

To the Minister of the Interior and Kingdom Relations  
Mrs K.H. Ollongren  
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**Date:** 28 June 2018 **Contact:** Council for the Environment and Infrastructure  
**Reference:** RLI/2687 **Telephone:** Bezuidenhoutseweg 30, NL-2594 AV The Hague  
**Cc:** Presidents of the House of Representatives and the Senate +31 (0) 6 2180 0302

**Subject :** Rli Advisory Letter 'Accelerating housing production, while maintaining quality'

Dear Mrs Ollongren,

At a meeting on 1 February 2018, you asked the Council for the Environment and Infrastructure (Rli) for its advice on measures that could be taken to accelerate housing production. The request for our advice was prompted by the housing shortages that have ensued from the failure of house building to keep pace with the growth of demand for housing. Although responsibility for housing is decentralised, there is a need for direction from national government in meeting this challenge. Given the urgency of the problem, you asked the Rli to submit its advice before the summer recess. This letter contains that advice. Copies of this letter are being sent to the presidents of the Senate and the House of Representatives.

## 1. Introduction

A substantial number of new houses will have to be built in the Netherlands in the coming years. The current pace of construction is failing to keep pace with demand: the necessary level of production is not being achieved everywhere. This is in part a temporary problem. Part of the shortage is due to the relatively small number of new houses that were built during the crisis. However, some of the problems are more structural in nature. The segmentation in the housing market by ownership, price and income has become more rigid in the last few years, which has reduced the choices available to parties, both on the demand side (house seekers) and the supply side (housing associations, property developers and investors). As a result, the housing market has become more fragmented and less able to respond to changes. It has become less accessible for first-time buyers, homes have become less affordable and in many places there are too few houses available, in the mid-market rental segment for example.

The national government's housing market policy has contributed to these problems. Under the 2015 Housing Act, for example, housing associations are no longer allowed to build houses outside their core territories, which prevents them from assuming one another's building targets. The separation of commercial and non-commercial activities also prevents housing associations from investing more in mid-market rental properties, even though it has become clear that private investors are not building sufficient housing in this segment. Meanwhile, the government has tightened up the rules for mortgage lending. These and other measures all make it more difficult for parties to respond flexibly to changes in the economic climate.



In response to the housing shortages, the government announced in the coalition agreement in 2017 that it planned to encourage the building of homes<sup>1</sup> and in the succeeding months you adopted a number of measures in pursuit of that ambition.<sup>2</sup> The urgency of the building challenge is now widely recognised: in May 2018, together with representatives of property developers, construction companies, residents and landlords you presented the National Housing Agenda [*Nationale Woonagenda*], in which you jointly announced the target of raising the average number of homes built annually to 75,000 until 2025.<sup>3</sup>

In this letter the Council makes a number of recommendations relating to that target. Some concern short-term measures in support of the dialogue you have started in regions where the tightness in the housing market is most severe. Others are recommendations for measures that will only have an effect in the longer term, but on which action has to be taken now. In making the recommendations, our aim has been to find a balance between the need to accelerate the pace of building, while simultaneously preserving the quality of the living environment now and in the more distant future. The recommendations address both aspects. Before presenting its recommendations, the Council first wishes to set out the three points of departure of its advice.

## 2. Points of departure

### **Be quick, but don't hurry**

The urgency of the building challenge is widely felt. 'Build, build, build' appears to be the new mantra in many places. There is huge social and political pressure to resolve the housing shortage quickly. Pressure on you as minister, but also on housing associations, local and regional authorities, property developers, investors and construction companies. However understandable and correct this focus on the substantial number of new houses that are needed might be (after all, having a home is a basic right), the Council is nevertheless concerned that in endeavouring to rapidly build large numbers of new homes, the wrong choices will be made. There are various aspects to this dilemma: that the houses will be built in the wrong locations, that the wrong types of houses will be built, that the accessibility of housing estates will not be properly arranged, that the quality of the future residential environments will suffer and that they will not be sufficiently future-proof.

Housing largely determines the quality of life in towns and villages. It must not be forgotten that the new homes that are built will create the residential environments of the future. This means that the housing challenge cannot be seen separately from a series of other challenges, for example in relation to the energy transition and creating a healthy living environment that promotes exercise, relaxation and social contact. The growing extremes in the weather as a result of climate change also have implications for the design and construction of new housing estates. There is also a social aspect to the building challenge: what are the implications of building a particular type of home in a particular location for segregation in a town? Quality is also a factor for the homes themselves. It is essential to avoid building homes that will no longer be needed in twenty years' time. That calls for new housing concepts, such as arrangements for temporary accommodation to absorb peaks in demand, new forms of residential care that promote movement in the housing market, micro-apartments to meet the growing demand from young single-person households and high-density construction of family homes. The Council believes that you have an essential role to play in safeguarding the quality of the living environment in all of these aspects.

### **There is no quick fix for accelerating housing production**

All too often it is suggested that there is a quick and easy solution for the housing shortage. But the housing market is a complex interplay of supply and demand: a change in one factor can have an impact elsewhere in the market. For example, rapidly increasing the pace of building could lead

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<sup>1</sup> House of Representatives (2017). *Vertrouwen in de toekomst: regeerakkoord 2017–2021 VVD, CDA, D66 en ChristenUnie*. Session year 2017-2018, annex to Parliamentary Document 34 700, no. 34.

<sup>2</sup> House of Representatives (2018). *Meer prioriteit voor woningbouw. Brief van de minister van Binnenlandse Zaken en Koninklijke Relaties aan de Tweede Kamer van 13 maart 2018*. Session year 2017-2018, 32 847, no. 332.

<sup>3</sup> By comparison, just over 62,000 houses were built in 2017. Source: CBS (2018). *Het hoogste aantal nieuwbouwwoningen in acht jaar*. Nieuwsbericht 26-01-2018. The Hague.

to shortages of building materials, which will in turn drive up prices or cause delays.<sup>4</sup> Another obstacle to a higher building output is the current tightness on the labour market, which affects not only construction companies but also municipalities and property developers: people are needed to actually build the homes, but also to draw up building plans and supervise the planning and construction process (see Box 1). In other words, there is no quick fix when it comes to accelerating building production, as you have acknowledged yourself.<sup>5</sup> It is therefore essential for participants in the public and political debate to show a sense of realism.

#### **Box 1. Knowledge and quality in authorities and building companies**

The number of houses being built fell sharply during the crisis. In response, municipalities, property developers and construction companies were forced to significantly reduce their workforce, and building companies in particular invested less in training for their employees. Consequently, knowledge and experience have been lost to the sector. That is a particularly serious problem for construction companies, because building has become more complex and new skills are required to install innovative, sustainable technologies. An additional factor for local authorities is that many medium-sized municipalities have only a single complex location, and therefore have little experience with building at such locations. The crisis has also made some municipalities risk-adverse with respect to new building locations and land policy. In that context, your decision as minister to draft Guidelines on Municipal Land Policy, to provide municipalities with guidance on effective land management, is a useful step.

#### **A lot of homes need to be built in the Netherlands, but not everywhere**

Regardless of the points made above, there is still a need to build a large number of houses. However, the housing shortage does not extend to every region and is not equally great everywhere. Accelerating building production is therefore not a national, but a regional problem. The most recent PRIMOS projections (for the population and number of households in the Netherlands) by ABF Research<sup>6</sup> make a distinction between regions according to the severity of the housing shortage: the desired housing stock in relation to the expected housing stock. In some regions the housing market is tight, in others the housing shortage is less severe, and in yet others there is a sufficient supply of housing.<sup>7</sup> The housing market situation differs from one region to another and the challenges are therefore different in every region.<sup>8</sup>

According to the PRIMOS projections in 2017, the persistent housing shortages are concentrated in just a few places, including the regions of Amsterdam and Utrecht and the municipality of Groningen. Elsewhere, in Drenthe and Friesland for example, the number of houses required will decline between now and 2030. There are also regions where the housing market is very loose, such as Zeeland and large parts of Groningen. These regions face a different problem: the need to demolish existing properties and to replace outdated houses with new ones. This differentiation in the building requirements calls for a regional approach. Acceleration is needed mainly in those regions where the housing shortages already are or threaten to become structural.

### **3. Recommendations**

On the basis of these points of departure, the Council makes the following recommendations.

#### **Recommendation 1. Minister, focus on the regions where the housing market is tight and there are structural shortages, on the basis of a long-term commitment**

*Confine the government's interventions to regions with a tight housing market*

<sup>4</sup> Cobouw (2017). *Tekort aan personeel en materiaal remt bouwproductie*. 8 December 2017.

<sup>5</sup> House of Representatives (2018). *Verslag van een algemeen overleg op 25 april 2018 over bouwopgave*. Session year 2017-2018, 32 847, no. 403.

<sup>6</sup> Every year ABF Research publishes projections for the development of the population, the number of households, the housing stock and housing needs for the Ministry of the Interior and Kingdom Relations using the PRIMOS model (PRognose-, Informatie-, and MOnitoringSysteem).

<sup>7</sup> ABF Research (2017). *Primos: prognose van bevolking, huishoudens en woningbehoefte 2017-2050*. Delft.

<sup>8</sup> The statistical housing shortage is 2% or higher in a tight housing market, ranges from 1.5 to 2% in regions where the market is less tight, and is less than 1% (or there is a housing surplus) in regions where the market is loose. With a statistical housing shortage of 1% or less, people generally have no difficulty finding a home. In the past, a housing shortage of 1.5 to 2% has usually been regarded as acceptable. Source: House of Representatives (2017). *Cijfers omtrent woningbehoefte, productie en plancapaciteit in woningmarktregio's. Brief van de minister van Binnenlandse Zaken en Koninklijke Relaties aan de Tweede Kamer van 21 februari 2017*. Session year 2016-2017, 32 847, no. 295.

The Council supports your decision to commence talks on measures to accelerate building production in the urban regions where the housing market is tightest.<sup>9</sup> That is the correct decision, primarily because the housing shortages in those regions will persevere until at least 2030 unless additional measures are taken. The Council also advises you to confine the government's involvement to these regions and not expand it to other regions. Government intervention is not needed in regions where the housing market will remain less strained in the longer term. Acceleration is not required everywhere.

Your choice of a regional approach is also the correct one because it is the most appropriate for meeting the housing challenge – even more so than the local consultations on the housing market proposed in the National Housing Agenda. After all, the housing market is a *regional* market and the need to accelerate building production is a *regional* challenge. Consultation at regional level can avert competition that could arise between and within municipalities, but also between the government and investors, over building locations and market segments (see Box 2). Agreements can be made on this issue during consultations at a regional round table.

#### **Box 2. Competition for building locations and segments**

A city, neighbouring municipalities, housing associations and market actors can sometimes have different interests in relation to building locations and segments, for example with regard to the division of responsibilities for building social housing in the region. Also conceivable is a situation where a municipality gives priority to inner-city building, with the consequence that the construction of housing in outlying locations,<sup>10</sup> where property developers and investors own a lot of land, is deferred to the long term. That is not necessarily the ideal solution for accelerating building in regions with a tight housing market.

*Give a long-term commitment: national government support is a critical success factor*

Responsibility for housing has been further delegated to municipalities and provinces in the last few years. Nevertheless, your presence at the regional round tables is crucial, not only because of your role as facilitator, but also to demonstrate your engagement with the overall quality of the living environment. The government must demonstrate its willingness to accept its shared responsibility for maintaining the quality of the environment and helping to find solutions. That role does not end with the submission of the agreements from the regional consultations to the House of Representatives in the autumn. The Council therefore advises you to continue the consultation process in the coming years and ensure the government's long-term engagement with the process.

It is also important that housing associations, property developers, investors and water boards in the region regularly participate in the round-table talks with the government, the provinces and the municipalities. These consultations can provide a follow-up to the National Housing Agenda. With new municipal executives taking office, the time has now come for that.<sup>11</sup>

#### **Recommendation 2. Place the following subjects on the agenda of the regional round tables**

It is important that all the relevant themes are discussed at the regional round tables. The Council explains below which issues it feels need to be addressed.

*Improve the monitoring of housing plan capacity*

For effective consultation on housing production, insight into the development of housing plan capacity [*plan capaciteit*] is essential. The recent 'Inventory of housing plan capacity' (2018) by

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<sup>9</sup> Talks have commenced with the Amsterdam Metropolitan Region, the municipality of Groningen, the region of Utrecht and the Rotterdam The Hague Metropolitan Region. Source: House of Representatives (2018). *Woonagenda en regiogesprekken. Brief van de minister van Binnenlandse Zaken en Koninkrijksrelaties aan de Tweede Kamer van 11 april 2018*. Session year 2017-2018, 32 847, no. 359. The ABF analysis of housing plan capacity in 2018 (p.20) identified seven urban regions with the tightest housing markets. In addition to the regions already mentioned above, they are the Eindhoven region and the Amersfoort region. Source: ABF Research (2018). *Inventarisatie plancapaciteit*. Delft

<sup>10</sup> Building location outside the built-up area.

<sup>11</sup> The National Housing Agenda has not been signed by the local and regional authorities (Association of Netherlands Municipalities, Association of Dutch Provinces, Dutch Water Authorities), in part because the new municipal coalitions, and hence the aggregate effect of municipal housing plans and their relationship to climate change and subsidence, were not known at the time. The authorities did sign a statement of intent attached to the Agenda.

ABF Research gives an initial impression of that capacity. There is generally sufficient planning capacity on a national scale, but the differences between regions are substantial. The challenge in the short term is to transform 'soft' housing plan capacity into 'hard' housing plan capacity, particularly in regions with a tight housing market. The quality and level of detail of the data on which these conclusions are based vary greatly from one province to another. The data are also not easily comparable, due to the use of different time periods and varying definitions of 'hard' and 'soft' housing plan capacity.<sup>12</sup> The quality of the data needs to improve. The Council advises the government to oblige the provinces to improve their monitoring. In that context, the Council advocates that – unlike now – the monitoring should focus specifically on the number of houses that will be built (at present, the number of hectares is often the only criterion). There is also a need to monitor the extent to which housing plan capacity adheres to the principles of the Ladder of sustainable urbanisation (see Box 3).

### **Box 3. The Sustainable Urbanisation Ladder**

This instrument of urbanisation policy contains a requirement to present arguments for all spatial plans that facilitate new urban developments. The Ladder was introduced in 2012 to promote good spatial planning. The Ladder prescribes that new urban developments are only permitted if it is shown that there is a demand for them. The obligation to present arguments is more stringent for out-of-town housing than for urban areas; it then has to be shown that the housing needs cannot be met within the existing built-up area.

#### *Produce good regional data in preparation for the regional round tables*

It is important for the participants at the regional round tables to have a clear and comprehensive picture of how the demand for housing will develop in the region in the coming years, in both quantitative and qualitative terms. Municipalities can then make binding mutual agreements on the basis of that information. The regional scale is essential in that regard. At the same time, expand the inventory of the number of houses that are needed to encompass the required qualities. This means that differentiation will be needed by segment (owner-occupied/rental, social/mid-market rental), by type of home (such as multi-storey, single-family, temporary accommodation and supported living arrangements) and by residential environment (urban, green-urban, village). Other relevant considerations in that context are the demand for new housing concepts, for properties with mixed residential and work functions and the possible displacement of business premises by homes.<sup>13</sup> The better the quality of the quantitative and qualitative data, the easier it will be to discuss precisely what needs to be built in a particular region. It will not be enough in itself to accelerate building production, but it will help to guarantee the quality of what is built. As you enter the regional talks, you cannot automatically assume that there are already sufficient regional data. It is therefore important to endeavour to collect good data before the talks commence.

#### *Try to get away from the 'greenfield-infill (re)development' dichotomy*

Discussions about building requirements often turn on where the homes that are needed should be built. There are two extremes in that debate: proponents of building in urban areas and supporters of out-of-town development. The Council takes the view that the debate has to move beyond the 'greenfield-infill (re)development dichotomy'<sup>14</sup>, as various parties are now also advocating.<sup>15</sup> The Council has three comments to make on this issue.

First, the 'greenfield-infill (re)development' dichotomy is based on an incorrect and excessively narrow proposition. It is important to consider the underlying question: what kind of city and what level of quality do stakeholders wish to create together? The choices made in relation to residential environments and locations should be made on the basis of the answer to that question.

<sup>12</sup> ABF (2018). *Toelichting ABF-notitie "Inventarisatie plancapaciteit"*. Delft.

<sup>13</sup> See, for example, Stec Groep (2018). *Klein wonen*. Nijmegen; Pen, C.J. (2018). *Koester de blokkendozen*. *Binnenlands Bestuur*, 8 June 2018.

<sup>14</sup> Greenfield development refers to urban development outside the existing city. Infill (re)development refers to urban development within the city on still open and previously developed sites (urban transformation).

<sup>15</sup> See, for example, NEPROM (2018). *Thuis in de toekomst: routekaart voor duurzame verstedelijking*. The Hague.

Secondly, infill and greenfield development are both possible under the Sustainable Urbanisation Ladder (see also Box 3). The Ladder only prescribes that arguments must be given for a decision. This means that out-of-town locations are an option if there is insufficient urban capacity or if there is not enough demand for urban residential environments (see also Recommendation 7).

Thirdly, the simple fact is that the choice for 'infill' or 'greenfield' development depends in part on what is needed according to the quantitative and qualitative housing demand (including the demand for urban or suburban residential environments). If there is demand for green, urban residential environments close to or outside the city, the participants in the regional talks will obviously have to look for alternatives to inner-city locations. The same applies if it is found that existing inner-city locations cannot meet the demand for a metropolitan lifestyle. In that case, possible solutions might be to increase the building density at the existing inner-city locations, to build new homes in neighbouring municipalities (still urban) or on the peripheries of the city (out-of-town). The quantitative and qualitative data provide a basis for this discussion. It will not be necessary to accept every attractive offer for a particular location; the decision will always have to take into account other factors that determine the choice of location. On the other hand, however, it is not expedient to reserve plan capacity for locations where there is no demand.

*The consultations must be sufficiently binding: prioritise locations and areas*

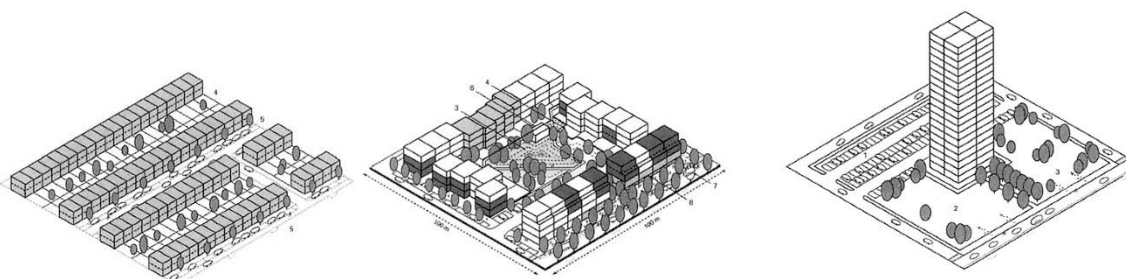
An important point is that the regional round tables must have consequences. Municipalities, provinces and the national government must reach clear mutual agreements on ambitions and priorities in consultation with housing associations, water boards, property developers and investors: what will be built where and over what period. They should also embrace both the quantitative and qualitative aspects. Prioritising locations and areas will be particularly helpful in accelerating building production by steering the deployment of resources and funding. Provinces will then have to ensure that municipalities underpin their zoning plans for specific locations with data on current housing needs and the arguments required by the Sustainable Urbanisation Ladder, and that the plans are coordinated at regional level.

### **Recommendation 3. Municipalities, aim for higher housing density in inner-city locations**

To accelerate building production, municipalities in regions where the housing market is tight would be well advised to consider increasing the housing density at inner-city locations. Particularly at locations for which a general zoning plan has already been approved, more housing could then be built relatively quickly.

Increasing inner-city housing density is not uncontroversial, because of the association that is often made with tower blocks for which there is no demand among multi-person households. It is therefore important to emphasise that high-density is not necessarily a synonym for high-rise. As Buitelaar argues, the same high level of housing density can be achieved with totally different urban planning designs with different types of housing.<sup>16</sup> Figure 1, for example, shows three different designs for a development with 75 homes per hectare.

**Figure 1: Three planning designs for 75 homes per hectare**



Source: Urban Task Force (1999, p. 31)<sup>17</sup>

<sup>16</sup> Buitelaar, E. (2018). *5 misverstanden over binnen- en buitenstedelijk bouwen*. [www.stadszaken.nl](http://www.stadszaken.nl), 11 April 2018.

<sup>17</sup> Illustration by Andrew Wright Associates, in Urban Task Force (1999). *Towards an Urban Renaissance: Final Report of the Urban Task Force*. London: Her Majesty's Stationery Office. See also Meyer, H., Westrik, J. & Hoekstra, M. (2008). *Stedenbouwkundige regels voor het bouwen*. Nijmegen: SUN.

To generate public support for plans for denser building, it is important to be clear about the type of housing that is proposed and the quality of the public space, particularly because of the possible variation in density, which can range from 25 homes per hectare (the average density in a Vinex expansion district)<sup>18</sup> to 75 (urban) or even 150 (metropolitan, as in the plans for the Merwedekanaal zone in Utrecht).

Increasing the density of housing at inner-city locations depends on two important conditions. The first is that parking has to be arranged, for example by constructing underground garages or by introducing new mobility services (such as car sharing for an apartment complex). The second concerns the access to the infrastructure, see Recommendation 4.

#### **Recommendation 4. Create solutions for the accessibility of building locations**

At present, the really uncertain factor with regard to future building locations is often the regional infrastructure, particularly in the case of bigger locations in large and medium-sized cities. Providing public authorities and market actors with certainty on this point early in the process could greatly accelerate building production. Good solutions that enhance the accessibility of a location are also decisive for the ultimate quality of the living environment.

Opening up access to building locations within the region, including inner-city sites, is a problem for various reasons. It requires substantial investment, which often exceeds the budgets of local authorities. It is also not just a question of finding solutions for the additional burden imposed on the infrastructure by a single new inner-city location, but the total burden caused by all inner-city building locations. Additional investment by the national government is desirable, but investments have already been fixed for the next ten years in the Multi-year Programme for Infrastructure, Spatial Planning and Transport (MIRT). That period is too long to allow for a flexible response to new challenges, for example in relation to the house-building programme. An additional factor is that scarcely any of the budget of the Infrastructure Fund (the primary source of funds for the MIRT programme) goes to regional projects, but is earmarked mainly for motorways and railways.<sup>19</sup> In addition, the link made between spatial planning and mobility in the MIRT is still weak, partly as a result of the unequal distribution of resources and the political decision-making process.<sup>20</sup>

The Council takes the view that it is important to adopt an integrated approach to accessibility and housing in the MIRT process. You have already announced that greater attention will be given to the relationship between housing and other aspects of spatial planning and accessibility in the MIRT agenda.<sup>21</sup> Accordingly, officials responsible for spatial planning and infrastructure attend the deliberations of the MIRT Inter-Authority Consultation process in each domain. The Council approves of this, but does not feel it is sufficient for finding solutions for accessibility in relation to housing. The Council also calls for adaptivity and regionalisation.

As it has done in earlier advisory reports on accessibility (in 2017) and investment in mobility (in 2018), first and foremost the Council recommends that local authorities jointly reconsider the choices made in relation to mobility earlier in the MIRT process. The updated MIRT rules allow for this,<sup>22</sup> with the introduction of the principle of 'adaptive programming'. This principle is based on the idea that, in light of the pace of social and technological developments, it is important not to pin oneself politically and legally to a specific solution too early in a process. If there are uncertainties or if the intention is to implement plans over a lengthy period, the government and the regions should jointly adopt an adaptive approach. The process of adaptive programming is

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<sup>18</sup> Boeijenga, J. & Mensink, J. (2009). *Vinex Atlas*. Rotterdam: 010 Publishers.

<sup>19</sup> Only 4% of the Infrastructure Fund's budget for 2018 goes to regional and local projects. Main roads do in fact have an important function for regional transport. In the advisory report 'Van B naar anders', the Council therefore advocated looking at the infrastructure system as a whole, in the interests of regional mobility (Rli, 2018).

<sup>20</sup> Van der Steen et al., 2017 in Rli (2018).

<sup>21</sup> House of Representatives (2018). *Meer prioriteit voor woningbouw. Brief van de minister van Binnenlandse Zaken en Koninkrijksrelaties aan de Tweede Kamer van 13 maart 2018*. Session year 2017-2018, 32 847, no. 332.

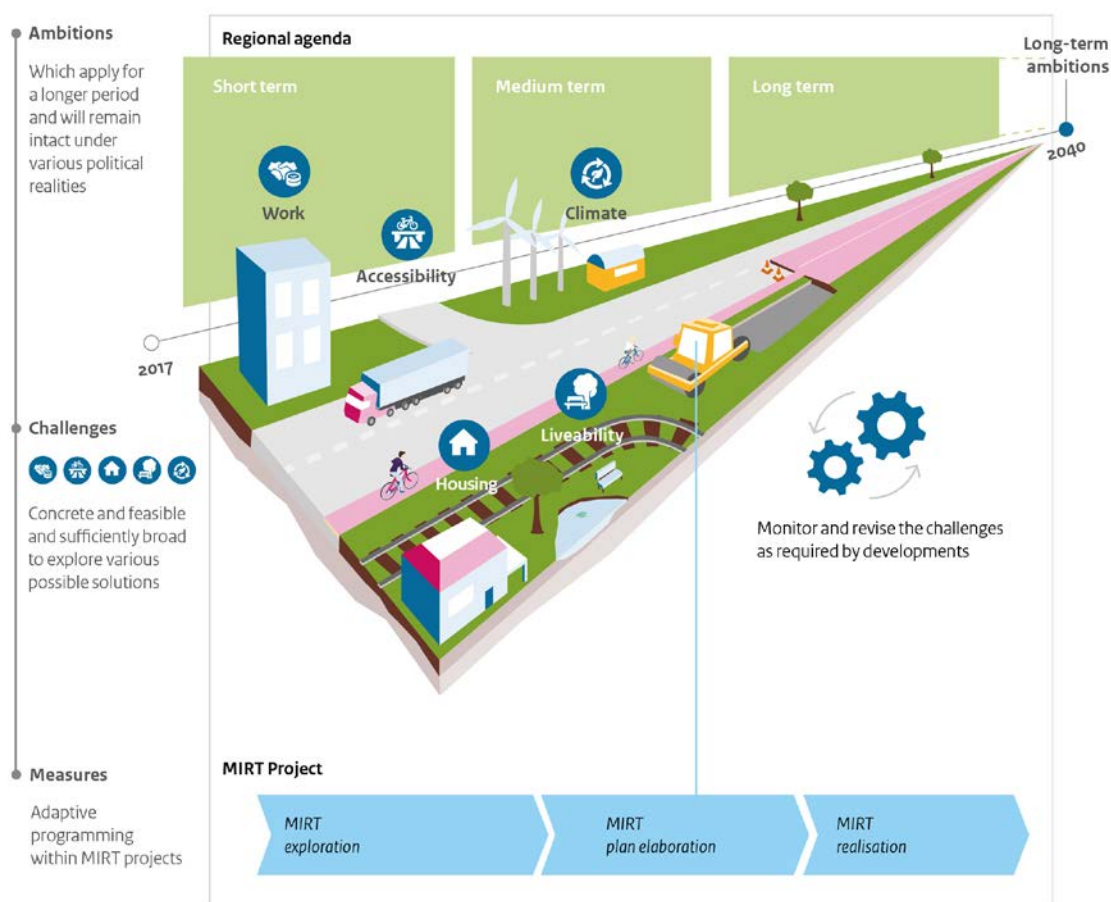
<sup>22</sup> Ministry of Infrastructure and the Environment (2016). *Spelregels van het Meerjarenprogramma Infrastructuur, Ruimte en Transport*. The Hague.

explained in the report 'Adaptief programmeren in het fysiek-ruimtelijk beleid' [Adaptive programming in physical-spatial policy] (2017).<sup>23</sup> In that process, parties jointly determine tipping points: moments at which a problem or opportunity emerges and a new measure is needed. The Council takes the view that the need to accelerate the production of new housing could be such a tipping point and a pretext to reconsider the existing choices made in the MIRT, particularly with respect to projects in the exploratory phase of the MIRT process for which no contracts have yet been concluded for their implementation. Figure 2 illustrates the elements of the MIRT process and adaptive programming.

The Council also recommends that the investment strategy should be guided by *regional* issues and challenges where mobility is a factor, rather than by tasks relating to the main infrastructure, which are mainly national in nature.<sup>24</sup> Regional transport solutions, based on the regional demand for transport to provide access to future housing locations, such as light rail and expansion of the network of bicycle paths, should also qualify for funding from MIRT. In that case, government grants would be available for solutions for regional infrastructure at housing locations, which would create the necessary transparency about accessibility within the region. In the Council's opinion, this change should be made as part of the re-evaluation of the choices made in the MIRT.

Agreements on the review could be made in the MIRT Inter-Authority Consultation process, in light of the government and the regions' joint MIRT regional agendas.<sup>25</sup> With the publication of the National Environmental Strategy [*Nationale Omgevingsvisie*], these regional agendas will probably be transformed into environmental agendas.

**Figure 2. The MIRT process and adaptive programming (KIM, 2017)**



<sup>23</sup> KIM (2017). *Adaptief programmeren in het fysiek-ruimtelijk beleid*. The Hague: Ministry of Infrastructure and the Environment.

<sup>24</sup> Rli (2018). *Van B naar anders*. The Hague.

<sup>25</sup> A regional agenda sets out the government and the region's vision, ambitions and development path for the region concerned. The agenda also prioritises challenges and areas, and fleshes out the challenges. The regional agendas are adopted in the MIRT Inter-Authority Consultation process.



### **Recommendation 5. Use existing instruments and develop new ones to persuade landowners to actually build in accordance with a zoning plan**

An important requirement for accelerating building production in the short and medium term is that building actually occurs at locations where planning permission has been granted. This sounds self-evident, but it is not. At the moment, there is no easy way for municipalities to compel land owners to build, for example if a land owner postpones building for commercial reasons and – in the extreme case of the threat of expropriation – invokes the ‘right to develop’ principle.<sup>26</sup> In practice, this sometimes leads to ‘stalled sites’, where nothing is being built even though there is planning approval. Recent research has shown that the number of houses involved is more than 100,000 since 2010 – a not insignificant number compared with the number of houses built in 2017: just over 62,000.<sup>27</sup>

The Council therefore advocates the use of existing instruments and the development of new ones to persuade land owners to actually build within a specific period. One option would be for the inclusion of an obligation to proceed with building within a specific period when municipalities issue land or when land is sold by the Central Government Real Estate Agency (*Rijksgebouwendienst*). Although many municipalities already adopt deadlines for building when issuing land, the Central Government Real Estate Agency does so far less often.<sup>28</sup> A second option would be for municipalities to give notice that it will only agree to a planning change if the land owner gives a contractual undertaking to realise the new designated purpose within a specific period. This is a form of planning agreement. A third possibility would be for the government to insert a new clause in the Supplementary Act on Land Ownership for cases where land owners invoke the right to develop principle in the event of expropriation or a right of pre-emption. This provision would mean that in those cases the municipality could demand that the party claiming the right to develop would incur a contractual obligation towards the municipality to develop the land within a specific period.<sup>29</sup> To be clear, this latter proposal is not the same as an absolute duty to build for unwilling land owners, but it does mean that non-compliance with the obligation could be a statutory ground for expropriation. This measure could both accelerate building production and foster anti-cyclical policy in the future (see Recommendation 7).

### **Recommendation 6. Enable housing associations to invest more in building production with a discount on the landlord levy for building new houses**

It has become more difficult for housing associations to invest in building new homes in the last few years, although they could play a significant role in accelerating housing production. A major obstacle for housing associations is the tension that exists between their social task and the room they have to invest in the performance of that task. On the one hand, the demands being made on housing associations are increasing (building more new housing, improving the sustainability of the existing housing stock and ensuring an adequate supply of affordable social housing), while at the same time they face a growing tax burden from a higher landlord levy, rising corporation tax and a levy based on the new EU Anti-Tax Avoidance Directive (see appendix 1).<sup>30</sup>

To increase the scope for housing associations to invest, the Council recommends that some of the proceeds from the landlord levy should be fed back into the sector. The government could do this by restoring the discount on the landlord levy for housing associations that invest in the

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<sup>26</sup> The current situation in the Netherlands is that land cannot be expropriated if the owner is able and willing to produce a development desired by the municipality, such as housing. This is known as the right to develop principle. Formally speaking, the right to develop land only applies in cases of expropriation and (since the amendment of the Supplementary Act on Land Ownership) the right of pre-emption.

<sup>27</sup> Buitelaar, E. & van Schie, M. (2018). *Bouwen niet verboden. Een onderzoek naar onbenutte plancapaciteit. Ruimte + Wonen*, 99 (2).

<sup>28</sup> A certain caution needs to be observed in this context: with this approach a government runs the risk of creating a ‘public contract’, which could be incompatible with the EU’s rules on public procurement. See Ministry of Infrastructure and the Environment et al. (2011). *Reiswijzer Gebiedsontwikkeling 2011*. The Hague.

<sup>29</sup> Rli (2017). *Grond voor gebiedsontwikkeling*. The Hague.

<sup>30</sup> There is a reasonable consensus on the scale of the higher tax burden: an annual increase of more than one billion euros from 2021. Aedes (2018). *Meer belasting voor corporaties, minder nieuwe en energiezuinige woningen voor huurders*. The Hague; Waarborgfonds Sociale Woningbouw (2018). *Hoeveel duurzaamheid kan de borg aan?* Hilversum; Autoriteit Woningcorporaties (2018). *Sectorbeeld 2017*. The Hague.

construction of affordable new housing. There used to be a discount scheme which was designed, among other things, to foster the construction of new, affordable rental homes and to transform properties into rental accommodation. However, the budget was exhausted sooner than anticipated and the scheme ended with effect from 1 July 2018.<sup>31</sup> The discount scheme proposed here would be in addition to the plans already announced for a discount for investments made to improve the sustainability of the existing housing stock. The government is earmarking € 100 million a year for this scheme from 2022 (rising from € 25 million in 2019 to € 100 million in 2022).

The discount schemes would not have the effect of abolishing the landlord levy or decoupling it from the system of municipal valuation of immovable property (WOZ value) – both of which are frequently advocated, but far-reaching measures. But the proceeds from the levy would be spent in the social housing sector and so create more room for investment by housing associations. The discounts would facilitate investment in two important tasks (new building and sustainability) in those places where it is most badly needed. The scheme would therefore be an incentive for housing associations to invest and innovate. The Council recommends that you include this proposal in the letter on the landlord levy that you have promised to send to the House of Representatives after the summer and in which you will review the entire range of current tax increases and prospective tax reductions in relation to the tasks of the housing associations.

### **Recommendation 7. Adopt measures to make housing-market policy more anti-cyclical**

Housing market policy has become more pro-cyclical in recent years: the policy reinforces the prevailing economic trend. In a downward market, there is no building and the construction industry collapses. In a rising market, it is impossible to keep up with demand. As prices start to recover, it also takes a long time for the construction sector to recover. To make the housing market less volatile, the Council recommends that you immediately start implementing measures, with a long-term impact, that will mitigate extreme peaks and troughs in future. Such measures will help to determine whether future problems with building production can be resolved. The Council makes a number of initial suggestions below.

#### *Adhere to the Sustainable Urbanisation Ladder*

The Council believes it is essential that public authorities continue to adhere to the Sustainable Urbanisation Ladder for future building locations in order to avoid overprogramming. The Ladder was recently simplified, with the scrapping of the requirement that out-of-town locations must be reachable by multiple modes of transport. The Council considers further relaxation of the requirements to be undesirable. If all soft planning capacity is converted into hard capacity, there could in time be over-production in some places. This would have disastrous financial consequences for both property developers and the relevant municipalities during an economic downturn, as has become apparent in the recent past. Establishing a more even production pattern is in everyone's interest.

#### *Reconsider the role of housing associations in the evaluation of the Housing Act*

Housing associations, on the one hand, and property developers and investors, on the other, should operate more as a system of communicating vessels in the housing market. The theory behind this is that housing associations would then be able to continue investing in building and maintaining the existing housing stock in times of economic crisis, while that is better left to market actors when the economy is booming. In this way, investment in the sector will be sustained even during an economic downturn, which will prevent a major exodus of personnel. The proposal made in Recommendation 6, to allow some of the proceeds from the landlord levy to flow back to the housing associations, could be a first step in that direction. By giving housing associations a role in the lower mid-market rental segment, they would have the possibility of building when times are bad and then selling in good times to strengthen their capital position. The broader role of the housing associations should be further analysed in the evaluation of the Housing Act.

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<sup>31</sup> House of Representatives (2018). *Stand van zaken rond de heffingsvermindering in de verhuurdersheffing. Brief van de minister van Binnenlandse Zaken en Koninkrijksrelaties aan de Tweede Kamer van 16 april 2018*. Session year 2017-2018, 32 847, no. 361.

*Provide guidelines in the national and provincial environmental strategies*

The plans to accelerate housing production often seem to focus on developing individual plots, without looking at the cumulative effect. In the Council's opinion, it is crucial to do that: what effect will the individual interventions have on the quality of the living environment? Will they produce the towns, villages and neighbourhoods that we want? It is important to see the individual locations in the context of an integrated long-term vision for the living environment. The national and provincial environmental strategies are instruments that could provide this guiding strategy for the market and public authorities.

**4. Concluding remarks**

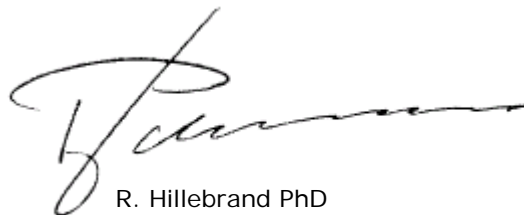
The Council's intention with this letter is to warn of the risks of acting too hastily in accelerating the production of housing. At the same time, the Council has made recommendations for measures that could be taken to accelerate building where it is needed, while maintaining quality standards in various respects. We would be happy to discuss this report with you. Finally, the Council wishes you success in the further consultations with the regions.

Yours sincerely,

Council for the Environment and Infrastructure,



J.J. de Graeff  
Chair



R. Hillebrand PhD  
General secretary

## APPENDICES

### APPENDIX 1. Rising tax burden on housing associations

Housing associations are struggling with the accumulation of taxes:<sup>32</sup>

- The landlord levy is rising to more than the anticipated € 1.7 billion. This is due to the fact that the levy is based on the rateable value under the Valuation of Real Estate Act (the WOZ value), which is rising in line with the escalation in house prices.
- The multi-year projections suggest that the corporate income tax bill for housing associations will rise to € 600 million in 2021. Housing associations will therefore have to pay more in corporate income tax each year. Although the tax rate is being reduced (from 25% to 21%), the total tax burden is expected to rise because of the higher WOZ values.
- Finally, the EU Anti-Tax Avoidance Directive (ATAD) creates an additional tax burden. The government wants to restrict the tax deductibility of interest charges. Housing associations depend heavily on loans and do not have the option of raising capital from shareholders. Their interest charges are therefore relatively high.

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<sup>32</sup> Aedes (2018). *Meer belasting voor corporaties, minder nieuwe en energiezuinige woningen voor huurders*. The Hague; Waarborgfonds Sociale Woningbouw (2018). *Hoeveel duurzaamheid kan de borg aan? Een analyse van de duurzaamheidsinvesteringen op het risicoprofiel van het borgstelsel en op individuele corporaties*. Hilversum; Autoriteit Woningcorporaties (2018). *Sectorbeeld 2017*. The Hague; Conijn, J. (2018). Ambities woningcorporaties in de knel door hogere belastingdruk. *Financieele Dagblad*, 23 May 2018, p. 9.

## **APPENDIX 2. Responsibility and acknowledgements**

### **About the Council for the Environment and Infrastructure**

The Council for the Environment and Infrastructure (*Raad voor de Leefomgeving en Infrastructuur, Rli*) advises the Dutch government and Parliament on strategic issues concerning the sustainable development of the living and working environment. The Council is independent, and offers solicited and unsolicited advice on long-term issues of strategic importance to the Netherlands. Through its integrated approach and strategic advice, the Council strives to provide greater depth and breadth to the political and social debate, and to improve the quality of decision making processes.

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