

External developments

State aid

The steps needed to implement the European Commission's decision on state aid for housing associations attracted a great deal of attention during the year. The then Housing Minister Eberhard van der Laan opted to implement the decision in two stages, with the first stage involving the introduction of temporary arrangements to determine which activities are eligible for state aid. The subsequent amendments to the Housing Act will stipulate how housing associations should structure their administration in order to demonstrate that any state aid they receive is used purely for activities designated as Services of General Economic Interest.

The collapse in February 2010 of the fourth cabinet led by Jan-Peter Balkenende resulted in the introduction of the temporary arrangements being postponed on several occasions. WSW, Aedes and the Association of Netherlands Municipalities all highlighted the problems that would be caused by the short time available for housing associations and lenders to prepare for the new arrangements. After the elections, a majority of the new Second Chamber urged the new minister to take action and, as a result, the temporary scheme came into force on 1 January 2011.

The Second Chamber discussed the details of the new arrangements, specifically the requirement for housing associations to allocate at least 90% of their properties to households with annual income of less than €33,000. In a hearing at the Second Chamber, the issue was raised of the income ceiling of €33,000 set in the temporary arrangements, compared with the ceiling of €43,000 specified in the coalition agreement. The importance of this ceiling is that rents on properties let to households in this category are not allowed to rise faster than inflation. As a result, households with earnings between the two ceiling levels are likely to decide to stay living where they are rather than moving on and vacating properties for lower-income households, and this in turn has serious implications for the general rate at which people move through the property chain.

WSW was in close contact with the ministry in the period leading up to the introduction of the new arrangements on 1 January 2011, on the one hand in order to obtain more specific information on the list of activities able to be guaranteed (being properties with a social

function) and on the other hand to discuss problems associated with refinancing. Various operating agreements were reached with the ministry just before the end of the calendar year. It was agreed, for example, that WSW would analyse the properties on housing association balance sheets, based on the dVi actual figures for 2010. This could then be used to determine the amount that could be refinanced under WSW guarantee. It was also agreed that WSW would devise a solution in liaison with the backstop providers if any housing associations experienced liquidity problems as a result of the refinancing rules.

Under the new rules, it is no longer possible for projects combining properties with a social function and those of a purely commercial nature to be funded in full under WSW guarantee. In other words, the 1/3 – 2/3 rule has been discontinued, and this will have an impact on housing association projects, particularly those involving urban regeneration.

WSW also held talks during the year with the Ministries (the Housing, Communities and Integration activities have now been absorbed into the Ministry of the Interior and Kingdom Relations), Aedes, the Central Fund for Housing, the Association of Netherlands Municipalities and other stakeholders on possible ways of implementing the required administrative separation of activities under the amended Housing Act. The discussions covered the conditions on which the required commercial funding can be obtained and the consequences of this for housing associations' operations.

The discussions with the stakeholders will continue in 2011, while Piet Hein Donner, the Minister of the Interior, is also expected to inform the Second Chamber of his views on the amendments planned to the Housing Act during the year.

Coalition agreement

The new cabinet, led by Mark Rutte, was formed in late September. The housing market featured prominently during the election campaign, with both the Netherlands Bureau for Economic Policy Analysis (CPB) and the Social and Economic Council publishing reports on the ways in which it is subsidised. As well as the deductibility of mortgage interest for tax purposes, another issue that attracted considerable attention was rent controls, which limit the extent to which the value of rental properties can be exploited.

The new cabinet, formed by the People's Party for Freedom and Democracy (VVD) and the Christian Democratic Appeal (CDA), supported by the Party for Freedom (PVV), has opted to allow mortgage interest to remain fully tax-deductible and to keep rent increases (for tenants with annual income under €43,000) in line with inflation, while also making provision for rents paid by households with annual income in excess of €43,000 to rise by up to 5%. In addition, the cabinet has stated that it plans to narrow the range of activities to be performed by housing associations. Under the coalition agreement, housing associations have a role to play in the market for those unable to buy their own homes. The cabinet's plan is for rental properties in the social housing market to be increasingly targeted at those with no alternative. The announcement that tenants will be able to buy their properties at reasonable prices also reflects the current cabinet's wish to reduce housing associations' sphere of activities.

The coalition agreement was very much dominated by the wish to achieve a significant and structural reduction in spending. A new levy of €760 million on the whole rental sector was announced, of which around €600 million will be payable by housing associations. It was also decided to discontinue the levy imposed by a previous Housing minister, Ella Vogelaar, and intended to be used to regenerate deprived neighbourhoods in the larger cities. This levy had been heavily criticised and, in November 2010, a court ruled the charges imposed for 2008 and 2009 to be invalid.

In the period leading up to the elections, WSW undertook efforts to improve policymakers' knowledge and understanding of the sector. WSW also commissioned various studies, including an analysis of housing associations' earning capacity. This information was used as a basis for dialogue with those representing the various ministries and political parties. WSW made known that it was in favour of a 'cocktail approach'. In other words, a cohesive mix of measures to ensure that housing associations can continue to fund their activities. This could include a more relaxed rental policy, a reduction in housing association costs, a review of maintenance expenses and higher proceeds from selling properties. Even with this mix, however, WSW has warned that if housing associations' cash flows remain too low, they could be forced to cancel or at least postpone additional investments.