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# VALUE FOR MONEY: QUALITY AND PRICE OF LAND FOR SOCIAL HOUSING IN THE NETHERLANDS

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**ABSTRACT** *The Dutch take pride in their policy on housing and the development of urban land. After the Second World War, the Housing Act - dating from 1901 - was elaborated into specific rules for physical planning and a system of subsidizing the production and management of a large number of social rented dwellings. The effectiveness of the Dutch approach was based upon the synergy of state interventions in physical planning, housing and land policy.*

*This article analyses the performance of this system in two respects. Firstly, it looks at how the system affected the influence of prices of virgin land and of land development costs on decisions in physical planning, and what effect it had on prices of serviced land for social housing. This section is based on an analysis of Dutch land policy and the resulting land prices for housing over the entire post-war period. Secondly, this article considers what the Dutch system contributed to social integration in Dutch cities, and whether it gave lower - income groups access to locations with better quality than the free market would have offered. This second part of the study is based on empirical data on the socio-spatial development of The Hague and its region.*

*Regarding the existing English literature on the successes of Dutch policy, the author suggests a more carefully balanced appraisal. This leads to some points for a research agenda for land policy in the Netherlands, given the rapid shift to market-led production in Dutch housing.*

## 1 Social Housing and the Dutch property system

Over the last few years, several publications on Dutch land and housing policy have appeared in English. For the state of the art, the reader may refer to an official report published by the government (VROM, 1997), whereas more evaluative remarks can be found in Needham (1988, 1992, 1997), Needham et al. (1993), Badcock (1994) and Priemus (1997).

One general characteristic of the Dutch system warrants emphasis. In the post-

war era, interventions in physical planning, housing and land policy have become so strongly intertwined that there is good reason to describe these interlinked policies as an iron triangle, with housing and land policy at the base. As a consequence, changes in the housing market and in housing policy will have effects on the land market and will require a reaction in land policy and physical planning, preferably in anticipation, or ex-post as has been the practice until now. Another important aspect is that the three tiers of Dutch government - consisting of central government, 12 provinces and some 700 municipalities - may have different interests, especially regarding physical planning and land policy. Against this general background, three essential features of the Dutch system in the post-war era stand out:

- priority for the production of social rented housing, by way of subsidizing its construction and management;
- shift in the provision of social housing from local authorities to housing associations;
- key position of local authorities in land policy, including the provision of serviced land by municipal land departments.

Major changes in Dutch policy over the last decade - on which more will be said in the concluding part of this paper - are related to the retreat of central government from the field of housing. This has been expressed in the following ways:

- diminishing importance of subsidies on construction, partly compensated by subsidies on development of specific sites, and housing benefits;
- abolition of detailed government control on housing associations;
- increasing share of the market sector in housing production.

There is evidence that our government has strongly underestimated the impact of these changes on land-use planning and the land market (Needham, 1997; Priemus, 1997).

#### *Performance of the Dutch system*

Given the wide range of interventions in Dutch policy on urban space, land and housing in the post-war era, the aim of this paper is to review some aspects of its performance.

There are various ways to make such an evaluation. One of these would be to see whether it meets the goals set by policy-makers themselves. That is not the aim of this paper. In addition, and in as far as these aspects are not included in government policy itself, we may judge urban land policy on considerations of equity, efficiency, and political or social desirability. Such a list of criteria has been presented by Hallett and Williams (Hallett, 1988) in their comparative analysis of land and housing policies in Europe and the USA, suggesting that urban land policies should be judged according to the extent to which they:

- a. provide an adequate supply of land for housing;
  - b. facilitate good town planning;
  - c. improve access to land and housing for "disadvantaged" groups;
  - d. impose "reasonable" taxation on the gains from the ownership of real property;
- and

e. compensate property owners (and tenants) for losses resulting from town planning policies.

But Hallett and Williams quote a more liberal set of goals as well, which includes monitoring and control of the impact on the environment of present and future uses of land, the provision of a coherent and consistent framework for the operation of the market, and the reconciliation of conflicting demands for land.

Furthermore, two basic criteria for the assessment of urban renewal policies should be added, i.e., the extent to which they:

- f. impose a brake on the downward spiral of decline, and encourage private redevelopment and renovation (using "private" to include cooperatives and housing associations); and
- g. improve the lot of the poor and "disadvantaged" local population, and do not simply force the poor to move to another area.

Foreign observers like Hallett (1988) and Badcock (1994) are positive in their judgement of Dutch policy, applying criteria as mentioned above. Hallett concludes that the most extreme form of public land acquisition is the Dutch system, in the form in which it used to function until recent years. It certainly "solves" the problem of "unearned increment" on virgin land and works well in terms of planning. There is some question, however, about the financial risks of land banking by local authorities<sup>1</sup>. Demographic trends cast doubt on whether rises in land prices in real terms will be the norm over the next generation. Therefore, public land acquisition should be directed towards town planning objectives, the preservation of open spaces, and the provision of "social" housing, rather than financial gain. Needham (Needham et al., 1993) paints a rosy picture, though not without its thorns. He draws attention to the absence of public discussion about whether land is being used wastefully. And he mentions the fact that the Dutch policy has not been able to achieve the spatial concentration of certain types of activity, like firms providing services nationally and internationally.

Badcock (1994), amongst others, mentions the relative stability of property prices at a level which is low in comparison to other European countries, modest inter-regional price differentials, and the public benefits of the regulated land supply. His critical remarks concern the occasional breakdown of coordination (caused by competition of municipalities) and the indifference towards development gains. And finally, Hallett remarks that "What is most striking is that such a comprehensive system of state control of land acquisition works so smoothly in conjunction with a pluralistic and fairly market-oriented system in housing and development, and arouses virtually no controversy" (Hallett, 1988: 184).

Striking indeed, but the explanation of this phenomenon lies precisely in the linked set of interventions which has been typical for the Dutch approach over the past fifty years. First, local authorities pay a fair price for virgin land, at or above existing use value. Land owners are accustomed to the fact that they will not get a higher price when they let it come to expropriation (Janssen, 1996; Needham, 1997). Secondly, land acquisition and development by local authorities is part of the system

of land-use planning by these same authorities. In the Netherlands, the municipalities act as both planning authority and supplier of building land at the local level, which gives them "enviable powers" in the development process (Badcock, 1994: 428). Local authorities can give any speculative developer a very hard time, and for a long time they used to consider land as a public utility, "producing land on tap" as Needham observes. And finally, it should be added that for most of the post-war period, large schemes of subsidized housing used to make up a very substantial and manageable part of the housing production. Thus, state control of production has been a major factor in the successful implementation of land-use plans.

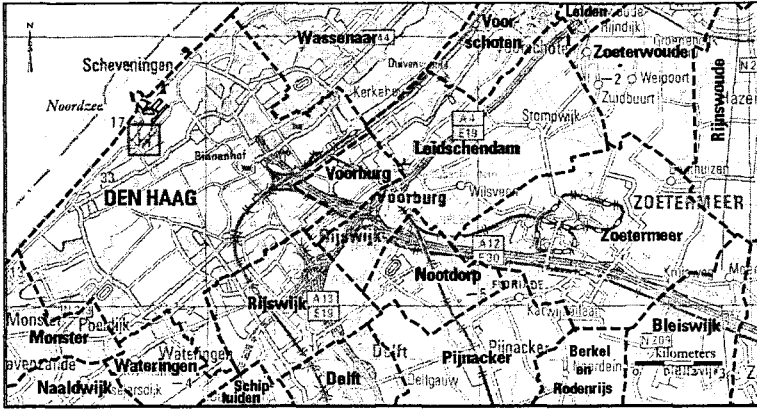
Given this iron triangle of state interventions in land-use planning, the provision of land, and the production of housing, one would be surprised not to find the highly desirable outcome in terms of social objectives for which many foreign observers credit our policy. But they also question the outcome in terms of the monotony of housing schemes (Hallett), the somewhat drab results of urban renewal, the risk of oversupply of serviced land, the losses implied by competition between municipalities, and the absence of public and scientific debate on development gains.

Several of these issues have been broached in my recent research (De Kam, 1996). It is linked mainly to the criteria of access to land (c and g) and housing for "disadvantaged" groups, with ramifications for "good town planning" (b) and development gains (d). The common denominator of these criteria is their relationship to what may be called the spatial dimension of social housing. The relevance of these criteria lies in the distribution goals of social housing. Commonly - and in the Dutch situation, successfully - the redistribution aimed at with social housing is put in terms of quantities of (rented) social housing, its (good) quality and reasonable price. But apart from that, the distribution of the objects of social housing over urban space is determined by government policy too. And this spatial aspect of distribution raises questions about the interaction between prices in the urban land market and the choice of sites for social housing, as well as about social segregation and access of lower-income groups to locations with better quality.

To tackle these issues, empirical data on land policy and land prices have been collected on the national level. A detailed analysis of the proceedings and financial results of two municipal land departments has been added. This research has been part of a case-study on the post-war development of the city of The Hague (450,000 inhabitants) and its eight surrounding municipalities. One of these is the growth centre<sup>2</sup> of Zoetermeer, which expanded in 25 years time from a tiny rural borough into a city of over 100,000 inhabitants. This case-study also provided the material to draw conclusions on municipal policies regarding the choice and quality of sites for social housing and the impact of that policy on social segregation.

Figure 1 shows the position of The Hague in the Western part of the country (Randstad) and the location of the other eight municipalities involved in the case-study. The case of The Hague was chosen because, of all four of the big cities comprising the Randstad, possibilities for spatial expansion. Indeed, as expected, these constraints have resulted in a continuing and most lively debate on the expansion of the urban area. On the other hand, because of its geographical position

**Figure 1 The Hague in its region**



Source: De Kam (1996)

and unique "residential" social history, The Hague is certainly not an average Dutch city. The same holds for its growth centre, Zoetermeer, which is the most prosperous of all such centres in the Netherlands. Its prosperity is mainly due to its location within the central ring of Randstad Holland, whereas all other growth centres are located on the outer periphery. This implies that although we may expect similarities, findings on the "socio-spatial" policies of The Hague and Zoetermeer will not be directly applicable to other municipalities.

## 2 Social housing and the land market

Government policy on physical planning and housing has important effects on the land market. On the other hand, constraints in the land market may impede the implementation of land-use plans and the construction of housing schemes. Because of the multitude of interventions in the Dutch system, these vice-versa relations between (housing) policy and the land market are very complex. Therefore, the most adequate way to analyse Dutch land prices would be to see these as an expression of the 'institutional residual value' of land (Needham, 1992: 672)<sup>3</sup>. Apart from this institutional character of the value of land in the Netherlands, it is also important to distinguish between the value of virgin and serviced land. That is because different types of state intervention, entrusted to different tiers of the public authority, are related to these two stages in land development. The culminating point of interventions was reached in the seventies, and Table 1 summarizes the situation in those years.

**Table 1 The influence of land policy, land-use planning and housing policy on the residual value of land in the Netherlands, around 1975**

| Factors determining the residual value of land   | Field of policy and intervention of Central Government (CG), Province (P) or Municipal Authority (MA) |   |              |                   |   |    |                |   |    |
|--|---|---|--------------|-------------------|---|----|----------------|---|----|
|  | Land policy   |   |              | Land-use planning |   |    | Housing policy |   |    |
|  | CG  | P | MA           | CG                | P | MA | CG             | P | MA |
|  | 1   | 2 | 3            | 4                 | 5 | 6  | 7              | 8 | 9  |
| A Market price of newly constructed housing units  |   |   |              |                   |   |    | P              |   | R  |
| Minus:   |   |   |              |                   |   |    |                |   |    |
| a Construction costs not related to the chosen site  |   |   |              |                   |   |    | P              |   | R  |
| b Construction costs related to the chosen site  |   |   |              | I                 | I | I  | P              |   | R  |
| c Costs of financing and transactions  |   |   |              |                   |   |    |                |   |    |
| d Development gain   |   |   |              |                   |   |    |                |   |    |
| Plus:  |   |   |              |                   |   |    |                |   |    |
| e Subsidies on construction not related to the chosen site                                       |   |   |              |                   |   |    | P              |   | R  |
| f Subsidies on construction related to the chosen site   |   |   |              | I                 | I | I  | P              |   | R  |
| B Residual value of serviced land<br>[B = A-(a,b,c,d)+(e,f)]                                     |   |   |              | I                 | I | I  | P              |   | R  |
| Minus:   |   |   |              |                   |   |    |                |   |    |
| g Production costs of servicing the land   |   |   | C            | I                 | I | I  |                |   |    |
| h Costs of preparing land-use plans, management etc.   | (P)   | C | D            |                   |   |    |                |   |    |
| i Imputed costs or fee for development of other land-use plans within the municipal jurisdiction | (P)   | C | D            |                   |   |    |                |   |    |
| j Costs of financing and transactions  |   |   |              |                   |   |    |                |   |    |
| k Development gain   |   |   | (E)          |                   |   |    |                |   |    |
| Plus:  |   |   |              |                   |   |    |                |   |    |
| l Subsidies on servicing the land  | P   |   | D, R,<br>(E) | I                 | I | I  |                |   |    |

| Factors determining the residual value of land                                 | Field of policy and intervention of Central Government (CG), Province (P) or Municipal Authority (MA) |   |             |                   |   |    |                |   |    |
|--|---|---|-------------|-------------------|---|----|----------------|---|----|
|  | Land policy   |   |             | Land-use planning |   |    | Housing policy |   |    |
|  | CG  | P | MA          | CG                | P | MA | CG             | P | MA |
|  | 1   | 2 | 3           | 4                 | 5 | 6  | 7              | 8 | 9  |
| m Subsidies on acquisition of the land   | P   |   | D,R         | I                 | I | I  |                |   |    |
| C Residual value of virgin land for construction<br>[C = B-(g,h,i,j,k)+(l,m,)] | P   | C | D,R,<br>(E) | I                 | I | I  | P              |   | R  |
| Minus:   |   |   |             |                   |   |    |                |   |    |
| n Costs of financing and transactions  |   |   |             |                   |   |    |                |   |    |
| o Development gain   |   |   | (E)         |                   |   |    |                |   |    |
| D Market price of land for permanent agricultural use<br>[D = C-(n,o)]         |   |   |             |                   |   |    |                |   |    |

Where in the columns 1 to 9 the table shows no letters, determination of the value in the corresponding cell is not subject to intervention by government. Where a letter is printed, this letter represents different types of government intervention in the market. The letters stand for: P = Payment or transfer, mostly by way of subsidies; R = (Re)distribution; I = important indirect effects; C = control or inspection of spending by municipal authorities; E = Earning; D = Determination. Where letters indicating financial interventions P and E are shown in parentheses, government payment or earning is only part of the value in the corresponding cell.

Source: De Kam (1996), Table 20, p. 225, reworked by the author.

Reading from top to bottom, the two columns on the left-hand side of Table 1 show the factors which have influence on the residual value of land, given the market price of newly constructed housing units. The matrix on the right-hand side of the table shows that most of these factors are subject to a great variety of government interventions.

Three important observations should be made in relation to the scheme in Table 1. Two of these observations regard the effect of subsidy on the relationship between central government and local authorities and on the freedom of the latter to choose sites for social housing. The third is about the quality element of density in housing schemes and its effect on land prices for social housing.

#### *Subsidies and the relationship between central and local government*

In the Dutch system, as represented in Table 1, the financial proceeds of social housing schemes in the local situation have been determined to a large degree by

subsidies on construction and land. These subsidies were granted by central government<sup>4</sup>, and, quite understandably, they were kept as low as possible. As a consequence, central government kept the residual land value of social housing schemes low as well. In a free market for land, central government would have to deal with private landowners as opponents of this strategy. In the Dutch situation however, central government had a conflict of interest with the land departments run by local authorities. These would profit whenever they would be able to convince central government that land (development) costs were high, or would even justify an extra subsidy, while at the same time - being the developers themselves - municipal land departments had all kinds of ways to inflate these costs. National data on financial results of municipal land departments show that until the early sixties they made profits of up to ten per cent on land for social housing. So local authorities managed to transfer to their own general budget part of the subsidies from central government which were meant to stimulate the construction of affordable housing<sup>5</sup>. A more "correct" policy on the part of local authorities would have allowed for lowering the level of subsidy to the benefit of the general taxpayer, or for the creation of higher urban quality - like a lower density in residential areas - to the benefit of the local tenants.

Several more specific examples of conflicting interests between central and local government in the functioning of the Dutch subsidy system on land and housing have been found in the region of my case-study. Between 1962 and 1994, the growth centre of Zoetermeer received 165 million guilders from the central government to promote its rapid expansion; this equals the financial results of the municipal land department over the same period. The municipal land department had to pay back tens of millions of location-specific subsidies, which had been credited to cover the deficit this same department had calculated with an ample margin. The conclusion is that any system of subsidizing housing or land needs fine-tuning with respect to 'entrepreneurial behaviour' of lower authorities. Indeed, the methods developed in the Netherlands since the mid-eighties do better in this respect, mainly because they do not fully cover the calculated deficit and make local authorities themselves responsible for financing part of that deficit.

#### *Subsidies and the choice of sites by local authorities*

The second observation concerns the effect of subsidies on the freedom of local authorities to choose sites for social housing and on the quality of the residential areas where social housing is predominant. As is shown in cells e7 and f7 of Table 1, in Dutch subsidies on housing construction - not to be mistaken for the individual rent allowance - a distinction can be made between subsidies on general construction costs and subsidies which are granted only at specific sites. Of course the latter type interests us here. Some examples are subsidies related to extra costs of putting in a foundation where the subsoil is bad, or subsidies on extra costs of construction management and logistics when building in an existing urban area, etc. This type of subsidy has been introduced in order to make rents independent of the above-mentioned aspects of the (technical) quality of the site. In the seventies, its level had reached some ten per cent of all-in costs (land included) of social housing on the



greenfield sites of The Hague and Zoetermeer. In the urban renewal areas of The Hague it rose to 30 per cent of all-in costs in the eighties. Early in the seventies, however, it became clear that yet another type of subsidy would be required in order to promote construction on a limited range of sites in greenfield and urban renewal areas, which were preferred to cheaper areas in the physical planning policy of that time<sup>6</sup>. Its aim was to compensate for the high costs of land acquisition and servicing on these sites. Now the combined effect of these two types of subsidy was that tenants (or buyers) of subsidized housing in the Netherlands would pay about the same rent for a given type of dwelling, independent of its location, and that we find a relatively high average quality of the residential environment all over the country. But the consequence of this has been that it became very attractive to local authorities to put social housing onto sites with high costs related to the servicing of the land or the construction of the housing -- i.e., sites with a subsoil of bad quality (like the peat areas in The Hague) or urban renewal areas. These subsidies helped to create the paradox that subsidized housing in the Netherlands is predominantly found on sites where costs of land servicing and construction are relatively high, because it would be extremely unattractive for market parties to construct non-subsidized housing on these sites. So the Dutch system of subsidies on housing and servicing of land is one of the factors which explains the segregational tendency in the choice of sites for social -- i.e., subsidized housing in the Hague, a tendency which will be discussed in the next section of this paper. In Zoetermeer, it will have played a less important role, because there the quality of the subsoil does not vary that much.

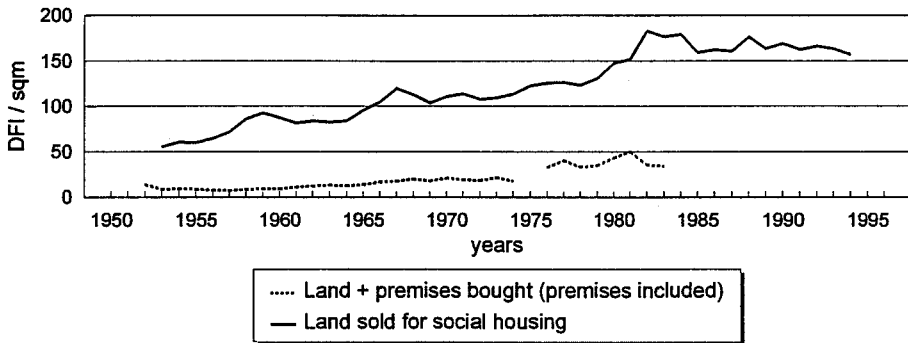
The subsidy system also makes up part of the explanation of the fact that regional differences in land prices are relatively small in the Netherlands. Subsidies raise the residual value of land which would be kept virgin (or in a state of decay, where derelict inner-city estates are concerned) in a free market. On the other hand, by creating an extra supply of serviced land, these subsidies depress the value of land which is "naturally" suited for construction.

Both types of subsidy have been strongly reduced in recent years. In urban renewal programmes, subsidies are less exclusively earmarked for the promotion of social rented housing. This means that more than in the past, the choice of sites for social housing will be influenced by variations in the technical quality of sites and in the costs of servicing them.

#### *Density and the financial yield of land development for social housing*

The third observation has to do with quality as well. This time, it is not the quality related to the environment that is at issue but the quality of a housing scheme in itself. In Dutch practice, as anywhere, raising the density of the built-up area is of great importance to the financial results of developing land. The countervailing force to this bias to higher yields lies in the consumers' dislike of high-density residential areas. In addition to that, one would expect a balanced conflict between municipal authorities - striving for lower density, for reasons of quality - and private developers wanting a high density for reasons of profit. But as we have seen, both of these countervailing forces have been weak in the post-war period, with its high production of social housing and municipal land departments acting as developers.

Figure 2 Land prices in the Netherlands 1950-1995; prices in 1990 guilders



Source: De Kam, 1996, pp. 420-424, reworked by the author

So in varying the density of a housing scheme, local authorities had a powerful instrument to make ends meet in developing residential areas. Although prices of serviced land for social housing were fixed or at least controlled by central government, this public body was mainly interested in lot prices. These used to be the input for calculation of all-in costs, subsidies and rent, allowing local authorities to use square metres per lot as an important variable in their land development. Due to the peculiarities of the system of lot pricing, especially mid-rise and high-rise construction in the social housing schemes became profitable types of development. For a long time, this effect of local policy has been hard to trace because only lot prices were registered in Dutch building statistics. Recently, for the first time, average land prices per square metre for social housing have been determined from existing data for the years 1954-1994 (De Kam, 1996: 420-424). In this time series, a weighted average yield per square metre for municipal land departments has been calculated. Some of the results are shown in Figure 2, together with data on the prices of land (including premises) bought by municipal land departments.

The underlying data show that the average size of a parcel for a single-family house in the social rented sector has been diminished by 13 per cent over this 40-year period. The lots for multi-storey housing have been decreased in size as well. Thus, municipal authorities did raise the density of residential areas intended for social housing that were developed under their supervision. They did so not only by decreasing lot sizes for distinct types of dwellings but also by changing the mix of low-rise and high-rise construction.

#### *Some factors influencing land prices*

Land prices for social housing as presented in Figure 2 have been influenced by different tendencies in the land and housing market, by the economic hazards of our agricultural development, and by many types of government intervention. The influence of agricultural prices is relatively small: although in real terms these prices

have more than tripled between 1954 and 1993, their proportion to prices of serviced land for social housing has varied between only 1.4 per cent (around 1960) and a maximum of 4.8 per cent in 1976/77, with a slightly rising general tendency (De Kam, 1996). Development gains on virgin land - sometimes speculative, like in the mid-seventies - appear to be a substantial factor in land prices for (social) housing. This is shown by the line in Figure 2 depicting prices at which municipal land departments have bought their land. We should bear in mind, however, that the package bought by land departments includes more and more parcels in urban renewal areas - often with premises and with prices higher than agricultural land. In the period 1972-1981, Dutch post-war housing construction reached its highest level ever, causing high demand for serviced land and forcing central government to introduce new subsidies on the acquisition and servicing of land. In the years 1972-1976, demand for land was probably high too, as an insurance against the risks of inflation which exceeded ten per cent in 1975. These developments attracted speculation in land, to which government reacted with proposals on the right of pre-emption by municipalities and more severe rules on compulsory purchase. An important reason for the remarkable stabilization and even falling tendency of land prices for social housing since about 1983 lies in major changes in the Dutch system of subsidizing social housing and land. Only recently has all control of land prices for cheap housing been abolished. Until now, municipalities have kept their prices at a relatively low level, but there are signs of an upward change (Taufmabeg, 1998).

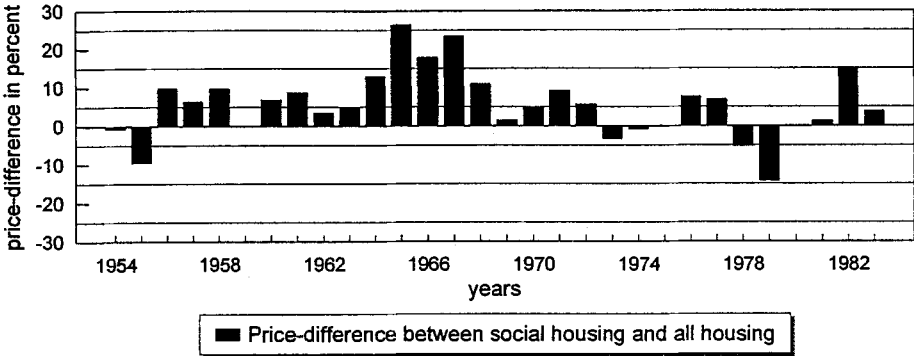
#### *Transfer of proceeds from market sector to social housing?*

As mentioned before, our building statistics used to show only lot prices for social housing. Of course, these were always lower than lot prices of premium-assisted or non-subsidized housing. This simple fact led to the general opinion that in land prices, social housing was benefited by cross-subsidizing from the other segments in housing construction, an opinion echoed in the international literature on Dutch land prices.

Figure 3 allows for a comparison between the prices per square metre that municipal land departments have received for serviced land for social housing and the prices for all housing categories together, i.e. including premium-assisted and non-subsidized housing. It is striking to note that at the national level, in 23 out of the 29 years for which both prices are given, the yield on land for social housing exceeded the yield on land for all housing (including social housing as well as all the higher price categories)<sup>7</sup>.

Further analysis indicates that yields on land for social housing tend to be higher than the average yield on land for all residential categories (including social housing). This is especially evident when the share of social housing in the total production is increasing and when the share of multi-storey housing (with higher density) in the construction of social housing is increasing simultaneously. High-rise is associated with a high yield per square metre of serviced land. This relatively high price level of land for social housing confirms Needham's remarks about municipalities setting high prices for immobile sectors like social housing (Needham, 1992: 672).

**Figure 3 Land prices: social housing compared to all housing; price difference between social housing and all housing in per cent of land prices for all housing**



Source: De Kam (1996), pp. 420-421, reworked by the author

As normative levels were set beforehand by the central government, municipal land departments tried to get proceeds as high as possible.

The common opinion on transfers in Dutch land policy, i.e. the cross-subsidizing of land costs for the social sector by other categories in housing production -- is not correct when we make the proper comparison of yields per square metre in the production of housing as a whole, weighing the share of low- and high-rise construction with their corresponding density in both categories. Cross-subsidizing of land costs only takes place in housing schemes between single-family houses in different categories. This is shown in Table 2, which contains land prices per square metre from recent national research. But again, up to 1995, the proceeds per square metre of the total package of cheap rental housing did exceed those of medium- and expensive single-family housing in the market sector. This is mainly because the share of multi-storey housing in that package of social housing has risen from 51 per cent in 1990 to - as it is now - 71 per cent in 1997.

This historical analysis of proceeds on land for social housing leads to the conclusion that the profits of municipal land departments in the past decades have been fuelled by their provision of land for social housing. It is one of the drawbacks of the Dutch institutional system for the production of serviced land and of social housing. In looking back at Table 1, we must conclude that too many roles assigned to the local authorities: physical planning and zoning, the provision of land, and, in the first two decades after the Second World War, often the provision of social housing itself. Apart from private parties in the land market, Dutch local authorities have also taken central government as a party with which they would try to conclude profitable deals. However, this is unprofitable from the perspective of the general taxpayer and that of parties in the social housing market.

**Table 2 Prices per square metre of serviced land for new construction of houses in three price categories, split according to tenure, type and location, 1990-1996, in current prices**

| Year | Owner-occupied single-family housing |                          |                              |                                  |                          | Cheap rented housing    |                                 |  |  |
|------|--------------------------------------|--------------------------|------------------------------|----------------------------------|--------------------------|-------------------------|---------------------------------|--|--|
|      | Expensive greenfield                 | Medium-priced greenfield | Expensive urban renewal area | Medium-priced urban renewal area | Single-family greenfield | Multi-family greenfield | Multi-family urban renewal area | Proportion of multi-family housing in greenfield and urban renewal area production | Weighted average price of serviced land for cheap rented housing |
|      | Dfl/m <sup>2</sup>                   | Dfl/m <sup>2</sup>       | Dfl/m <sup>2</sup>           | Dfl/m <sup>2</sup>               | Dfl/m <sup>2</sup>       | Dfl/m <sup>2</sup>      | Dfl/m <sup>2</sup>              | in %   | Dfl/m <sup>2</sup>   |
| 1990 | 158                                  | 146                      | 212                          | 186                              | 115                      | 270                     | 237                             | 51   | 186  |
| 1991 | 153                                  | 156                      | 146                          | 177                              | 119                      | 232                     | 267                             | 54   | 189  |
| 1992 | 157                                  | 166                      | 168                          | 166                              | 115                      | 227                     | 225                             | 42   | 143  |
| 1993 | 167                                  | 163                      | 171                          | 174                              | 111                      | 244                     | 285                             | 58   | 200  |
| 1994 | 182                                  | 182                      | 194                          | 162                              | 112                      | 243                     | 219                             | 57   | 180  |
| 1995 | 207                                  | 168                      | 201                          | 173                              | 128                      | 270                     | 228                             | 58   | 198  |
| 1996 | 227                                  | 135                      | 245                          | 195                              | 152                      | 223                     | 238                             | 66   | 204  |

Source: TauwMabeg (1998).

Proportion of multi-family housing in greenfield and urban renewal area production: CBS. Figures in the last column: calculation by the author.

### 3 Social housing and socio-spatial integration

In the Dutch system, the municipal council has the final say in allotting sites for social housing. Its decisions affect the (re)distribution of the various locational qualities - like the proximity of industries, parks, beaches or city centre - within the urban area to the future tenants of social housing, who predominantly belong to lower or moderate income groups. Public decisions on sites for social housing will also have effect on the spatial integration of those groups in the population which prefer - or depend on - housing in the different types of tenure and in different price categories. Now that the question of segregation is becoming more of an issue in the Netherlands, we may ask ourselves whether the Dutch public authorities have tried to promote socio-spatial integration in the post-war era by designating specific areas for social housing. In the case-study of The Hague, Zoetermeer and their eight surrounding municipalities (see Figure 1), the outcome of the local planning process has been identified in terms of distribution of site quality and socio-spatial integration, and research has been done on the arguments concerning these aspects in the political debate on local plans.

#### *Social housing and segregation*

It will be hardly surprising that for the municipalities included in the case-study, a correlation has been found between the share of social housing in the stock and the average income in a given area. This implies that between different municipalities as well as within the built-up area of a single municipality, a policy to spread sites for social housing over locations of different quality will create favourable conditions for social integration and bring a wide variety in the quality of residential areas within the reach of people with a low or moderate income.

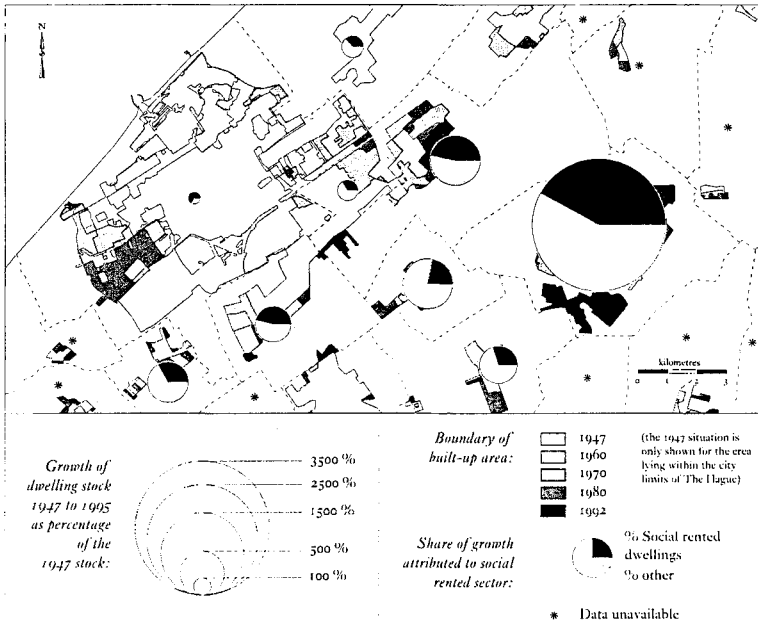
On international comparison, the Netherlands may be called a social paradise, with the virtual absence of ghetto-like residential areas. This image is based on the country's general economic prosperity and redistribution of national income, in combination with our spatial, land and housing policy. Yet, not only market forces but also public policy may contribute to segregation. For when we take a closer look at socio-spatial integration in this Dutch setting, there are clear distinctions between as well as within the municipalities concerned in the case-study. These differences are a result of their respective spatial and housing policies.

#### *Regional level*

Making a comparison at the regional level, in the post-war era a relatively high share of social rented dwellings was constructed in the central city of The Hague, in its growth centre Zoetermeer, and in the immediately adjacent municipalities of Rijswijk and Leidschendam (see Figure 4).

These are the municipalities which at any moment in the post-war period took up the task of building the houses The Hague could no longer accommodate because of shortage of land. Sometimes this task was taken up for the pragmatic reason of avoiding annexation by the central city. The other municipalities in the region also attracted inhabitants from across their own border, but they have used their residen-

**Figure 4 The Hague and its surrounding municipalities; share of social rented housing in the total production of housing, 1947-1995**



Source: De Kam (1996)

tial construction programme as a selective instrument with regard to the income level of the migrating population. Municipalities like Rijswijk and Zoetermeer, which did build a relatively high share of social housing to cover the needs of the agglomeration, nevertheless tried to select the better-off applicants for these new houses as well. So the relative autonomy of Dutch local authorities enabled them to impede an even distribution of social housing over the region. This made it difficult for households with a low income to migrate to residential areas outside the central city, where generally speaking the quality of the environment tends to be higher.

#### *Segregation and urban renewal in The Hague*

In The Hague, we see a concentrated pattern of districts with a high proportion of social housing and strong differences between neighbourhoods. Figure 5 shows that the construction of social housing has been predominant in the extension areas to the south-west (early post-war extensions), in part of the other greenfield sites, and in areas with intensive urban renewal. In part, this just reflects the composition of the national housing programme in successive periods and the general preference of The Hague's municipal authority for social housing in most of the post-war years. But the resulting spatial pattern was not the only solution possible, because in all these

**Figure 5 Location of social housing in the Hague and quality of the subsoil (sand or peat)**



Source: De Kam (1996)

years, sites have been allotted to housing construction in other market segments too. And - in hindsight - on many of these occasions, The Hague City Council did decide upon a more segregated distribution of housing categories than would have been necessary (Sluijs, 1989). In addition, and partly as an outcome of this policy, the sites where social housing is predominant often have less quality than others, when we look at their position regarding the generally favoured sandy subsoil (Figure 5) or the distance to beaches, parks and other green areas.

This local policy on the location of social housing units appears to have part of its roots in the pre-war socio-spatial history of the city of The Hague, in which the difference between sand and peat played a role. On most occasions, the choice of



specific locations for social housing "goes without saying". There seemed to be no need to waste many words on it, and arguments related to spatial segregation have rarely been brought up explicitly. Only exceptionally, and with considerable political effort, did the city council break with the existing socio-spatial pattern<sup>8</sup>. Apparently, the council did not feel the need to diverge from the existing socio-spatial pattern in the city, and in general its decisions have not been contested by the local community. That the choice of sites for new social housing might set the stage for some of our present-day urban problems lay beyond the horizon of public policy. Consequently, although the council had all of the power to do otherwise, its decisions on the choice of sites for social housing in greenfield areas made little difference to what might have been expected from private developers.

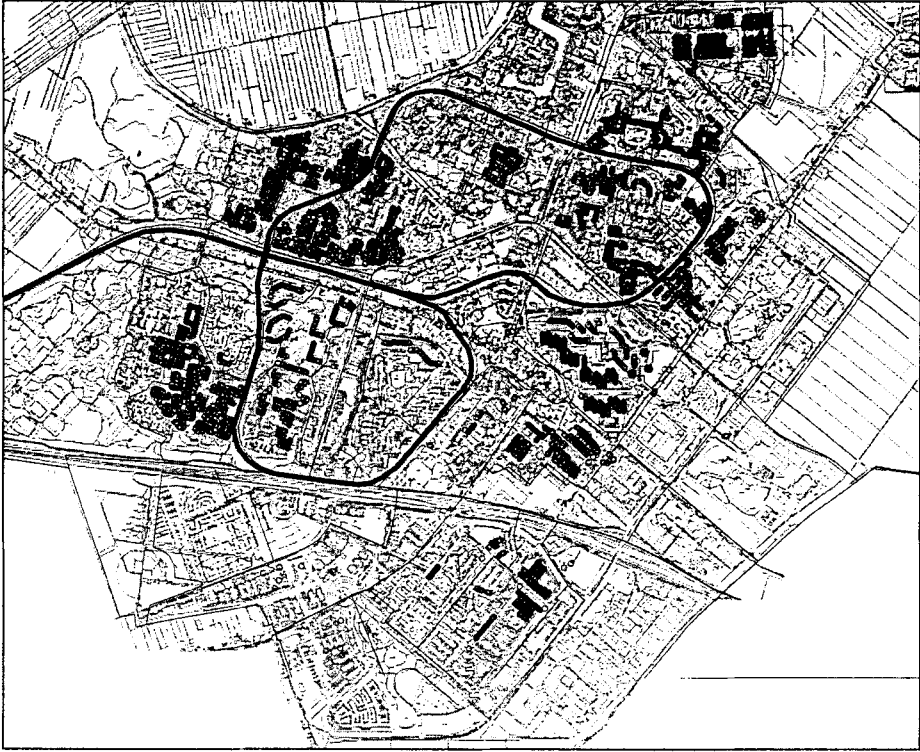
Municipal policy on urban renewal, however, was different. These areas - many of which do have a good location regarding central urban amenities - were threatened by increasing decay and, in the end, by expulsion of their existing population in the lower income categories. This would have increased socio-spatial segregation by denying low-income groups access to housing close to the centre of the city. In the seventies and eighties, municipal policy responded to the demands of people living in urban renewal areas. In these years, choosing an area for urban renewal had become almost identical to allotting it for social housing. The role of subsidies from central government on land and construction costs has been essential in this policy, as we have seen in the previous section. All in all, Dutch policy on urban renewal performed well in relation to the criteria mentioned in the opening of this paper: it did impose a brake on the spiral of decline; and it did improve the living conditions of the disadvantaged local population by giving them access to centrally located parts of the city.

#### *Socio-spatial integration in Zoetermeer*

Finally, some remarks are in order on social integration and the quality of sites for social housing in the growth centre of Zoetermeer. Here, as Figure 6 shows, the spatial concentration of neighbourhoods with a high proportion of social housing is less dominant than in The Hague, and we see more districts with a mixed housing stock. Thus, local policy on allotting sites for social housing in Zoetermeer has created relatively favourable physical conditions for social integration. Regarding quality, the sites with a high proportion of social housing do not differ much from the average, although they are hardly found on the outskirts of the town and tend to be closer to industrial areas.

The new town of Zoetermeer has been developed according to an urban masterplan, which in itself hardly has been the subject of political debate. An important factor determining the relatively high degree of spatial integration of social housing in Zoetermeer has been the decision to develop social housing schemes in high density on both sides of the loop-shaped track of the commuter train to The Hague. In radial direction from this loop, this planning concept has created a mix with other types of dwellings at a short distance. It should be added that in part of the period of

**Figure 6** Location of social housing in Zoetermeer and the track of the commuter train to The Hague



Source: De Kam (1996)

construction of Zoetermeer, the urban planners deliberately aimed at spatial integration.

A common feature of local policy on the allotment of sites for social housing in both municipalities is that it has seldom been the subject of public or political debate. One of the reasons for this is that, because of the shortage of social housing units in the post-war years, new units would always be accepted by the tenants. They were hardly able to express qualitative demands regarding the housing units themselves, let alone regarding the quality of the site. These circumstances were reflected in the issues of political debate concerning social housing: not the quality of sites, but the volume, size, rents and subsidies, and sometimes land prices got most of the attention. Thus, for many years, social rented housing has constituted the bulk of housing construction, being a powerful instrument for the implementation of land-use plans and schemes for urban renewal. As we have seen, Dutch public bodies pulled many strings in the fields of housing, land-use planning and land policy,

making it hard for other (market) parties to contest their policy. The development of Zoetermeer shows that under these circumstances, "enlightened" planners may have great influence on the socio-spatial map of the city, but their influence may also lead to a local policy which more or less reproduces existing patterns, as has been the case in The Hague.

In the first section of this paper, several criteria for the evaluation of land and housing policy have been brought up. Now, when we apply the criteria of "facilitating good town planning", "improvement of access by disadvantaged groups to land for housing", and "improvement of the living conditions of the poor", we see that the Dutch system has performed quite well, both in quantitative terms and in securing a high basic level of quality in residential areas. But in the light of the present-day awareness of the importance of socio-spatial integration, which has even led to a modest government programme to promote the replacement of social rented housing by units in the more expensive segments of the market, it seems that the Dutch system of public interventions could have performed better with regard to socio-spatial integration and a more even distribution of site quality in greenfield areas. The degree of spatial segregation we see in the Netherlands is not only the result of the behaviour of developers and consumers; it is also the outcome of public policy.

#### **4 Conclusions**

In this paper, two critical notes have been elaborated regarding the Dutch system, with its closely connected interventions in physical planning, land and housing policy. As has been illustrated for the case of The Hague, it could have created a more fair distribution of site quality in greenfield areas, in favour of the tenants of social housing. And national data on land prices have shown that the system has put so much power in the hands of local authorities that they have been able to make a profit on land for social housing. In these two respects, value for money on land for social housing could have been higher.

Nevertheless, the balance of the performance of the Dutch iron triangle of physical planning, land and housing policy is on the positive side. It did enable the government to put qualitative demands on land development and site quality for social housing and it has created conditions for social policy in urban renewal. The system did prevent dominance of the private sector in land development, which would have implied that society would have to pay for the risk premium and profit of developers and that qualitative aspects in the allotting of sites would predominantly be set by the financial interest of developers.

During the last decade Dutch policy has been making the transition to a more market-led orientation. In that respect, we have little to add to the broad description of these changes given by Galle and Modderman and by Priemus in volume 12 (1997) of this journal.

No doubt, the key role is played by the developments on the Dutch housing market. Those developments called for an adjustment or even breaking away from policies in the related fields of physical planning and land policy. This has not yet been done to its full extent. As said in the introduction, the Dutch government seems to have been taken by surprise by the effects of new conditions in the housing market. Apparently, it thought our spatial planning system and land policy would not be shaken by this landslide in new construction from social rented housing to a prevailing share of private-sector construction. We do not have a market-led spatial planning, and we still try to channel market production of dwellings into a classical state-determined set of locations (Needham, 1997). Private developers have taken the consequences before the central government had prepared the necessary instruments in spatial planning and land policy. Legislation had to be extended to include a pre-emption right for municipalities to buy greenfield land, but the law came about three years late. This made it impossible to curb the wave of speculative land acquisition by - mainly - our large development companies. As a consequence, the traditionally strong position of urban land development agencies in the Netherlands has successfully been contested. Conditions which gave Dutch municipalities uncontested land markets between 1950 and 1990 are unlikely to return (Needham, 1997). Currently, most developers do agree on cooperation with municipalities, but it will depend on the profitability of the alternatives whether they will continue this policy. In the end, it's only a small step to developing land by themselves. This, as experience in other countries indicates, would be accompanied by more speculation in land, and landowners would try to influence the choice of location and the mix of dwellings to be constructed. Needham (1997) expects a lower quality of the environment to be the result. To this prognosis, I would add an increase in spatial segregation, because affordable new construction would most probably be at risk. Dutch planning and land policy should prepare new instruments in order to avoid unpleasant surprises such as those sketched above, taking advantage of the experience in other countries where there is more experience with market-led spatial development. This suggests the development of a dual set of instruments: optimal instruments for public-private partnership, on the one hand, and much more sophisticated legal and fiscal powers for dealing with private developers, on the other hand.

A research programme for such a new toolkit might pay special attention to tools that are not in use in the Netherlands, apart from the refinement of those we do have<sup>9</sup>. Such tools would be:

- taxation on property, building land and/or development gains;
- betterment levies;
- increased specification in zoning, regarding quality, mixing in tenure and price, and other factors influencing urban and social quality as well as development gains;
- legislation to force developers to build and/or reach agreements between each other and with government agencies.

Dutch public authorities might consider to put conditions to private developers in terms of "inclusionary zoning", which seems to be a growing practice in parts of the

United States (OECD, 1992: 87,88). This approach has the appeal of "spatial human rights". The Federal Housing and Community Development Act states that "it is in the general interests that households should be distributed throughout the country regardless of their race or income". Translation of this principle may lead to state legislation like "the elements of the plan shall make adequate provision for the housing needs of all economic segments of the community".

Another attractive tool is suggested by the Spanish technique for sharing profits between different private developers. That technique resembles current Dutch practice for the calculation of costs and returns, including bartering of plots between involved parties (Rodriguez-Bachiller, 1992 and Keogh, 1994). The difference is that, in Spain, this is accompanied by taxation of development gains and is embodied in a process of bargaining between private developers. In that process, local authorities do not act as a developer or land bank but as a body facilitating this bargaining, having emergency powers at hand like compulsory purchase.

Finally, new instruments will not only have to apply to greenfield and brownfield areas. They will also have to be used in the emerging practice of re-structuring the existing post-war neighbourhoods, the creation of which has been mentioned earlier in this paper. We could call them "redfield areas". Housing associations are the principal owners of land and housing on these sites, where the quality of the housing stock and its environment is now lagging behind compared to new developments in the housing market. Central government has recently decreed a specific subsidy for the restructuring -- specifically, for changing the mix of tenure and price levels of these post-war estates -- but it is hardly conceivable that it will ever come close to the amount of subsidy that has been granted for classical urban renewal areas. The task of municipal authorities will be to combine their own investments in renewing the residential environment with investments of housing associations and private developers in adapting the housing stock. Instruments are needed to facilitate negotiations between these parties about to what extent -- and in which new mix of quality, density and tenure -- a financially sound redevelopment of existing estates will be feasible. Here, the quality of the locations where these estates are found enters the picture again, because it will limit the revenue that can be obtained from re-development on the same spot. So the quality of the living environment for people who depend on housing associations to provide them with decent housing will to a greater extent than before have to be weighed against the chances of profitable (re)development by the housing associations themselves, instead of by the municipality. Such distributionary effects of the production and management of spatial quality add an aspect to the role of housing associations in Dutch society which deserves more of our attention, now that the major shift in national housing policy which cut the financial ties between central government and housing associations has been completed.

## Notes

- <sup>1</sup> These remarks seem to have been inspired by the losses several land departments had to register in the early eighties because of a collapse in the housing market, which was accompanied by uncertainty about the future policy on physical planning. In general, however, municipal land departments have been profitable enterprises throughout the years.
- <sup>2</sup> For an overview of Dutch national policy on the development of growth centres, the reader may refer to Faludi and Van der Valk, 1990.
- <sup>3</sup> The residual value of land is defined as the maximum price which a developer would pay for the land. The developer will calculate this price by subtracting his (construction) costs and normal profit from the price he expects to get paid for the house. It will be obvious that this approach is based on the Ricardian theory of land prices. In practice, a land price will result from negotiations between the owner and the buyer of land, whereby the surplus of the (intended) future production on the land is shared between the two of them.
- <sup>4</sup> These subsidies are shown in cells f7, g7, l1 and m1 of Table 1.
- <sup>5</sup> See municipal development gains in cell k3 and o3 in Table 1.
- <sup>6</sup> This type of subsidy is shown in cells l1 and m1 in Table 1.
- <sup>7</sup> The detailed analysis of the financial results of land transactions by the land department of Zoetermeer also shows up higher prices per square metre for the social sector in 19 out of 27 years between 1962 and 1994.
- <sup>8</sup> Such an exception was the plan for Mariahoeve and the decision process on Kraayenstein, Nieuw Waldeck and Houtwijk. In the last three schemes social housing was built at a relatively better location with the support of a specific subsidy from the central government.
- <sup>9</sup> See, for example, Verhage (1998).

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