-democrats are somewhere in between, and the liberal party has a negative index. Interesting is that on some issues – such as the desirability of differentiation in land prices for social housing and other housing – consensus is rather broad. Although not all other parties are equally supportive of this policy, only the Liberal party is outright against it. Based on the combination of the index of party-attitudes and the composition of the council and Board after elections, for a selection of some 120 municipalities an index of political attitude has been calculated. We assume that this index is a measure for the position taken by local authorities in their negotiations in the local social housing regime.

We found in our data of 2005 that housing associations in municipalities with a low index were significantly more inclined to look for building land in the open market, and we observed a tendency for them to engage in land banking and to actually buy land speculatively. In municipalities with a low index, housing associations were significantly less content with the possibilities to invest in residential care, and there was a tendency to towards higher discontent with the prices of land for social housing and the opportunities to build new social housing.

Our first conclusions from these analyses – which we intend to elaborate further on the basis of more recent data – are that local politics do matter in the way local social housing regimes take decisions that affect land and housing related welfare. We observe a tendency that municipalities that score high on the index of political attitude choose an active land policy, and are more often prepared to set lower prices for land for social housing. At the moment, these municipalities also face the downside of active land policy, as they have to take substantial losses on the value of their land banks. Housing associations who get less municipal support, will more often form land banks with the risks associated with that. By fostering a good relationship within the social housing regime, local authorities can promote investments by the housing associations not only in social housing, but also in a wider range of real estate and measures that contribute to liveability.

**Discussion and conclusions**

The concept of land and housing related welfare has helped us to map a complex set of interventions that result in transfers of income and distribution of qualitative attributes of housing. The details we have worked out for the Dutch context illustrate how this specific type of welfare is embedded in the arrangements of a specific welfare state. The value of the concept is that it is an attempt to bring a wide range of interventions on one common denominator: who pays and who is benefiting from a specific intervention. But we think that needs further elaboration, linking the domains of housing and planning to welfare economics and cost-benefit analysis. This elaboration would have to include issues of space (in which area do we consider the costs and benefits) and normative aspects.
The second concept in this paper is the social housing regime. We have argued that the coalition of a local authority and housing association(s) meets many of the criteria to qualify as a regime in terms of the literature. One of our arguments for that is the relative freedom of Dutch housing associations to act as ‘social entrepreneurs’, as from 1995 the (often longstanding) relationship between local authority and housing association is much less hierarchical. It seems to be governed by culture and shared interests as well. In this sense, we consider the cutting of the financial ties between central government and housing associations as the nascence of a social housing regime. We have linked social housing regimes and localism in our approach, because both the new position of housing associations and the decentralisation tendencies in Dutch government policy point in the direction of enlarging the scope for local discretion in planning and housing. On the part of housing associations however, the hey-day of localism may already have passed, because the new Dutch Cabinet wants to make them contribute to redistribution of housing related welfare by way of a levy that will be used to finance rent allowances and thus relieve the national budget.

Obviously, our empirical research on identifying and quantifying the local variance in land and housing related welfare, and finding the factors that govern its allocation is only in an initial stage. But we have been able to show that the estimated potential variance in the Dutch context is substantial, and also that this variance is influenced by the local political climate. We will make a next step on the basis of data from a renewed survey of land policies of housing associations which is currently carried out. This kind of research is relevant for policy making in local communities, as well as for the evaluation of the effectiveness of national policies regarding land, planning and housing. This is also where valuable contributions by international comparative research could be expected. It would be interesting to know what the local variance is in the land and housing related welfare produced by different welfare states, how local coalitions can have influence on that, and – especially in the context of the European Union – how this process is affected by European legislation. The first step in that could be to expand the existing framework for analysis of the provision of land for social and affordable housing with a section on welfare.

References


‘Mixité’: an urban and housing issue?


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