

Tussen hamer en aambeeld: risk management and decision making in response to the *Woningwet2015*.

James Thorogood

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Section 1 – introduction, thematisation, and Research Question.

1. Introduction

a. 'Far from home'

The report of the *Parlementaire Enquete Woningcorporaties 'Ver van Huis'* begins with the story of the *Vestia*: the Housing Corporation with an unmanageable derivative portfolio that left various different stakeholders bearing a 2.7 billion euro cost. The *Vestia* affair was for the Commission *'..de direct aanleiding voor het houden van een parlementaire enquête naar het functioneren van het stelsel van woningcorporaties in Nederland.(page 8)'*. The commission aimed to uncover explanations for the different 'scandals' involving housing corporations which had been widely reported in the popular press. Their explanation rested on how deficiencies in the governance framework had facilitated the rational interests of corporation management. While the commission recognised that the corporation sector had otherwise produced good policy outcomes (limiting the formation of ghettos and supplying good quality housing stock) they proposed a complete overhaul of Housing Corporation Governance. Central to their recommendations was for corporations to step back from their position in the 'commercial' property market and refocus on their core business of supplying social property to people without the means to afford a market rent.

b. The Housing Act 2015 & Housing Market Tensions

The Housing Act (HA) (2015) adopted in light of the Commission's recommendations comprehensively changed the governance of housing corporations obliging the separation of social and commercial property activities and placed significant restrictions on the corporation's commercial property activities. As a result of these obligations and other government measures, corporation's supply of middle segment rental property is expected to reduce while demand is expected to increase (PBL, 2017). Capital Value & ABF Research (2017) report forecasts of a housing shortage of 200,000 dwellings peaking in 2018 and call for 'an emphasis on building more mid-priced rented homes and inexpensive occupied dwellings to increase the dynamics in the housing market.' Due to their existing position in the middle segment market, PBL(2017) propose that the corporation sector could, within the flexibilities afforded by the Housing Act, legitimately address middle segment demand.

c. Contribution of the research.

Central government measures seeking to implement the PBL recommendations will act upon a new governance structure and a recently re-organized corporation sector. For measures to be effective key questions concern the structure of the governance framework created by the HA and behaviour of corporations responding to new framework. The current research aims to make a contribution to understanding the potential effectiveness of government measures implementing the PBL recommendations by: a) defining how the housing act regulates the corporation's property supply, and; b) exploring why the executive of the corporation chooses between an administrative or legal separation as mandated by the HA.

d. Approach of the thesis & summary of findings.

The research is divided into four main sections. Section one (this section) introduces the research, views Housing Corporation Governance (HCG) as an example of Multi Level Governance (MLG), and is characterised according to the recommendations of the Commission, and the historical structure of the governance framework. Here the recommendations of the Commission of *Setting Limits*, and *Strengthening Governance* are introduced to show their objectives for the reorganization of the corporation sector and to highlight what's at stake for the corporation sector and middle segment property supply. Section one also introduces the research questions, concerning the how rules of the HA regulate the corporation's property supply and why executives choose one or the other separation types mandated by the Act.

Section two defines the rules which relate to administrative and legal separations and how they structure choice regarding the corporation's supply of social and commercial property. The rules of the Housing Act are analysed according to Ostrom's (1990; 2014) Institutional Analysis Framework to better understand the governance structure created by the act and differences between the administrative and legal separations in the rules for social and commercial property. The findings show that the Act incentivises social property supply, restricts activities to a certain geographic area, permits commercial investments via a fully owned housing company, and establishes a framework for local governance of housing policy. The findings also show that while the incentives are the same for social property under both separations, the legal separation offers freedom from the permissions required for commercial investments under the administrative separation.

Section three seeks to understand why executives choose one type of separation or the other. Building on the IAF with organization theory, the theoretical framework proposes that the choices of separation are viewed by the executive in organizational terms and offer conformity or control related benefits for organizational survival. Interviews with executives of a convenience sample of relatively large corporations show that executives choose the administrative, legal (or combination of both types) dependent on the importance of commercial property to their overall supply strategy, risks of transferring property to a legal entity or future government control, and how local government supports corporations to avoid HA incentives by enabling a broad market role or preserving investments in disparate geographic markets. The discussion of the findings in light of the assumptions of the theoretical framework suggests that the choice of separation is determined by the extent of dependence of the corporation on commercial property, threats to organizational stability and control over commercial property exchange, and the local level institutional context facilitating the corporation's avoidance of central level institutional pressures.

Section four outlines the implications of the findings for measures implementing the PBL recommendations, proposing that central government should account for the capacity of the local governance framework to avoid central level interests and, as the corporation is a central actor within this framework, mitigate risks for the corporation in order to align preferences with growth in middle segment supply. For measures to be effective, central government should send a clear institutional to the governance framework of the corporation's middle segment role, use the AW to manage risks to organizational stability presented by scrutiny of the WSW and participation of private actors in the legal separation, and enable preferences of local actors, particularly tenants, regarding the importance of meeting middle segment demand. Finally, suggestions for future research focus on the role of central government in the development of the framework and participation of private investors in corporation owned housing companies.

2. Understanding Housing Corporation Governance

Introduction

The aim of this section is to provide the reader with the background regarding Housing Corporation Governance and define the context necessary for understanding the implications of the Commission's recommendations regarding the re-organization of the corporation sector. This section does this by understanding Housing Corporation Governance (HCG) as an example

of Multi Level Governance (MLG). MLG is an arrangement involving central government and local level, sometimes non-state actors, in policy implementation. In order to understand the problems that arise in a MLG governance arrangement, Bannink (2013) focusses on the capacities of central and local levels, the complexity of the social problem which framework aims to solve, and difference of interests between central and local actors. HCG is illustrated according to these aspects beginning with the recommendations of the Commission to show the preferences of the central level for housing corporations. This is followed by an outline of the capacities of the historical (preceding the Housing Act) implementation framework and corporation's property supply strategies. The final section concerns an outline of the problem of the middle segment market and PBL (2017) recommendations regarding the corporation sector solution to solving market tension.

a. Interests of the central level – the inquiry recommendations

This subsection aims to show the Commission's preferences for the governance of housing corporations by setting out briefly the key recommendations of Inquiry's report '*Ver van Huis*' (Tweede Kamer, 2014). The overall objective of the Commission's aim is to reorient corporations to their classic core business of supplying property to people who don't have the means to afford market rate property. The research looks at the recommendations most likely to affect the corporation's organization of property related outputs, specifically *Setting Limits*, which recommends discontinuing commercial activities and limiting investments to geographic area, and; *Strengthening (External) Governance*, which recommends formal involvement of local actors in agreeing housing priorities and strengthening central government oversight.

i. Setting Limits

The report proposes that the core tasks and competencies of housing corporations are the production and management of rental property for people with a lower income. Corporations should limit their activities to Services of General Economic Interest (SGEI) and existing SGEI activities be discontinued. The Commission argues this represents clear basis for separating social and commercial activities with the additional benefit of avoiding classification of the support for housing corporations to be classified as state aid. The Commission also recommends that the scale of corporations must be limited to a housing market area - the area where the majority of the property of the corporation is situated, with exceptions able to be given by the minister where the majority of property does not fall into a clearly defined area.

ii. Strengthening Governance

Under the strengthening of governance, the report is concerned with improving the checks and balances on corporation behaviour and the democratic legitimacy of the corporation's outputs. The commission proposes strengthening the role of the minister in terms of oversight of the corporation sector using an independent and newly established *Woonautoriteit*, responsible for enforcing financial, legal, and governance rules. The commission also proposes strengthening the democratic legitimacy of the corporation's outputs, with local level actors of corporation, local government and tenant's organizations, agreeing housing market performance under a formal agreement. Local government should also create a Housing Vision concerning local housing policy and the investment possibilities for the corporation.

b. The historical policy implementation framework

This section provides a brief overview of the historical implementation framework, highlighting the capacities of central and local actors, how the governance structure has enabled a broad implementation solution and how corporations appeared to have responded to incentives to supply more expensive middle segment property as well as social.

i. Different capacities of central government and housing corporations

Housing corporations are local level non-governmental organizations, constituted according to a foundation, trust, or association legal structure. Prior to the Housing Act the aim of corporations was housing persons who "in their income or other circumstances" experience difficulty finding appropriate accommodation (Article 70c, *Herzieningswet*, 1991). To implement this objective, central government has provided financial resources, firstly with the provision of subsidies and following the *Herzieningswet1991* via an explicit guarantee to the debts of Housing Corporations. The state guarantee backs up the loan guarantee system offered by the *Woningborgfonds Sociale Woningbouw* (WSW), a corporation sector organization established to facilitate access to better than market rate financing for corporations. This system is believed to ensure that corporations can access credit at affordable rates for their activities, reckoned to give interest benefits worth 'hundreds of millions of euros' (Veenstra & Ommeren, 2015).

ii. Providing affordable housing involves social and 'commercial' property

In light of their legislative objective, corporations act to supply property at an affordable rent, where other actors (such as property investors) are not supplying property to satisfy demand. Affordable property entails social (or regulated rental) property and middle segment (unregulated) property (as well as commercial property and property for sale which also does

not conform to a regulated rent level). Regulated rental property is subject to regulation and eligible for rental subsidy. Middle segment (and other types of property) concerns property which does not conform to the regulated rental level, often where market actors are uninterested in supplying property for the affordable segment (typically between 700 and 1000 euro). Corporations own approximately 33% of all dwellings in the Netherlands are owned by Housing Corporations, the largest proportion in the EU. Their activities in the middle segment have led to complaints from private property investors of unfair competition. While corporations have been restricted in their allocation of social stock to people earning below median income since 2010 (Aedes, 2013) they have continued to benefit from the WSW guarantee up until the adoption of the Housing Act (2015).

c. What's at stake

i. The 'problem' of the middle segment

Adopted in light of the Commission's recommendations, the Housing Act (2015) comprehensively changed the governance of housing corporations (Minister voor Wonen, BTIV 2015). Central to the rules of the Act is the requirement to separate social and commercial property, restriction of activities to a defined geographic market, and significant restrictions on the corporation's commercial property activities. As a result of these obligations and other housing market related reforms on the demand side (notably income dependent rental rises for tenants of social housing and more stringent requirements for mortgage financing), supply of middle segment property is expected to reduce while demand is expected to increase (PBL, 2017). Capital Value & ABF Research (2017) report forecasts of a housing shortage of 200,000 dwellings, peaking in 2018. To address this tension and achieve a better functioning of the housing market overall, PBL (2017) echoes an industry wide consensus for a better functioning middle segment to better match the housing market with increasingly flexible social and work relationships.

ii. Corporation sector could be central to solving middle segment demand

PBL (2017) propose that housing corporations and or affiliated housing companies could legitimately take a more active position in the mid segment market, contrary to the reform objectives for corporations to focus exclusively on social market. The main advantage of a corporation sector solution is speed which corporations could respond to demand because a substantial proportion of their existing portfolios are of a quality suitable for the middle segment market. PBL therefore propose that central government could oblige corporations to

separate portfolios, administratively or legally, based on property quality measured by the property valuation system or WOZ norms, rather than public subsidy (SGEI, non SGEI).

a. Contribution of the research & research question

For any central government measures implementing the PBL recommendations to be effective key questions concerns the structure of the governance framework created by the HA and behaviour of corporations responding the new framework. The Housing Act sets out: “.... *de taken, het werkgebied, en de governance van toegelaten instellingen*” (page 80, Minister voor Wonen, 2015, BTIV). One of the main requirements of the Act is an obligation to separate social and commercial property activities administratively or legally. The research uses these choices as an entry point for the research to understand how corporations organize social and commercial property supply in response to the Housing Act, posing two main research questions:

1. *How does the Housing Act regulate the corporations property supply and what are the rules related to legal and administrative separations for social and commercial property supply?*
2. *Why do executives choose the legal or the administrative separation types?*

b. Research Design & approach

The research uses a qualitative design to address the research questions. At the time the fieldwork was undertaken, the legislation was relatively fresh and corporations were yet to formally submit their separation proposal to central government. As the research area was as yet unexplored, the researcher felt that a qualitative research design would be more appropriate to explore the research area and seek to define the problem facing executives (in terms of the choices of rules related to the separation) and explore the causal relationships between the rules and the executive’s choice of separation. Within this qualitative design, the research uses two methods: document analysis and interviews with executives. Section two analyses the Housing Act, and related texts, to to better understand the governance structure created by the act and differences between the administrative and legal separations in the rules for social and commercial property.¹ Section three uses the findings of Section three to define the benefits of the choices of separation from the perspective of organizational theory and as an input for semi-structured interviews with executives of a convenience sample of large housing corporations.

¹ Note the research uses the Commission’s definition of ‘commercial’ property activities to refer to any activities which do not relate to the subsidised regulated segment.

Section 2 – the rules of the Housing Act and the separation types

Introduction

Section two aims to better understand the governance structure created by the act and differences between the administrative and legal separations in the rules for the supply of social and commercial property. Using the Commission recommendations as context, the HA and related texts are analysed using the Institutional Analysis Framework (Ostrom, 1990; Ostrom et al 2014) to show how the housing act regulates the corporation's property supply and the rules related to the administrative and legal separations for social and commercial property. The findings show that the Act incentivises social property supply, restricts activities to a certain geographic area, permits commercial investments via a fully owned housing company, and establishes a framework for local governance of housing policy. The findings also show that while the incentives are the same for social property under both separations, the legal separation offers freedom from the permissions required for commercial investments under the administrative separation.

1. The institutional analysis framework

Introduction

The Institutional Analysis Framework (IAF) was developed by Ostrom (1990; Ostrom et al, 2008) to explain individual choice in a Common Pool Resource (CPR) situation. Originally applied to finite physical resource systems such as water and forests, the IAF has been used to explain choice in relation to various non-tangible public goods (e.g. police services, see Ostrom et al 2014). Central to the explanatory approach of the framework are *institutions* i.e. the rules at different levels which determine choice and incentivize cooperative behavior regarding the resource system. Ostrom proposes that actors choose rules which enable a strategy that offers higher net benefits. In the following the framework for analysis is set out to structure the analysis of how the housing act regulates the corporation's property supply. The separations are assumed to constitute sets of rules which have consequences for the supply of social and commercial property. Actors choose rules which enable a strategy that offers higher net benefits. In section three, the separations and rules they entail are viewed from the perspective of organizational theory to predict executive perceptions of benefits/costs related to the respective choices.

a. The Framework for analysis of rules

Ostrom (1990) is concerned with understanding the incentives of a governance framework which structure choice. The IAF looks at the rules of a governance framework (formal or informal) which actors use to choose a strategy in relation to a resource system. From this perspective, the norms of the Housing Act in the present research regulate the corporation's strategy regarding commercial and social property supply. Over years of research, Ostrom and colleagues (see Ostrom et al 2014) have sought to identify the rules and aspects of the governance system most likely to affect actor choice. The most proximal, or 'everyday' rules in influencing actor choice are working rules. The IAF proposes that working rules can be classified into different types depending on their effects. The main types include:

- participation rules (who is involved),
- scope rules (authorised / forbidden functional domains, geographic areas),
- aggregation rules (whether certain actions require permission / agreement of others),
- payoff rules (monitoring rule conformance, sanctions / incentives)

Together the rules structure an action arena, which defines the various different actors involved and their relationship. These working rules represent one 'level of analysis'. Working rules are nested within super-ordinate levels of rules and choice. Working rules are the output of choices made at the collective choice level, with collective choice *rules* (defining the actors involved and the procedure) structuring choices made at this level. There may be multiple arenas of collective choice, such as courts, legislatures, trade associations, regulatory bodies (Ostrom, 1990; Campbell & Lindberg, 1990).

b. Applying the framework to the Housing Act

This framework is used to analyse the rules of the Housing Act related to the recommendations of *Setting Limits* and *Strengthening (External) Governance*. The rules are reproduced here with examples likely to apply in the context of the Housing Act. In addition to the Ostrom rules, *ownership* is also introduced because corporations, as with other types of landlords have legal title to the property which they supply to the local market (for rent).

- participation rules (which actors are involved e.g. Local Government),
- scope rules (e.g. social / commercial market, geographic market),
- aggregation rules (e.g. restrictions on commercial activities, local actor agreements)

- payoff rules (e.g. state subsidy, other incentives such as land)
- Ownership (e.g. property ownership)

For the participation rules organizations are defined according to their basis in law and their jurisdiction. The actors referred to the Commission's recommendations relate to central (e.g. new government regulator) and local levels (local government, tenant's organizations). This is important because rules relating to social and commercial property may involve different organizations and the different configurations of organizations involved in the respective rules could be important in affecting perception of organizational benefits.

c. Separations as choices of rules

Ostrom proposes that actors choose rules which enable a strategy that offers higher net benefits. The separations are assumed to constitute a choice of rules which have consequences for the supply of social and commercial property. The results of the IAF analysis showing how the HA regulates the corporation's property supply are organized under the administrative and legal separations to show the rules which the separations entail for social and commercial property supply. In section three, the separations are viewed from the perspective of organizational theory to predict executive perceptions of organizational benefits/costs related to separations.

2. Analysis of the rules of the Housing Act.

a. Method

The texts (Housing Act and related implementing legislation) were classified according the IAF in light of the recommendations of the Commission under *Setting Limits*, and *Strengthening External Governance*. Rules were chosen for inclusion under one of the two (*Setting Limits or Strengthening External Governance*) based on a plain reading of the Housing Act and related implementing legislation rules together with the recommendations. Where the researcher's background knowledge suggested that additional texts were necessary to make sense of the rules, these texts were consulted and fragments reproduced as appropriate. Rules were classified according to the categories of the IAF (Ostrom et al, 2014) set out in the theoretical framework. The data sources used in the analysis are listed in Appendix I. Participating actors were classified according to whether their objectives were provided for in public law or private law. If objectives were defined in public law, the organizations were classified as public. If private then they were classified as public. Public law organizations could be further defined

according to whether their jurisdiction was central (nationally applicable) or local, depending on the scope of their objectives

b. Findings

The findings of the analysis below show the HA rules related to the Commission's recommendations of *Setting Limits* and *Strengthening Governance*, classified according to the IAF. Sections (i) and (ii) set out the rules related to recommendations. Building on these sections, section (iii) presents these rules as they relate to administrative and legal separation types. This section therefore presents the 'choices' (in terms of the rules) which the Act presents to executives regarding the supply of social and commercial property. The findings show that the Act incentivises social property supply, restricts activities to a certain geographic area, permits commercial investments via a fully owned housing company, and establishes a framework for local governance of housing policy. The findings also show that while the incentives are the same for social property under both separations, the legal separation offers freedom from the permissions required for commercial investments under the administrative separation and from geographic restrictions on investments.

i. Setting limits

Introduction

Under *Setting Limits* the report proposed that corporations a) limit their activities to Services of General Economic Interest (SGEI), that existing non SGEI activities be discontinued, and; b) activities to be limited to a housing market area (the area is the area where the majority of the property of the corporation is situated, with exceptions able to be given by the minister). The analysis shows that HA rules related to *Setting Limits* that *Volkhuinvesting* is the exclusive activity of the corporation. The geographic market area is authorised by the municipalities and minister and includes SGEI activities defined as rental property offered under EUR710 (functional domain and geographic area rules, table 2.1 – 2.3) which are incentivised by public service compensation, a publicly backed guarantee system for lending (payoff rules, table 2.4). The separation / ownership rules (table 2.5) show that the HA permits the corporation's existing non-SGEI activities directly under the administrative separation, or indirectly via ownership in the Housing Company and also shows the payoff rules related to the separation in terms of internal financing permitted between the non-SGEI and the SGEI parts of corporation or to the housing company.

Scope rules - functional domain and geographic area

Table 2.1 shows that the Housing Act defines corporations as ‘authorised institutions’. The corporation must obtain authorisation from the municipalities where it is based to continue activities and is subject to a geographic restriction to continue activities within a housing market area (which may be requested by bordering municipalities) and decided by the minister. The exclusive activity within this geographic area is *Volkshuisvesting*² which includes activities which are *Diensten van Algemeen Economisch Belang (DAEB)* or Services of General Economic Interest (SGEI). The Act does not *exclude* non SGEI activities, stating only that SGEI activities are *included* in the definition of *Volkshuisvesting*. Under Article 47, the Act goes on to explain that SGEI are services which involve housing persons who experience difficulties in finding accommodation on account of their income for a rental price no higher than stipulated in Article 13 of the *Wet op de Huurtoeslag*.

Table 2.1: definitions of the corporation’s market in the Housing Act

Reference	Definition
Artikel 41 Afdeling 3, Werkzaamheden, Woningwet2015.	1. Indien de toegelaten instelling voornemens is feitelijk werkzaam te zijn in een gemeente in Nederland, vraagt zij een verklaring van geen bezwaar aan bij het college van burgemeester en wethouders van die gemeente en van de gemeente waar zij haar woonplaats heeft.
Artikel 41b Afdeling 3, Werkzaamheden, Woningwet2015. BTIV, 2015 Nota Van Toelichting	1. Onze Minister kan, op verzoek van twee of meer aan elkaar grenzende gemeenten in Nederland, goedkeuren dat, in afwijking van de artikelen 40 en 41, de in een of meer van die gemeenten feitelijk werkzame toegelaten instellingen ensamenwerkingsvennootschappen in al die gemeenten feitelijk werkzaam mogen zijn. Het besluit van Onze Minister wordt in de <i>Staatscourant</i> geplaatst. 2. Onze Minister geeft uitsluitend toepassing aan het eerste lid, indien de gemeenten, bedoeld in dat lid, in hun verzoek aannemelijk hebben gemaakt dat zij alle gelegen zijn in hetzelfde vanuit het oogpunt van het functioneren van de woningmarkt als een geheel te beschouwen gebied. 6.2. <i>Vaststelling regio’s</i> Op basis van artikel 41b van de Woningwet hebben gemeenten vanaf 1 januari 2016 de mogelijkheid de minister te verzoeken het werkgebied van toegelaten instellingen regionaal vast te stellen. Deze mogelijkheid vloeit voort uit de bepaling in het regeerakkoord dat de schaal van een toegelaten instelling in overeenstemming moet zijn met de schaal van de regionale woningmarkt en de kerntaak. Het resultaat zal zijn dat elke toegelaten

² *Volkshuisvesting* translates to Public Housing in English which is inappropriate here given that corporations are formally independent entities from central government. Accordingly, the original Dutch text is retained here.

	instelling één regionaal werkgebied als kerngebied heeft, waarin zij volledig actief mag zijn.
<i>Artikel 45 Afdeling 3, Werkzaamheden, Woningwet2015.</i>	1. De toegelaten instellingen, de met hen verbonden ondernemingen van welke zij de enige aandeelhouder zijn en de samenwerkingsvennootschappen zijn uitsluitend werkzaam op het gebied van de volkshuisvesting.
<i>Artikel 45 Afdeling 3, Werkzaamheden, Woningwet2015</i>	3. Het gebied van de volkshuisvesting omvat de werkzaamheden, genoemd in het tweede lid, onderdelen d tot en met h, ³ die behoren tot de diensten van algemeen economisch belang,
<i>Preamble, Woningwet2015,</i>	- <i>diensten van algemeen economisch belang</i> : diensten van algemeen economisch belang als bedoeld in: a. artikel 106, tweede lid, van het Verdrag betreffende de werking van de Europese Unie en b. het besluit van de Europese Commissie van 20 december 2011 (PbEU 2012, L 7) betreffende de toepassing van dat lid op staatssteun in de vorm van compensatie voor de openbare dienst, verleend aan bepaalde met het beheer van diensten van algemeen economisch belang belaste ondernemingen;
<i>Artikel 47, s3 Diensten van Algemeen Economisch Belang, Woningwet2015</i>	1. Als diensten van algemeen economisch belang zijn, behoudens het bepaalde bij en krachtens de artikelen 50 en 50a en artikel II, derde lid, derde en vierde volzin, van de Herzieningswet toegelaten instellingen volkshuisvesting, aan de toegelaten instellingen en aan de samenwerkingsvennootschappen opgedragen: a. het huisvesten of doen huisvesten van personen die door hun inkomen of door andere omstandigheden moeilijkheden ondervinden bij het vinden van hun passende huisvesting; b. het doen bouwen en verwerven van voor permanent verblijf bedoelde te verhuren woonegelegenheden met een huurprijs van ten hoogste het in artikel 13, eerste lid, onderdeel a, van de Wet op de huurtoeslag

Table 2.2. takes the fragment from the *Wet op de Huurtoeslag* which stipulates the rental border. Read together with the Housing Act, Article 13 of the Housing Allowance Act shows that SGEI is defined as a rental property offered no higher than € 710.68 for which a subsidy paid to the tenant (*Huurtoeslag*) is available. Here, the Act therefore operationalises the corporation's SGEI market as subsidised rental housing offered at a restricted rent level, where the tenant is eligible for a subsidy. The preamble also shows that SGEI is further elaborated in EU level instruments. Table 2.3 shows the EU level instruments that can be used to further define SGEI at a European level:

Table 2.2. Defining SGEI in terms of max. rental price & rental subsidy (Housing Allowance Act)

³ Paragraphs d) through to e) refer to the specific building / development activities and are therefore not reproduced here.

<i>Reference</i>	<i>Definition</i>
Artikel 13, Wet op de Huurtoeslag	1 Geen huurtoeslag wordt toegekend als de rekenhuur: a. hoger is dan € 710,68 per maand...

While not directly referred to in the legislation, the State Aid decision concerning project aid to Housing corporations is reproduced here because it is useful to understand the consequences of Housing Act's requirement that *Volkshuisvesting* includes SGEI. Under EU law, SGEI are excluded from the State Aid prohibition and are therefore able to receive financing or other systems of state support as 'public service compensation'. Socially disadvantaged households are defined in the Commission State Aid decision (2/2005; 642/2009) as individuals with an income not exceeding EUR 33,000. The BTIV2015 explanatory notes show that a letter to the Dutch Parliament (second chamber) that the State Aid decision was effective in domestic law and gave some flexibility for SGEI property to include tenants that exceeded the income criterion.

Table 2.3: Defining SGEI in terms of (EU Level Instruments)

<i>Reference</i>	<i>Definition</i>
Article 106 (2) of the Treaty on the Functioning of the European Union (OJ..)	Undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing monopoly shall be subject to the rules contained in the Treaties, in particular to the rules on competition, in so far as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them. The development of trade must not be affected to such an extent as would be contrary to the interests of the Union.
The decision of the European Commission of 20 December 2011 (PbEU 2012, L7) ⁴	<p><i>Article 1:</i> This Decision sets out the conditions under which State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest is compatible with the internal market and exempt from the requirement of notification laid down in Article 108(3) of the Treaty.</p> <p><i>Article 11:</i> undertakings in charge of social services, including the provision of social housing for disadvantaged</p>

⁴ Given the length of this decision, only relevant sections have been reproduced here.

	citizens or socially less advantaged groups, who due to solvency constraints are unable to obtain housing at market conditions, should also benefit from the exemption from notification provided for in this Decision
<i>State aid No E 2/2005 and N 642/2009 – The Netherlands Existing and special project aid to housing corporations Brussels, 15.12.2009 C (2009) 9963 final.</i>	40. ... the Commission would consider the following measures appropriate to ensure compliance with the EC State aid rules: – Limitation of social housing to a clearly defined target group of disadvantaged citizens or socially less advantaged groups. 41(i) Construction and renting out of dwellings to individuals a) The target group of socially disadvantaged households will be defined as individuals with an income not exceeding EUR 33,000.
<i>Brief 30 oktober 2012, Kamerstukken II 2012/13, 29 453, nr. 277 (taken from section 3.7.1 Nota van Toelichting, BTIV2015)</i> 80% must be allocated to households with an income of € 34,911 (price level 2015), the remainder may be allocated to households with an income of € 38,950 (price level 2015) until 2020. Up to 10% of all allocations the authorized institutional may allow for higher income households, in compliance with the applicable priority rules of this Decision (state aid decision cited above) and the applicable Housing Regulation.

Payoff rules – resource relationship with central government

The section above setting out the Housing Act’s definition of the corporation’s market shows that SGEI is related not only to a rental price and tenant income, but also to public service compensation paid. Providing SGEI therefore comes with a ‘payoff’ i.e. an incentive as input resource provided by central government. Table 2.4 elaborates on the Housing Act obligations which sets out the implementation of state aid as it relates to Housing Corporations. Article 1 of the Act defines compensation to include state support in terms of facilitating access to lending with a ‘borg’ or guarantee provided by a state backed entity. The Nota Van Toelichting explains that this guarantee is provided by the WSW, which is then further guaranteed by the state and local government.

Table 2.4: definition of the relationship with central government - resources

<i>Reference</i>	<i>Fragment</i>
<i>Artikel 1 Woningwet2015.</i>	Voor de toepassing van het bij of krachtens deze wet bepaalde wordt verstaan onder: - compensatie: a. door toegelaten instellingen kunnen aantrekken van leningen met gebruikmaking van de borgingsvoorziening, of van borgstelling daarvan door overheden;

	- <i>borgingsvoorziening</i> : door de Staat der Nederlanden gefaciliteerde voorziening, in het leven geroepen met het oog op het door toegelaten instellingen kunnen aantrekken van leningen;
Section 2.5, Nota van toelichting, BTIV2015.	Het Rijk en de gemeenten zijn achtervang bij het WSW. Indien het WSW niet meer aan zijn verplichtingen kan voldoen, verstrekken het Rijk en de gemeenten die in de achtervang zitten leningen aan het WSW, zodat het WSW weer aan zijn verplichtingen kan voldoen.
Section 2.1, Nota van Toelichting, BTIV2015.	De borg wordt uitgevoerd door het Waarborgfonds Sociale Woningbouw (hierna: WSW)

Separation rules

Table 2.5 reproduces fragments from the Housing Act that contain the essential obligations relating to either an administrative separation or a legal separation of work activities. The corporation is required to separate their existing work activities, according to the provisions of Article 49 or Article 50. Both types of separation are based on activities which are defined as SGEI and ‘other activities’ (Article 49) or ‘work activities that do not belong to SGEI’ (Article 50a). No elaboration of the meaning of *non* SGEI activities is given in the Housing Act or related implementing legislation so it can be assumed that other activities or work activities that do not belong to SGEI relate to all other market segments and classes of property (e.g. mid segment rental, commercial property). Fragments reproduced in Table 2.5 show that the essential obligations defined as Administrative and Legal have different consequences for SGEI property ownership. Under the administrative separation, Article 49 refers only to the authorised institution therefore the corporation retains ownership. In contrast Article 50 refers to non-SGEI work activities to be placed within a *woningvennootschap* or Housing Company (see below), implying that the corporation retains ownership of non SGEI property. The obligation amounts to the transfer of ownership of non SGEI property from the corporation to a private limited company. The choice of separation, whether administrative or legal, must be authorised by the municipalities where they are active and tenant’s organizations.

Table 2.5: table showing the different types of separation (*administratieve v juridische*)

<i>Refs.</i>	<i>Description</i>
<i>Artikel 49 (1), section 4 Administratieve Scheiding en vermogen scheiding, Afdeling 3, Werkzaamheden</i>	The authorised institutions maintain such records that the registration of assets and liabilities associated with SGEI assigned

	to them and to the cooperative companies, respectively, are separate from their other activities.
<i>§ 4. Administratieve scheiding en vermogensscheiding Artikel 48a</i>	Het bepaalde bij en krachtens deze paragraaf is slechts van toepassing, indien en zolang de toegelaten instelling geen toepassing geeft aan artikel 50a.
Artikel 73, § 4. Goedkeuring van de administratieve scheiding, BTIV	1. De toegelaten instelling stelt, voordat zij een verzoek om goedkeuring van een voorgenomen administratieve scheiding indient, de colleges van burgemeester en wethouders van de gemeente waar zij haar woonplaats heeft en van de gemeenten waar zij feitelijk werkzaam is, de betrokken bewonersorganisaties en de huurders van haar gebouwen die een maatschappelijke gebruiksbestemming hebben als bedoeld in artikel 45, tweede lid, onderdeel d, de gelegenheid om hun zienswijze op die scheiding te geven
<i>Artikel 50a, section 5 Juridische Scheiding Afdeling 3 Werkzaamheden, Woningwet2015</i>	1. Om een juridische scheiding te bewerkstelligen brengt de toegelaten instelling haar werkzaamheden die niet behoren tot de diensten van algemeen economisch belang, en alle daarmee samenhangende baten, lasten, activa en passiva, overeenkomstig bij of krachtens algemene maatregel van bestuur te geven voorschriften onder in een of meer woningvennootschappen.
BTIV § 2. Goedkeuring van de juridische scheiding Artikel 84	1. De toegelaten instelling stelt, voordat zij een verzoek om goedkeuring van een voorgenomen juridische scheiding indient, de colleges van burgemeester en wethouders van de gemeente waar zij haar woonplaats heeft, van de gemeenten waar zij feitelijk werkzaam is, van die waar woningvennootschappen na die scheiding hun woonplaats zullen hebben en van die waar zij na die scheiding feitelijk werkzaam zullen zijn, de betrokken bewonersorganisaties en de huurders van haar andere gebouwen dan woongelegenheden in de gelegenheid om hun zienswijze op die scheiding te geven.

Payoff rules related to separation

Table 2.6 shows the rules which permit the ‘start lending’ between the DAEB and niet DAEB parts of the corporation under the administrative separation and between the corporation and the housing company under the legal separation, where necessary to ensure the financial continuity of the DAEB part of the corporation or housing company, as required by the housing act (Article 21). The rules show that start lending is permitted to finance niet DAEB and that this loan must be repaid within 15 years and the rent term based on a premium on the base rate.

Table 2.6: table showing the rules permitting start lending between DAEB – niet DAEB

<i>Refs.</i>	<i>Description</i>
<p><i>Artikel 70 Afdeling 5 Administratieve Scheiding § 3. Inrichting van en geldstromen tussen de daeb-tak en de niet-daeb-tak</i></p>	<p>1. Indien de toepassing van het bepaalde bij en krachtens de artikelen 66 en 67 er zonder nadere maatregelen toe zou leiden, dat de financiële continuïteit van de daeb-tak niet in dezelfde mate is gewaarborgd als die van de niet-daeb-tak, voert de toegelaten instelling bij die toepassing onder de naam 'interne startlening' een vordering van de daeb-tak op de niet-daeb-tak op.</p>
<p><i>Artikel 82, Afdeling 6, Juridische Scheiding, § 1. Inrichting van de woningvennootschap en geldstromen tussen de toegelaten instelling en de woningvennootschap,</i></p>	<p>1. Indien de toepassing van het bepaalde bij en krachtens artikel 81 er zonder nadere maatregelen toe zou leiden, dat de financiële continuïteit van een woningvennootschap niet in 44 dezelfde mate is gewaarborgd als die van de toegelaten instelling, verstrekt de toegelaten instelling bij die toepassing een startlening aan de woningvennootschap. De startlening kan een hypothecaire lening zijn. Op het rentepercentage en de aflossing van die lening is het bepaalde bij en krachtens artikel 10, tweede en derde lid, van overeenkomstige toepassing, met dien verstande dat het rentepercentage, bedoeld in dat artikel, geldt als minimumpercentage</p>
<p>Artikel 10 BTIV2015.</p>	<p>1. De financiële continuïteit, bedoeld in artikel 21⁵, tweede lid, tweede volzin, onderdeel d, van de wet, is niet voldoende gewaarborgd, indien Onze Minister van oordeel is dat de financiële middelen van de betrokken toegelaten instelling of rechtspersoon of vennootschap onvoldoende zullen blijken te zijn om hun voorgenomen werkzaamheden te kunnen verrichten. 2. Een lening als bedoeld in artikel 21, tweede lid, tweede volzin, onderdeel e, van de wet: a. heeft een rentepercentage dat gelijk is aan de op het tijdstip van indiening van het verzoek om een goedkeuring als bedoeld in artikel 21, tweede lid, eerste volzin, van de wet geldende rente op tienjarige staatsleningen, vermeerderd met een bij ministeriële regeling te bepalen percentage, en b. wordt binnen vijftien jaar afgelost in liquide middelen en zodanig, dat na vijf en tien jaar ten minste een derde respectievelijk twee derde deel is afgelost. 3. De toegelaten instelling kan Onze Minister verzoeken om de aflossing, bedoeld in het tweede lid, onderdeel b, op een later tijdstip te stellen of het af te lossen bedrag lager vast te stellen. Onze Minister willigt het verzoek uitsluitend in, indien naar zijn oordeel daardoor wordt voorkomen dat de financiële continuïteit van de rechtspersoon of vennootschap niet meer is gewaarborgd en de financiële continuïteit van de toegelaten instelling gewaarborgd blijft. Hij kan aan dat inwilligen nadere voorwaarden verbinden. 4. Bij</p>

⁵ Article 21 Woningwet2015 requires the corporation to ensure the financial continuity and of any associated housing companies.

	ministeriële regeling kunnen nadere voorschriften worden gegeven omtrent de toepassing van dit artikel.
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ii. *Strengthening Governance*

Introduction

Under *Strengthening Governance* the commission proposes strengthening the role of the minister in terms of oversight of the sector using an independent and newly established *Woonautoriteit*, responsible for enforcing financial, legal, and governance rules. The commission also proposes strengthening the democratic legitimacy of the corporation's outputs, with corporation, local government, and tenant's organizations, agreeing implementation under a formal agreement. The analysis of the rules of the HA related to *Strengthening Governance* show that the HA formally structures these recommendations in the following way. The rules provide for the agreement of local actors regarding the corporation's implementation of *Volkshuisvesting* and specific tests to be satisfied for the corporation to supply non SGEI property (aggregation rules, table 2.8). The ownership and oversight related rules (table 2.9) show that the corporation becomes the sole owner of the housing company created by the legal separation. Central government enforces oversight of the corporation and housing company according to certain areas and may force the corporation's sale of the shares of the housing company subject to certain conditions (oversight / ownership rules, table 2.9). Table 2.9 shows the participating organizations determined by their explicit reference by the Housing Act and relationship with the organization.

Participating organizations – the different organizations involved

Table 2.7 shows those organizations referred to in the Housing Act which have relationships with the corporation and housing company (see method section for the classification basis). While there are no participation rules per se, the involvement of these organizations are implied from other rules (see below). The objectives of the Housing Corporation Authority (*Autoriteit Woningcorporaties*) is the supervision of authorised institutions (Article 61(1)). Similarly, the objectives of Housing Corporations are defined in Article 19(1): exclusively directed towards public housing, and; Tenants organizations (*Huurdersorganisatie*) are defined in Article 1(1) of the law of negotiation between landlord and tenants, representing the interest of tenants. In contrast, the objectives of the Housing Company (*Woningvenootschap*) are not defined in law. The jurisdiction of the public local organizations are defined in relation to the work area of the

corporation (see Article 42, table 2.1 above) whereas the designation *institutions* (Article 61) implies that the jurisdiction of the Housing Authority concerns the oversight of all Housing Corporations in the Netherlands (and all the companies they own via a controlling share in their equity).

Table 2.7 showing organizations participating in the different rules related to *Strengthening Governance*

Public Central		Public Local		Private	
Reference	Organization	Legal basis	Organization	Legal Basis	Organization
Artikel 60(1) Afdeling 5. Toezicht en Bewind, Woningwet2015	Autoriteit Woningcorporaties:	Article 19(1) Afdeling 1 Algemene Bepalingen Woningwet2015	Toegelaten Instellingen	Artikel 50(1), Afdeling 5 Juridische Splitsing, Afdeling 3 Werkzaamheden, Woningwet2015) Artikel 24a, Afdeling1. Algemene Bepalingen, Titel 4 Naamloze vennootschappen, Burgelijk Wetboek Boek 2	Woningvennootschap: zijn naamloze vennootschappen als bedoeld in artikel 64 van Boek 2 van het Burgerlijk Wetboek a. een rechtspersoon waarin de rechtspersoon of een of meer van zijn dochtermaatschappijen, al dan niet krachtens overeenkomst met andere stemgerechtigden, alleen of samen meer dan de helft van de stemrechten in de algemene vergadering kunnen uitoefenen
		Artikel 1(1)(g) Algemene Bepalingen, Wet op het overleg huurders verhuurder. Artikel 1(1)(g) Algemene Bepalingen, Wet op het overleg huurders verhuurder.	Huurdersorganisatie Vereniging of stichting, die als doelstelling heeft het behartigen van de belangen van huurders.		
		Artikel 40, Afdeling 3. Werkzaamheden 1. Relatie met de gemeente, Woningwet2015	<i>Gemeente:</i> De toegelaten instellingen, de samenwerkingsvennootschappen en, voor zover zij werkzaam zijn op het gebied van de volkshuisvesting, de andere met toegelaten instellingen verbonden ondernemingen zijn uitsluitend feitelijk werkzaam in gemeenten in Nederland, in gemeenten in de directe nabijheid van Nederland of in de openbare lichamen Bonaire, Sint Eustatius en Saba.		

Aggregation rules – future SGEI and non SGEI investments (corporation)

Table 2.8 shows the aggregation rules related to the corporation's SGEI and non SGEI property activities. The tripartite agreement of corporation, municipality, and tenant's organization concern the implementation of *Volkshuisvesting* or 'local social housing policy' and must be made annually. The next two obligations show that the corporation may undertake non SGEI investments subject to certain conditions: a market test, undertaken by the municipality and a return test undertaken by the housing authority. While the market test is delegated to the municipality, the minister retains ultimate authorization over the planned investment and assumes competence for the *rendementstoets*. Read together, the obligations imply that *Volkshuisvesting* includes non SGEI property activities, subject to certain conditions, and are brought under the *Prestatie Afpspraak*.

Oversight and ownership rules (corporation and housing company)

Table 2.9 shows the oversight and ownership rules related to the corporation and housing company. These rules differ from the aggregation rules of table 2.8 and are reported together because they do not directly relate to the supply of property. The corporation becomes the 100% shareholder of the housing company after the separation, and the AW has the right to force sale of the corporation's shares in the housing company if the AW deems it necessary to guarantee the financial continuity of the corporation. Central government, via the AW, oversees the corporation, and daughter companies, according to legality of actions; governance; financial continuity; protecting the social assets; solvency and liquidity of institutions and their subsidiaries; financial risk management and accountability.

Table 2.8 showing aggregation rules for SGEI and non SGEI investments undertaken by corporation

<i>Refs.</i>	<i>Procedure</i>	<i>Description</i>	<i>Local Public</i>	<i>Central Public</i>	<i>Private</i>
<p>Article 43, Afdeling 3, Werkzaamheden, Woningwet2015</p> <p>Artikel 44; Afdeling 3, Werkzaamheden, Woningwet2015</p>	Prestatie Afspraak	<p>1. De toegelaten instelling stelt een overzicht op van voorgenomen werkzaamheden, waaruit de gemeenten waar zij feitelijk werkzaam is kunnen afleiden welke werkzaamheden op hun grondgebied zijn voorzien, en welke bijdrage daarmee is beoogd aan de uitvoering van het volkshuisvestingsbeleid dat in die gemeenten geldt.</p> <p>2. De toegelaten instelling verzoekt jaarlijks, tegelijk met de toezending van het overzicht, bedoeld in artikel 43, eerste lid, om een overleg met de betrokken colleges van burgemeester en wethouders en de organisaties en commissies, bedoeld in het eerste lid, met het oog op te maken afspraken over de uitvoering van het in de betrokken gemeenten geldende volkshuisvestingsbeleid in ten minste het kalenderjaar dat direct volgt op de in het eerste lid bedoelde datum.</p> <p>4. Indien het overleg, bedoeld in het tweede lid, niet binnen zes maanden na aanvang daarvan tot afspraken als bedoeld in dat lid leidt, leggen het college van burgemeester en wethouders, de toegelaten instelling of de organisaties en commissies, bedoeld in het tweede lid, het geschil dat aan het tot stand komen van die afspraken in de weg staat binnen vier weken na het ontstaan van het geschil schriftelijk en onderbouwd ter behandeling voor aan Onze Minister, die vervolgens een bindende uitspraak doet.</p>	Toegelaten Instellingen Gemeente, Huurdersorganisatie	<i>Only If no agreement is reached (see 44(4)).</i>	n.a
<p>Artikel 44c(1) Afdeling 3, Woningwet2015; Artikel 43 BTIV Section 2.6.3</p>	Niet DAEB construction subject to ministerial approval; Marktoets	<p>Voornemens voor door toegelaten instellingen of samenwerkingsvennootschappen te verrichten werkzaamheden op het gebied van de volkshuisvesting die niet behoren tot de diensten van algemeen economisch belang zijn, behoudens in bij algemene maatregel van bestuur bepaalde gevallen, onderworpen aan de goedkeuring van Onze Minister. Zij legt daartoe die voornemens aan hem voor, nadat achtereenvolgens:</p>	Gemeente	n.a.	n.a

<i>Refs.</i>	<i>Procedure</i>	<i>Description</i>	<i>Local Public</i>	<i>Central Public</i>	<i>Private</i>
		a. de gemeenten waar zij feitelijk werkzaam is over zodanige werkzaamheden waarbij andere gemeenten een rechtstreeks belang hebben overleg hebben gevoerd met die gemeenten; b. de colleges van burgemeester en wethouders van de gemeente waar zij feitelijk werkzaam is, die het ter uitvoering van het volkshuisvestingsbeleid dat in die gemeente geldt noodzakelijk achten dat in die gemeente werkzaamheden als bedoeld in de aanhef worden verricht, behoudens in bij algemene maatregel van bestuur bepaalde gevallen, hebben nagegaan, in elk geval door middel van een algemene bekendmaking langs elektronische weg, of anderen dan toegelaten instellingen of samenwerkingsvennootschappen zodanige werkzaamheden wensen te verrichten;			
Artikel 44c, Nota van Toelichting BTIV, page 99. Section 2.5.3, Investerings in niet DAEB vastgoed	Niet DAEB construction subject to ministerial approval; Rendementstoets, financial authorisation	Deze toetsing is.. een toets op de financiële positie van de DAEB-tak en de niet-DAEB-tak na de desbetreffende investering (financiële zienswijze), en een toets op het aanvangsrendement van de investering (rendementstoets).	n.a.	Autoriteit woningcorporaties	n.a.

Table 2.9. showing ownership and oversight rules (corporation, housing company)

<i>Refs.</i>	<i>Procedure</i>	<i>Description</i>	<i>Local Public</i>	<i>Central Public</i>	<i>Private</i>
Section 4.5.3, Juridische Splitsing, Nota van Toelichting BTIV 2015.	Juridische splitsing	De overgang kan plaatsvinden door een juridische splitsing waarbij de toegelaten instelling wordt gesplitst volgens de regels van artikel 334a en volgende van Boek 2 van het BW. In dat geval wordt de toegelaten instelling 100% aandeelhouder van de op te richten woningvennootschap. Daarnaast is overdracht van niet-DAEB-werkzaamheden mogelijk onder bijzondere titel.	Toegelaten instellingen		Woningvennootschap
Artikel 61(1) Afdeling 5 Toezicht en bewind Artikel 50c(2) section 5 Juridische Scheiding,	Ministerial oversight of daughter - company	1. Het toezicht op de toegelaten instellingen en de dochtermaatschappijen is opgedragen aan de autoriteit. (50c2). Onze Minister kan, overeenkomstig bij algemene maatregel van bestuur daaromtrent gegeven voorschriften,	n.a.	Autoriteit woningcorporaties	Dochter-Maatschappij

<p>Afdeling 3 Werkzaamheden; Artikel 90 BTIV</p>	<p>Minister may force sale of the shares in the daughter company, subject to certain conditions.</p>	<p>bepalen dat de toegelaten instelling haar aandelen in een woningvennootschap in het openbaar ter overname aanbiedt. Artikel 90 BTIV 1. Onze Minister kan toepassing geven aan artikel 50c, tweede lid, van de wet, indien naar zijn oordeel vervreemding van aandelen in een woningvennootschap noodzakelijk is uit het oogpunt van het waarborgen van de financiële continuïteit van de toegelaten instelling of van het door de toegelaten instelling kunnen voldoen aan artikel 42, eerste lid, eerste volzin, van de wet.</p>			
<p>Artikel 61(1); Artikel 61(1) Afdeling 5, Toezicht en Bewind, Woningwet2015</p>	<p>Ministerial Oversight</p>	<p>1. Het toezicht op de toegelaten instellingen en de dochtermaatschappijen is opgedragen aan de autoriteit. 2. Het toezicht richt zich op de volgende onderwerpen: a. de rechtmatigheid van het handelen en nalaten van de toegelaten instellingen en de dochtermaatschappijen; b. de governance en de integriteit van beleid en beheer van de toegelaten instellingen en de dochtermaatschappijen; c. het behoud van de financiële continuïteit van de toegelaten instellingen en de dochtermaatschappijen; d. het beschermen van het maatschappelijk bestemd vermogen van de toegelaten instellingen en de dochtermaatschappijen; e. de solvabiliteit en de liquiditeit van de toegelaten instellingen en de dochtermaatschappijen; f. de kwaliteit van het financieel risicomanagement, het financieel beheer, de financiële aansturing en de financiële verantwoording van de toegelaten instellingen en de dochtermaatschappijen;</p>	<p>n.a.</p>	<p>Autoriteit woningcorporaties</p>	<p>n.a.</p>

iii. How the governance structure is organized by separation type

This section reproduces the HA rules implementing the recommendations of *Setting Limits* and *Strengthening Governance* according to the respective choices of separation, administrative and legal. The aim is to show the governance frameworks that each of the separation types entail relating to property supply, social (SGEI) and commercial (non SGEI). Table 2.10 organizes the aggregation, ownership, and oversight related rules reproduced above according to the type of separation, organizations involved in the rules and their classification as central / local public, or private, and whether they relate to SGEI or non SGEI property activities.

Rules are the same for SGEI property activities

The first thing to note is that the rules for SGEI property activities are the same for both types of separation:⁶ at the central level, the corporation is exclusively tasked with local housing implementation within a housing market area fixed by the minister and is eligible to receive state aid for social market housing (SGEI activities see tables 2.1 – 2.3). At this central level the corporation is subject to the AW enforcing oversight rules which do not directly relate to property supply in the local market (see table 2.9). At the local level, local actors (under the *Prestatie Afspraak*) agree the corporation's implementation of local housing policy.

Rules are different for non SGEI property activities

In contrast, rules regarding non SGEI property activities related to the legal and administrative separations are different. The administrative separation requires the corporation to obtain permissions from local and central government before future non SGEI investments are undertaken, these activities are included under the *Prestatie Afspraak*, and are subject to central level restrictions of Housing Market area. The non SGEI part of the corporation may receive an internal loan from the SGEI part if necessary ensure financial continuity. Under the legal separation, there is a private law entity responsible for non SGEI activities. This housing company is not subject to the local and central level rules regarding non SGEI investments which apply to the corporation under the administrative separation, implying that the housing company has freedom to invest in any geographic market. The corporation owns 100% of the shares of the Housing Company, suggesting that that only the interests of the corporation (subject to the housing company management) will be represented. Central level interests are

⁶ This is because only the corporation's social property activities are eligible for State Aid (see section 4(i), tables 2.1 – 2.3) and the corporation persists after both types of separation.

represented in relation to the Housing Company in a limited way, provided for by the oversight of the entity by the AW and may be subject to forced sale of required to ensure the financial continuity of the corporation.

Table 2.10 Tabulation of payoff, aggregation, oversight, ownership rules by separation type and market

	<i>Type of separation of regulated and non-regulated activities</i>			
	<i>Administrative.</i>		<i>Legal.</i>	
<i>Organisations</i>	<i>SGEI – corporation</i>	<i>Non SGEI – corporation</i>	<i>SGEI – corporation</i>	<i>Non SGEI - company</i>
Private	None	None	None	Woningvenootschap
Local Public	Prestatie Afspraak (Scope)	Marktoets	Prestatie Afspraak	TI only shareholder of Woningvenootschap
	N/A	Internal loan	N/A	Loan
Central Public	Exclusively tasked with volkshuisvesting (including SGEI);	Ministerial approval, redenementstoets	Exclusively tasked with volkshuisvesting (including SGEI)	Minister may force sale of daughter company if required to ensure financial continuity of the corporation
	State aid (WSW)	Not eligible	State Aid (WSW)	
	Restricted to housing market area set by minister			Daughter subject to ministerial oversight
	TI Subject to ministerial oversight			

Section 3 - explaining the choice of separation.

1. Theoretical framework

Introduction.

Section two analysed the rules of the Housing Act to show the rules related to the legal and administrative separations. Ostrom (1990) proposes actors choose a set of rules which enable a strategy offering higher net benefits. As the executive occupies an organizational role, Ostrom's approach is adapted here to provide an organizational perspective. The choice of separation therefore concerns which set of rules, from the executive's perspective, offers higher net benefits for organizational survival. Resource dependency theory and Institutional theory are chosen because they share Ostrom's view of the actor making choices in response to the demands of the environment and offer contrasting views on responses related to organizational survival. The theoretical framework below begins by setting out the general assumptions of institutional and resource dependency theory, structured according to the different ways the theories see the environment (organizational context) and the conforming or controlling responses associated with organizational survival (organizational choice). The section on organizational choice also includes Ostrom's proposals regarding institutional choice concerning an assessment of uncertain benefits and costs and the implications for decision making. The framework is then used to interpret the findings of section two and predict the executive's organizational cost/benefit assessments related to separations.

a. Organizational environment

i. Norms and competing institutional environments

In organizational terms, resource dependency theory and institutional theory both see the organization as responding to the pressures of the environment but differ in their emphasis (Oliver, 1991). Institutional theory emphasizes socially embedded institutions of the organizational environment. Institutional theory (e.g. Scott, 2001), like Ostrom, recognises the instrumental effects of regulation, but goes further in emphasising the normative, value infused, aspect of the institutional context. Institutions structure organizational fields, which are related to homogeneity in form and practices across a set of organizations (Di Maggio & Powell, 1984). Organizations may encounter more than one institutional context. Bannink et al (2013) propose that multi-level governance frameworks are structured by formal institutional norms, which define the capacities and responsibilities of central and local levels. Recent welfare reforms have sought to strengthen capacity and responsibility of local government and other actors at

the local level, enabling interest divergence between central government and local implementation actors (Bannink, 2013). The new institutional level may therefore represent a distinct institutional context or logic (Alford & Friedland, 1985; Thornton & Ocasio, 2008) which may be in competition (Scott, 2001).

ii. Resource exchanges and dependence

Resource dependency theory (Pfeffer & Salancik, 1978) emphasizes the organization's input and output relationships and the demands which these exchanges are conditional on. Demands of different groups may conflict and organizational choice will be influenced by the organizations or markets of the environment which provide resources needed for organizational survival. Organizations will seek to satisfy the demands of one group relative to another to the extent that the relationship is dependent. Dependence is determined by three factors: "...importance of the resource for continued operation and survival; extent to which the interest group has discretion over resource allocation and use; and the extent to which there are few alternatives or the extent of control over the resource by the corresponding organization / market" (Pfeffer & Salancik, 1978; 73). Control over a resource may be in the form of the power which that entity has to make rules regarding resource allocation and use (Pfeffer & Salancik, 1978; page 45). Government regulation regarding access to a market may therefore be important in determining dependence (Pfeffer & Salancik, 1978, see also Campbell & Lindberg, 1990).

b. Organizational choice

i. Survival as conformity and survival as control

Based on their different emphases of what is important in the organization environment, the theories have different assumptions regarding organizational responses related to long term survival. Resource dependency theory emphasises agency and control while institutional theory emphasises conformity with institutional norms (Oliver, 1991). Isomorphism results from organizations striving for legitimacy (Di Maggio & Powell, 1983): "a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574). The legitimacy derived from conformity with institutional norms is related to gaining access to a range of technical resources (such as personnel and financial resources, see e.g. Di Maggio & Powell, 1983). In contrast, Pfeffer & Salancik (1978) emphasise the importance of autonomy, rather than conformity. Organizations must avoid dependent relationships by exercising control over resource exchanges. In doing so, the organization maintains autonomy and the ability to

adapt to changes in the resource environment. Where demands of institutional environment conflict, Oliver (1991) suggests that organizations use manipulation tactics such as co-opting pressures (Pfeffer & Salancik, 1978; Selznick, 1949), influencing the source of institutional demands (e.g. standards of organizational performance, Scott, 1983), and controlling tactics which seek to establish power and dominance over the external constituents.

ii. Uncertainty and the effect of institutional change

Changing rules in itself may create circumstances which condition the decision. When rules change, there is uncertainty: “Rules provide stability of expectations and efforts to change rules can rapidly reduce that stability.....(c)hanging the rules at any level of analysis will increase the uncertainty that individuals will face” (Ostrom, 1990; 33). Ostrom suggests that where it is up to the individual to make a choice concerning rules: “...a better theoretical stance is to view institutional choice as a process of making informed judgements about uncertain benefits and costs.” (page 208). When making decisions where costs and benefits are uncertain the individual demonstrates certain biases, weighing potential losses more heavily than potential gains. “Consequently, individuals will differentially weigh the benefits of avoiding future harms more heavily than the benefits of producing future goods” (208). In organizational terms, this suggests that stability is a more important dimension of operation than either profitability or growth (Cyert & March, 1963; Pfeffer & Salancik, 1978).

c. Executive choice of separation

Ostrom (1990) proposes actors choose a set of rules which enable a strategy offering higher net benefits. As the executive occupies an organizational role, the choice of separation therefore concerns which set of rules, from the executive’s perspective, offers higher net benefits for organizational survival. The theories presented suggests that the strategy must account for how the corporation manages the various demands or pressures of the environment and differ essentially according to whether a conforming response or a controlling response offers the higher benefits regarding organizational survival. From this perspective, the choices of separation represent different configurations of demands on and control for the corporation regarding commercial property (non SGEI) supply, but the same configurations for state subsidised, social property (SGEI). The following sections aim to set out the implications of the theories for the choice of separation and views the separations as being more or less consistent with a conforming or controlling responses – legal offering more control and autonomy regarding the key resource exchange of property supply, administrative more conformity and legitimacy with institutional norms, and access to state subsidised resources. Depending on how

the executive perceives uncertainties related to the separations is determined by the perceived dependence on commercial property supply. These are set out at the end.

i. Administrative separation conforms and ensures social market demands can be met

From the perspective of institutional theory, the Commission's recommendations under *Setting Limits and Strengthening Governance* are semi-formal institutional norms and the Housing Act formal norms. Given the definition of SGEI as included in the exclusive activities of the corporation, incentives for social property supply, and restrictions on future commercial investments, the administrative separation choice may be preferable because of the greater overall institutional coherence for focus on social property (note however that the Act *formally* legitimises non SGEI ownership and activities). The administrative separation also has the resource incentive of state aided financing via the central government 'backstop' guarantee offered to WSW financing of housing corporation outputs, reckoned to offer significant finance saving for corporations (Veenstra & Ommerem, 2015). Where corporations are based in markets where the existing demand is principally social segment property, the WSW exchange may be perceived as dependent by the executive. The reasoning here is that to offer property supply below market rate rent may be perceived to be contingent on existing subsidised inputs, i.e. loan finance. Given the sub market rents available for the social market, corporations may therefore be dependent on supply inputs which ensure this demand can be satisfied.

ii. Legal separation offers more control over property supply locations and type

Existing investments in property to the local market is likely to be perceived as a dependent resource exchange for the corporation (deriving the benefits of key organizational inputs rental revenue, equity in return) because of importance of the exchange for organizational survival, and the relative cost in establishing comparable volume exchanges (or 'lumpiness'). The executive is therefore likely to be highly sensitive to existing demands of the market for social or commercial property and the geographic distribution of their investments. While the Act permits existing ownership of commercial property under the administrative separation, geographically dispersed investments, not uncommon for larger corporations, are prohibited. The Act also places future commercial investments for the corporation under local and central governmental control. The legal separation rules via the Housing Company offers the corporation the highest level of control over the location of property activities and the commercial segment of supply. This is because the Housing Company does not require the permission of central and local levels for future property activities and is not subject to the scope and geographic (Housing Market) restrictions. This means that where commercial

property supply is perceived as a dependent exchange and / or owns property in geographically dispersed markets, the legal separation should be perceived to offer higher resource exchange related benefits.

iii. Multiple institutional contexts & deviation from central level norms

The rules of the Act also provide for the participation of organizations whose objectives are defined in public or private law and, if public whether their jurisdiction is at the central or local level. These different levels may represent distinct and competing institutional interests or preferences regarding the corporation. The analysis of the HA showed that the municipality was required to participate in the governance framework of the corporation, authorizing the continuation of activities within the jurisdiction, negotiating the corporation's implementation of local housing policy (along with tenants) and could request the minister to set a Housing Market area. The rules suggest that the HA defines a distinct institutional environment at the local level and basis for legitimacy (Scott, 2001). As the framework formally strengthens the capacity of local actors to determine corporation outputs, it may enable the interests of the local level to deviate from central level institutional interests (Bannink et al, 2013). Corporations are relatively powerful actors in local property markets and may seek to enlist municipalities support to deviate from or manipulate central level institutional demands (Oliver, 1991). Given existing investments in local markets, municipalities may be open to facilitate the corporation's manipulation of central level institutional demand consistent with their preferences.

iv. Institutional change & uncertainties of the choices of separation

The perceived uncertainties of the separations are subject to the dependence of the corporation on commercial property related resource exchanges. Where commercial exchanges are less important, the legal separation may be perceived to present more uncertainty because of the threat to organizational stability posed by a transfer of property out of direct corporation ownership. The general uncertainty caused by reform may also lead executives to decide conservatively and choose the administrative separation. Alternatively, where commercial resource exchanges are more important, the administrative separation causes uncertainty regarding the future capacity of the corporation to maintain control over a key resource exchange. Similarly, given the change in the rules, the corporation may perceive the risk of future regulatory change and seek to avoid this uncertainty using the housing company under the legal separation to offer more control over future commercial related exchanges.

2. Analysis of the executive's choice of separation

a. Methods

This section used seven semi structured interviews based on an adapted version of Ostrom's (1990) framework for understanding institutional choice (see appendix 2 for the interview schedule) Interviewees were a convenience sample of CEOs / Finance Directors of relatively large corporations with a portfolio of minimum 10,000 properties from different areas of the Netherlands. Four of the interviews were carried out in English and two (mostly) in the Dutch language. The English interviews were undertaken by the author. The Dutch interviews were supported by a consultant professionally known to the interviewees who offered translation support when required. The interviews were analysed using Boeije's (2010) method, following the 'spiral of analysis': Transcribed interview texts were coded manually in the Nvivo software. In the coding, fragments of the interview texts were selected according to sensitizing concepts derived from the theoretical framework or if the researcher deemed them important to answer the research question. The themes were then considered together to discern causal relationships and the theoretical framework was used to arrange the themes in a coherent structure that addressed the research question. The results of the analysis are set out in the findings section below.

b. Findings

Introduction

This section reports the findings of the interviews regarding why executives chose to separate their SGEI and non SGEI property according to the legal or administrative separations. The findings are structured according to the approach of the theoretical framework. The first section reports executive's perceptions of the corporation's context, specifically the rules and actors of the governance framework at central and local level and the definition of the corporation's target market. The second section looks at executive choice in response to this context as choice between local and administrative separation types.

c. The corporation's environment

This section considers executive perceptions of the newness of the rules and government regulator, the executive's definition of the target market in relation to the problems of the local property market and of municipalities position in the governance framework and their preferences with regard the corporations property supply.

i. The 'newness' of the rules and government regulator

The HA changed the governance framework for corporations, introducing a number of new rules. The freshness of the rules appeared to be problematic from the perspective of executives, creating perversities in terms of carrying on the normal business activities of a corporation. Here citing the market test obligation applied when the corporation sought to purchase part of a portfolio from a distressed corporation in the local area:

“Now the law says I am obliged to do a market test when I want to buy things. If you come to me and want to sell a sack of potatoes and I say no no no please ask my neighbour and that the world is completely upside down”

Every interviewee made some sort of reference to the “Veegwetten” (or “Broom Laws” as they were somewhat affectionately dubbed in the interviews) when discussing the Housing Act and were referred to as remedies for the deficiencies of the rules related to the Housing Act. The perversities which the law were perceived to create appeared to be compounded by approach of the newly established AW citing an intransigent and uninformed approach to enforcement of the oversight rules (see table 2.9).

“AW is not yet really an institution at the moment.....(t)hey try but they have a problem of quality, they have a new boss who has just arrived.... there are people who have never worked at corporations. Just not there with the knowledge and experience standing over the material, how are you going to stand as oversight holder? They say, this *is* the law”

Another executive expressed this problem in terms of the effect of the approach of the AW on the corporation’s activities and the desire for more freedom to work according to the corporation’s objectives:

“.....hope that there is more trust in the work on social housing foundations, that there is more trust and more licence to operate”

Later on in the fieldwork, another executive highlighted that while their experience of the AW was consistent with the perception of the other interviewees, their enforcement approach appeared to be softening, here in reference to an interim regulatory review of the corporation by the AW:

“if you would have asked me 3 months ago I would say it’s a closed box.....remarkably there appears to be some kind of relaxation on, ok it’s not completely within the rules but the significance is very low so skip it, and that’s something that earlier on we did not see. Even if this small no is no. And at least there is some ‘reasonability’”

ii. Executive perceptions of ‘market problems’

Executives generally perceived that the HA defined the target market of the corporation as the social segment. The fragment here suggests the HA takes a ‘one size fits all’ approach to the housing markets which made it difficult to address supply problems peculiar to the local market:

“The law that now is, the Housing Act, is fully rigid. It assumes there is one type of Netherlands, one type of Housing Market...the demand of the housing is that we must focus on the social market. But with depopulation, how can we invest, the demands of the market are not only social”

In contrast to their perception of the intention of the act for focus on social property, executives generally defined the target market of the corporation in relation to local property markets and problems of supply. Market problems were defined according to segments where other actors (private) were perceived to be uninterested in supplying property. Segments were operationalized according to incomes and what someone earning that income could ‘afford’. The two fragments below are from executives with corporations based in local housing markets where private actors were not supplying affordable property for people earning middle incomes. The first refers to the strong housing market of Amsterdam, the other in a relatively weak market:

“...we think in which income suits this house. And we think we are going for incomes to 50,000...45,000 in Amsterdam ...because you can buy or rent a house at a normal rent if you earn more than the 50,000 so we think in household incomes”

“...what we see in our province, people with an income of 35000 to 50000 no market for them for rental area and when they want to buy their own house. And outside money getting out of the province instead of coming in to it. There is a gap and a lot of people just starting but earning a bit of money can’t get a house...I think that they see there is no other party willing to invest in this area with the exception of Maastricht...”

In another particularly weak housing market, the target market was also perceived more broadly than social segment in order to address redevelopment requirements. Here reference is made to broader classes of property necessary for redeveloping entire neighborhoods, including the more expensive residential rental market:

“(town name) is very specific, owning 40% of all residential property. That is very exceptional situation. We have a broad target group, who are just other people rather than the specific ‘social’ part....We’ve demolished and built new neighbourhoods, new shopping centers, parks, social housing, and a library. We’ve built a primary school, and we have built a hundred more expensive (than social) properties for the rental market’

Other executives defined their target market as principally social market. Their reasoning (as for executives who defined their target market more broadly) is related to the perception of a market problem which the corporation should act upon. In contrast to the executives who defined their target market more broadly, however, these executives saw that there was no real problem regarding the supply of middle segment supply within their local market:

“.....there is a fair amount of supply on that market in those cities, so there isn’t really a housing market problem we should act on”

However, while executives did not perceive the more expensive ‘niet SGEI’ property as part of the main target market of the corporation, they nevertheless asserted the importance of the capacity to supply middle segment property if private actors were uninterested in doing so:

“.... we want always a bit of niet DAEB to build because we want to be able to serve those on middle incomes”

“yes that there is a supply of market rent houses in part of the market where commercial parties are not interested in investing so we want to keep some supply.... we want to keep the possibility of a market rent supply and that is the reason we want to keep that market rent housing in portfolio.....“We have also like to maintain a stake in the tempo about the market and offer rents between 700 - 800 euros and build suitable housing for people on these incomes. And especially the new housing offer for around 710 euros....”

iii. Position of local government & supply preferences

The position of the municipality in the governance framework was perceived by many executives as problematic because of the power granted to the municipality in relation to corporation activities. Here the executive cites a case in Rotterdam where the municipality sought to pressure corporations into buying the results of a failed private redevelopment initiative:

“... and if I’m a smaller corporation, then I say yes. That is a risk....my colleagues in Rotterdam have a very tense relationship with the Gemeente, they have a big disagreement about the investment they must make in a very difficult area of Rotterdam...they were forced to buy the houses, so they refused. I think that is very good. You need debate on this issue. In Rotterdam, the biggest corporations, they can form a power, a counter power. But that doesn’t happen everywhere, that really doesn’t happen everywhere”

Executives cited problems of municipality’s lack of knowledge regarding the activities of the corporation or on housing policy, some Aldermen lacking understanding regarding the regulation, or smaller municipalities without a general vision on housing policy:

“Well not every Alderman is aware, knows what a toegelaten instellingen is. They don’t know DAEB and niet DAEB is. They do not know much about the new law. So you have to help them understand”

“...a lot of rural municipalities...you see that what they lack is a lot of them not all is a vision on housing not only for social but in general. And they are slowly getting into preparing this”

Alternatively, executives perceived municipalities to be motivated by political interests, either the short-term outlook related to the political term of the Aldermen, or because of the political party which the Aldermen were affiliated with:

“What you are seeing is a short term political thinking they show in for four years and what they want to do is please this small community, that small community and that’s more or less how they want to pursue their vision”

“Ten of the twelve are concerned with securing the core (social) stock, they are also wethouders with a socialist outlook, they want a bigger state and they find niet DAEB much less interestingthe socialist wethouder.....has a particular preference for completely social housing. We think

that is nonsense, the work couldn't be"

d. Choosing the administrative or legal separation

While most executives chose the administrative separation, two chose the legal separation, and one opted for both types of separation in the portfolio. Executives choosing the administrative separation defined their target market as mainly social property and the rules of the Act as 'workable'. Executives choosing the administrative separation perceived risks of the legal separation in the transfer of property out of direct ownership of the corporation and greater scrutiny of the WSW. They also noted risks to commercial supply to the local market given their choice. Executives choosing the legal separation perceived commercial property as an important part of meeting demand in the local market and the benefits which the legal separation offered to supply commercial property (relative to the rules of administrative separation) and avoidance of future uncertainty regarding commercial property supply and regulatory change. The municipality emerged as an influential actor within the local governance framework to enable the corporation to choose for a broader role in the local market (and the choice of legal separation) or, for corporations choosing for the administrative separation, avoid housing market restrictions by requesting the minister set a market area consistent with the corporations existing investments or lobbying for exemptions to the housing market rules.

i. Administrative separation is 'workable' for mainly social property

Where executives defined their target market as the social segment, executives generally chose for the administrative separation. The rationale for these executives concerned how 'active' they intended to be regarding non SGEI property investments in the future, and how 'workable' the HA was perceived to be for a strategy focused on social property supply:

"We are choosing for an administrative split, we have also definitely that that is no rocket science, why we have chosen for an administrative split in place for a legal. We have in the future not really very active strategy with regard to niet DAEB possessions"

"The other side is that we have no intention to invest in niet DAEB so to accumulate assets and money in a different legal entity is not very beneficial for us... so well in our planning for the coming few years no investments in the Niet daeb area, we don't need the assets...so basically we have looked at it from the other side regarding the advantages to the legal split no we don't have that so that's the main reason...."the principle part of the act new act is workable because it really coincides with strategy of mainly social housing corporation and one that is not active in other parts of the market"

ii. Administrative separation avoids risks of legal separation

The absence of benefits of the housing company for corporations with a mainly social segment focus appeared to be related to avoiding the risk to organizational stability entailed by the transfer of property to another legal entity (under the legal separation). One executive here presents this risk in very stark terms and underlines the importance of organizational stability in ensuring long term survival even where the benefits of the legal separation for commercial property supply were recognised:

“... all those broader views on how the housing market operates than you choose for an administrative split where the legal split provides more freedom? (I)

“...I totally agree, so we could get more freedom by doing it (*choosing for the legal split*), two things I do not trust it, I'm afraid this is personal, I'm afraid that some lunatic decides on the taking over the well cared for unregulated dwellings into the new....”

Further pressing on the reasoning behind the statement revealed that commercial property supply for the middle segment was integral to the corporation's property supply strategy and the executive wanted to avoid the commercial portfolio being sold off via the forced sale of shares of the housing company to ensure the long-term survival of the *corporation* (even though this rule could only be applied to ensure the financial continuity of the corporation, see table 2.9 and 2.10)

“... we are a company for people with an income up to 50000 euros, with a portfolio of housing from 200 euros - 1000 euros we are now.... we want to exist for the next coming hundred years”

Organizational stability was also a theme when executives referred to the WSW, the entity backed by the state guarantee to facilitate access for the corporation sector to the capital markets. Executives appeared to view the WSW as a benefit or a threat to organizational stability. This fragment from an executive choosing for the administrative separation referring to the benefit for financing when supplying property to the social market:

“...,There is one big advantage and that's the financing, the WSW... there is a moment a beautiful moment because the rent is very low because last week, 22 years fixed loan WSW 1.215%, its for free”

From the perspective of the legal separation the position of the WSW was perceived as a risk which executives choosing for the administration preferred to avoid. The WSW has a claim over

the business of the corporation which the property owned by the corporation is necessarily related to (known in dutch as a *Pandrecht*). The executives reported that the WSW has an unfavourable position towards the transfer of property away from the corporation because this could undermine the claim of the WSW's claim (required to secure lending which the WSW guarantees). Two executives here refer to the barrier which the WSW presented to choosing for the legal separation although note that this position had recently changed under authority of the AW:

"The WSW is the biggest problem in this. The way that the WSW had ruled on the... the legal split wasn't possible"

"and at first when we first considered this split we had a feeling that the WSW would be inclined to have a closer look into the legal entity and place more financial restrictions, erm and that's not something we were looking forward to. They threatened more or less a stricter policy on the financial requirements. They claimed they would look at it like that erm afterward and quite recently statement from the AW that that will not be the case"

iii. Administrative separation risks commercial property supply

Interestingly, executives choosing for the administrative separation reported the risk of their choice for the middle segment because of the speed of private parties reacting to the corporation stepping back to focus on social property (note however for these executives that the risk was not sufficient to incentivise a choice for the legal separation):

"For the time being eh, there is major shift of orientation from the perspective of the corporation and you need also the market to react to create a new balance. Takes 5 - 10 years I think" (P) "you just need a small part of DAEB in an area because that will be enough to attract the private investors, If there is not niet DAEB then the investors won't come near it. You need the niet DAEB to bring in the private investors"

"well this new year there is also something in the future, some area developments where we are with commercial real estate investors where they do the middle segment because the markttoets is difficult, its very, it is very fresh.... I want to compete on the mid segment on a level playing field, even if doesn't matter commercial real estate take that segment that if they do that they do it properly, so the risk is it becomes some sort of dream that commercial real estate investors take the mid segment in the long term in the context of supply demand characteristics and that is a big risk..."

Executives were not, however, at a loss at how to manage the uncertainty regarding future non SGEI investments. Growth of non SGEI supply to local markets could be maintained by transferring higher quality SGEI stock to the non SGEI part of the corporation and renting it at a social rent until the tenancy turned over. The property would then be free to offer on the unregulated market. There was no perceived impact for the overall supply of regulated housing because the executive envisaged the social stock would be replaced:

“5% is niet DAEB at this moment. We grow towards 10% from the strategy we grow.... Overall the social segment will not decrease.....but in the coming years we are steering at the moment, at this momentum we try to grow”

Alternatively, executives proposed that the municipality must assume a more active role to enforce a rent restriction on planning authorisations for private investors seeking to invest in commercial property to ensure that rent levels remained affordable:

“what is needed there is that the owner of the ground makes the same conditions for real estate investors as for us, You cannot say to commercial real estate investors you can build here for the mid segment and you must start at 750 and do not make any other agreements at all, Im sure that the rent will go up and if the tenants live, the rent will go up to market price”

iv. Legal separation offers freedom from central level rules

Where executives defined the target market of the corporation to include the middle segment executives chose or recognised the benefits of the legal separation, as ‘making investment easier.’ One executive qualified the benefits of the legal separation specifically in terms of freedom from the rules which applied to non SGEI investments when undertaken by the corporation (one of requirements related to the administrative separation, see table 2.10):

“The second requirement is that you have to get return. The reason why the market is not. In our BV, in the legal separation we want to continue restructuring in the city center. And the investment you finally do is not generating a market like return. Great. Therefore, we need a BV”

Another executive choosing the legal separation perceived the benefits to be related to the freedom from ‘the imbalance in political actions’. Here the executive fears that central

government will reduce the *huurgrens* (which defines eligibility for a rental subsidy paid to the tenant by central government) and therefore the *social* or SGEI market for the corporation (see tables 2.1 -2.3). The executive perceives that this will negatively impact the corporation and therefore there is a need for 'other ways of organizing things' i.e. the legal separation and autonomy offered by the Housing Company:

"... each new law, each new governance rule will influence this area....politics is risky with all the changes you do over the years....That's uncertainty you bring in, the discussion is the same but the uncertainty is bigger. You are more... dependent on who is in charge at a national scale.... I see a risk that the rental level for the amount of people responsible for is going down from 700 to 600 and you can bring it down to 400. Which means automatically that associations will be declining and that means you have to look for other ways to organize things"

v. *Legal separation avoids control of state guaranteed financing*

For one of the executives choosing for the legal separation losing the WSW guarantee for commercial property was not perceived as problematic and would even be beneficial for financing the (social) property supply of the corporation:

"we did a long scenario analysis what would go out of WSW and the costs the moment assuming that the WSW agree etc. And it would be very expensive in year one but afterwards, it would be very good for us easier to finance even for the association"

vi. *Local Government support to avoid central level rules*

For executives choosing for the administrative separation, obtaining municipality support for the corporation's definition of geographic market (consistent with their geographic spread of existing investments) appeared to be an important part of the rationale of choosing the administrative separation (despite the fact that corporations avoid housing market rules by transferring property to a housing company). Corporations had employed different strategies, both oriented according to mitigating or negating the effect of the setting of a housing market area contrary to the corporation's interests. For two corporations, the housing market was set according to the existing investments of the corporation. The fragment below suggests that the corporation was able to influence the municipality to request a housing market area set by the minister consistent with the geographic dispersal of existing investments:

"...looked at Housing Market Area...else we have to split up in terms of focus and they said ok we will think about that...we have no problems with the dual dilemma, it was an issue earlier

because originally the municipalities wanted two housing market regions West Brabant, mid Brabant, and that would mean a split in our stock but we managed to influence them and it went on successfully...”

The same executive framed the importance of the relationship with the municipality as reciprocal, based on ‘trust’, and how a trusting relationship ensured that the interests of the corporation could be satisfied, here referring to the municipality authorisation required for the separation:

“...and another thing, the municipality also has a lot to do with the trust you have in each other, if you were to have a low trust environment. I’m not sure you would be able to get the *Zienswijze*, positive view of the municipality it would be difficult to get a positive view because if you have low trust environment that’s something that makes it difficult”

For another executive, where housing markets were established such that they split up the corporation’s stock, the corporation relied on municipalities to request the minister grant an exemption to the housing market requirement as allowed by the rules of the HA (see table 2.1):

“..... two regions say that (corporation name) must have an exemption and sent a letter to the minister that we all fully support (corporation name) obtaining an exemption. All the municipalities say that we must also have an exemption...(we have) Local political support to continue its investments and the minister has to overrule that and that is always difficult. I well I like that...I didn’t ask for that discussion, so he has to do that and there is a pressure from the minister’s office...(B)

For executives choosing the legal separation, executives reported the support of local government in sharing the view of a broad role for the corporation in the local market (social *and* commercial property supply) justifying the legal separation and housing company as offering the most beneficial governance arrangement. Interestingly, the Province (a regional tier of government not formally represented in the Act) was important because of the influence over municipalities within the Province’s jurisdiction.

“...they were a good partner in that discussion which made it easier for us with the municipalities, we were backed by the Province in it...the provincial government here is very strong, and normally what the Province decides, the municipalities goes with it.....the Province

had a market analysis which was more or less the same as us. How the province is developing, how the market is developing... “

This interplay between the Province and municipality was also important for another executive defining a broad role for the corporation in the local property market and choosing for a legal separation:

“...there is since 2008 an implementation plan, the city is unstable in its politics, but the college has been fixed. There is an implementation plan concerning development, and the Province and the municipality together, are important in holding the thing together”

For the same executive, the implementation plan also appeared to be backed by a consideration of the municipality to facilitate access of the corporation to the capital markets or in taking an interest in the shares of the housing company directly:

“.. We have also asked the municipality to do more than wait to also seek access to the market ...we have low loan portfolios, and of which a third-party loan portfolio is from the municipality ... we also say that (the municipality) will join the BV”

vii. Tenant's organizations

Little reference was made to the importance of tenant's organizations in determining the choice of separation despite the fact that they were provided an equal position in negotiations of performance agreements regarding corporation implementation of housing policy. On raising the question with one particular executive, he explained that while the tenant was treated as an equal partner they were not particularly influential:

Yes that right, but now it's more that you are well informed, or that they become a very active party if they are well-treated, they compare with other corporations and say why do not you do that as well. Fine, but they do not have a dominant influence”

While this was generally the case regarding the choice of separation, one executive choosing for the legal separation reported that tenants had used their position in the governance framework to bring the performance of the Housing Company within the *Prestatie Afspraak*:

“..... we are back in the discussion where we are now we bring it into the *Prestatie-Afspraak*, and we have been discussing with tenant's board we've been discussing with them and its strange

because we did a lot of BVs before and there has never been a discussion about it but not with any impressions. But factually we are just constructing another BV.... But now they start asking.... So we bring the decisions we do into the *Prestatie Afspraak*”

3. Discussion

Introduction

The problem posed by the research concerned the potential effectiveness of PBL proposals for the corporation sector to assume a more active role in the middle segment given the recent reform which aimed to reorient corporations to their core business of social segment property. The research aimed to contribute to better understanding of the tensions in the research problem by defining how the HA regulated corporation property supply and why executives chose a legal or administrative separation of social and commercial property, as required by the Act. The discussion views the findings in light of the assumptions of the theoretical framework, beginning with an outline of the demands on the corporation presented by the central level institutional context, corporation’s key resource exchange (property supply), and the establishment of a distinct local level institutional context. Next the discussion turns to executive choice of separation viewed in light of the assumptions of the theoretical framework. The findings suggest that separation choice is determined by the extent of dependence on commercial property supply, risks to organizational stability and control over commercial property related resource exchange, and the local institutional context offering a competing basis for organizational legitimacy versus the central level. The PBL recommendations are then considered in light of the discussion in section four.

a. Central level institutional context & demands

Institutional theory emphasizes socially embedded institutions of the organizational environment. Institutional theory (e.g. Scott, 2001), like Ostrom, recognises the instrumental effects of regulation, but goes further in emphasising the normative, value infused, aspect of the institutional context. Institutions structure organizational fields, which are related to homogeneity in form and practices across a set of organizations (Di Maggio & Powell, 1984). The institutional context for the corporation at the central level comprised the Commission’s recommendations and the rules of the Housing Act. The Commission appeared to be relatively clear regarding the corporations supply of property to local markets - state subsidised social property restricted to a fixed geographic area. The analysis of the HA showed that the rules implemented the recommendations instrumentally, offering a payoff for social property supply, establishing a right for the minister to set the geographic market area, and establishing an

agency to oversee and enforce the rules. However, the Act also legitimised existing commercial property ownership and permitted the corporation to transfer its commercial property to a fully owned private entity, free from the permissions required under the administrative separation for commercial investments.

b. Interpreting the HA and variation in corporation's target market

Executives interpreted the intention of the HA for the corporation as a focus on social market property (likely reflecting an alignment between the normative and instrumental dimensions of Commission and regulatory norms) the instrumental ambiguity of the Housing Act was more consistent with the variation in how executives defined their property supply strategy. The theoretical framework proposed that property supply to the local market represented a dependent resource exchange for the corporation, deriving key organizational benefits in terms of absorption of key outputs (property) and inputs in return (revenue, equity). All executives defined strategy in relation to their perceived demands of their local housing markets. While most executives reported an interest or demand for middle segment supply in their local markets, they varied according to the extent to which they perceived that action was necessary to solve local market problems. The findings therefore suggest that the composition of perceived key resource exchanges (as property supply) varied between mainly social market and social *and* commercial market.

c. Local level institutional context & demands

The rules of the Act also provide for the participation of organizations and rules which relate specifically to the local level. This level may represent distinct institutional interests or preferences regarding the corporation (Selznick, 1957) and a distinct institutional context (Scott, 2001). The findings from the analysis of the rules and from the interviews with executives support the view that the HA established or formalized an institutional context at the local level which contributed to the regulation of the corporation's behavior. The municipality emerged as a much more significant actor (see below re choice of separation), with little reference made to tenants organizations in the choice of separation. Preferences of municipalities regarding the corporation's property supply appeared to vary from just social market property to social segment and mid-market (where private actors were uninterested in the middle market). Given this variation, the demands of local and central governmental levels could diverge, potentially reflecting competing institutional contexts (Scott, 2001; Greenwood, 2011).

d. Explaining the choice of separation

i. *Instrumental incentives and organizational stability*

The administrative separation was proposed to offer the most institutional coherence and legitimacy 'benefits' because of alignment between the normative orientation of the Commissions' recommendations and the instrumental incentives of the Housing Act. All executives interpreted the Act's intention for corporations to return to their core, social task, and most executives interviewed chose the administrative separation type, consistent with a field level institutional pressure (Di Maggio & Powell, 1984). The instrumental effect of the Housing Act appeared to be more important than the normative and the findings suggest that choice was based more on an instrumental assessment of whether their strategy to supply property was affected by the act and for those with a principally social market strategy, the Act was seen as 'generally workable.' The findings offer some support for the view that the act was workable in part because of the state aid incentive mediated by the WSW offered a resource exchange benefit in terms of avoid dependence on commercial costs for finance, potentially a key input for non-market comparable rental property production. However, other executives highlighted the control which the WSW had over the corporations existing portfolio (as the *pandrecht*) and the challenge the WSW posed to choosing for the legal separation.

This suggests that the WSW contributed to perceived threat to organizational stability posed by the legal separation, specifically the transfer of property ownership away from the corporation to the private law company. One executive in particular was concerned about the forced sale of shares of the housing company, if necessary to ensure financial continuity of the corporation. Together these findings suggest that that the choice of rules related to the separations is better understood as a question of uncertain benefits and costs (Ostrom, 1990): the rules under the administrative choice represented the more familiar way of organizing property supply, the rules under the legal separation presented more uncertain benefits, and corporations preferred to ensure that the organization was stable in the short term rather than maximising profitability or growth (Hazard, 1961; Cyert & March, 1963; Pfeffer & Salancik, 1978) in the longer term.

ii. *Dependence on commercial segment resource exchange and avoiding control*

The theoretical framework proposed that the corporation could maximise resource exchange benefits in choosing for the legal separation because of the autonomy the related rules offered from governmental control over commercial property supply and location. However, of those executives interviewed, fewer chose for the legal separation even though most had commercial

investments. Of these few choosing for legal, they highlighted the demands of their local market for more middle segment rental property and the absence of private interest in that segment. This finding, together with the finding above that most executives chose for the administrative separation, suggests that only where only where corporation's survival was perceived as *dependent* on supplying commercial property to local markets suggests that the legal separation was perceived as necessary to: a) ensure the autonomy to address demand and avoid the local and central government control under the administrative separation, and b) broader concerns about the threat to organizational stability which further (unforeseen) legislative change could have for the corporation's capacity to reach the middle segment market.

This preference for more general autonomy from governmental control, and control over key resource exchanges, is supported somewhat by the perception of the general uncertainty created by the law and the actions of the AW as assuming a legalistic and intransigent approach to enforcing the oversight related rules. The extent of dependence of the commercial resource exchange for organization survival does however appear to present an instrumental threshold in choosing for the more general avoidance of governmental control offered by the legal separation. This is because the general uncertainty of the rules and position of the AW was shared across executives. For those choosing for the administrative separation, these executives were not sufficiently dependent on the commercial property supply to meet the demand of their local markets and the rational incentives of the rules regulating their principally social property had not been altered 'sufficiently' such that an alternative way of organizing was necessary.

e. Local level legitimacy and competition with central level

The theoretical framework proposed the HA defines a distinct institutional environment at the local level and basis for legitimacy (Scott, 2001) and may enable the interests of the local level to deviate from central level institutional interests (Bannink et al, 2013). The framework also proposed that corporations are relatively powerful actors in local property markets and may seek to enlist municipalities support to deviate manipulate central level institutional demands (Oliver, 1991). The research found evidence of the municipality enabling the corporation to deviate from central level institutional interests in different ways depending on the choice of separation. For executives choosing the legal separation, the position of local government in the framework enabled the corporation to take a broader view and position in the market, and offered a 'competing' institutional basis to challenge the central level normative orientation and

social market incentives of the Act. The effect of this challenge is seen in stronger terms for executives with geographically dispersed investments choosing the administrative separation. Here municipalities actively sought housing market designations consistent with corporation's interests or exemptions from market restrictions. This suggests that corporations may have used certain 'manipulation' tactics (Oliver, 1991; Scott, 1983) to re-establish their position vis-à-vis the (perceived) power granted to the municipality by the governance framework by using existing investments and equity positions as leverage. This dynamic may be more accurately understood as a *quid pro quo*: if the corporation opted for the administrative separation, and therefore granted the municipality more control over the corporation's outputs, then the municipality was willing to support the corporation avoid onerous central level institutional requirements.

Section 4 Conclusions, recommendations, and future research

1. Conclusions & Recommendations for CG measures

a. Problem of the middle segment and PBL recommendations

Creating a better functioning middle segment market was highlighted at the beginning as a key piece in the jigsaw of facilitating a better functioning housing market overall. The problem of the middle segment market concerns the increased market tension arising from government measures aimed at corporations focussing on their core task (the Housing Act), income dependent rent increases for social market tenants, and stricter mortgage lending conditions. PBL (2017) propose that the corporation sector could provide a rapid, and legitimate, response to solving market tension through increased supply of middle segment property. A substantial proportion of the corporation sector stock is of a quality suitable for middle segment rent. Corporations would separate their portfolios (complying with an administrative or legal separation permitted by the HA), based on property quality measured by the property valuation system or WOZ norms, rather than public subsidy (SGEI, non SGEI). For these measures to be effective key questions concern the structure of the governance framework created by the HA and behaviour of corporations responding to new governance structure.

b. Conclusions & recommendations

The research found that the institutional context for the corporation was defined by normative orientation and institutional incentives for a focus on social housing as well as legitimization of commercial activities via private law company. The Act established a formal institutional context at the local level where the municipality emerged as important (more important than tenants) actor. The findings suggest that responding to changes of the housing act (as a choice of legal or administrative separation) was determined by the extent of dependence of the corporation on commercial property, threats to organizational stability and control, and the local level institutional context enabling the corporation's avoidance of central level institutional pressures. Given the capacity of the local level governance framework to avoid central level interests and, and the centrality of the corporation as a party to this framework, measures should account for the capacity of the local governance framework to compete with central level measures and mitigate risks for the corporation to align interests to serve middle segment demands.

This means that while measures could *force* separation based on quality, the local governance framework may prevent transferred property to be offered for middle segment supply, thus keeping the property within the regulated segment. Three recommendations are made to enable alignment of the local governance framework with middle segment supply: central government should send a clear institutional to the governance framework of the corporation's middle segment role, use the AW to manage risks to organizational stability presented by scrutiny of the WSW and participation of private actors in the legal separation, and promote a more balanced governance framework by creating more informed preferences of local participants regarding the importance of meeting middle segment demand. The recommendations are made on the basis that only a quality based legal separation will be acceptable to the general normative orientation of findings of the Parliamentary Inquiry. The recommendations are illustrated with problems and benefits of a quality based legal separation as highlighted by PBL (2017).

i. A clear normative signal

The actors of the governance framework are likely to have the same interpretation of the results of Parliamentary inquiry i.e. for the corporation to focus exclusively on social property. The Inquiry was well publicized in response to corporation sector scandals. However, the HA legitimizes the corporation to take an active middle segment role via the Housing Company, presenting ambiguity in the overall institutional context. To overcome this ambiguity, central government should send a stronger normative signal to help legitimize the corporation's active position in the middle segment market. To ensure that the normative orientation remains aligned with the findings of the Commission, only the legal separation would be the appropriate basis for the corporation's middle segment role. While the housing company would become fully owned by the corporation, per the HA rules, the legal separation is also likely to be more acceptable to market parties because they allow third parties (final or real estate investors) to participate in the equity of the housing companies after approval by the minister (PBL, 2017).

ii. Managing risks for the corporation

Although a strong normative signal regarding the corporation's position in the middle segment via the the legal quality based separation would set the right tone, measures must account for the instrumental incentives and risks for the corporation as the focal and (dependent on the breadth of existing investments) a relatively powerful actor in local housing markets. PBL suggest that transfer of regulated stock away from the subsidy available to the corporation will incentivise offer to the middle segment because of commercial financing costs. Increased

dependence on non-subsidised property for survival (and the associated preference for autonomy from regulation to enable control over this exchange) may in itself facilitate a legal separation, outweighing the perceived risks posed to organizational stability. Other risks for the corporation concern the position of the WSW and allowing participation of private investors in the equity of the Housing Company. The AW has an important role to clarify the position of the WSW and as arbiter of interests in the housing company due to the oversight role provided for in the Housing Act. With regard to private investment, the AW could make sale conditional on a minority position and the housing company being party to the *Prestatie Afspraak*.

iii. Balancing local level interests

Beyond the corporation, tenants and municipality are also party to the local framework. The research suggests that the municipality emerges as the stronger actor and may have preferences conducive to middle segment role for the corporation, particularly where housing markets are weak. The research also suggests preferences for exclusive focus on social stock, and an uninformed approach to housing policy. Preferences may be aligned where there is a threat to investment within the jurisdiction which may result from commercial pressures undermining the corporations financial position if stock is not transferred to mid-market rent. However, this unlikely to outweigh concerns regarding the immediate costs on the social stock. While tenants were not a significant actor in the framework, there was limited suggestion that they could use the framework to serve their interests where they were better informed. Indeed, a strengthened tenant position may offer a citizen counter position to narrow municipality interests. Higher income tenants of social stock in stronger housing market areas are likely to be the most disadvantaged by lack of middle segment supply because of their higher exposure to income dependent rental increases.

Central government has sought to influence the demands of the local governance framework on corporations by publishing the *Indicatieve Bestedingsruimte Woningcorporaties (IBW)*.⁷ The IBW gives an indication of the investment resources available to each corporation for new build, maintenance, and rent moderation within a given municipality, enabling local level actors to have an informed position in negotiations regarding the corporation's future investment performance. Different types of information could be published by central government to better inform tenants regarding the importance of the corporation creating appropriate supply for tenants with higher incomes, placing pressure on municipalities to assume a position more

⁷ Available from: <http://www.woningwet2015.nl/indicatie-bestedingsruimte-woningcorporaties-2017/cijfers-2017>

sympathetic to the transfer of regulated rent to the middle segment. Other types of information may also be useful to develop the preferences of municipalities, particularly regarding demographic transition and income growth within their jurisdiction. Where agreement between the actors of local governance framework cannot be reached, the HA does of course provide for central government intervention (see table 2.8).

2. Future research

The main avenue for future research concerns the development of the governance framework and the capacity to address the development of local housing market needs, accounting for the interests of private actors. The HA appears to tip the balance in favour of the local governance context and, as the research suggests, this may not always in be in the interests of the local market. How the role of central government develops within the framework may be of particular interest, in order to correct market problems which fail to be addressed, and the essential coordinating role for central government in ensuring a coherent national picture in housing market development. Furthermore, the Act makes clear that publicly subsidised supply cannot legitimately address affordable demand which, nevertheless, is in the public interest i.e. the middle segment. While quality based separation may be a quick solution, in the long term new investment is needed. The act enables the structure for private investment in the corporation sector via the housing company while preserving a public policy orientation in rental level where subject to local performance agreements. Key questions here concern: what are the risks and incentives for investment in a corporation owned housing company subject to local performance agreements? Which mechanisms could be introduced which manage the interests of participants and achieve sustainable rental increases? Addressing these areas of research may be important to contribute to an informed debate on balanced housing market development in the Netherlands.

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Appendix I – documents used in the analysis

Besluit van 16 juni 2015, houdende nieuwe nadere regels betreffende toegelaten instellingen en dochtermaatschappijen en nadere regels betreffende wooncoöperaties (Besluit toegelaten instellingen volkshuisvesting 2015)

Burgerlijk Wetboek Boek 2, Rechtspersonen, Available from:

<http://wetten.overheid.nl/BWBR0003045/2017-09-01>

Commission Decision of 20 December 2011 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to state aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest. OJ, L7/4, (11/1/2012).

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Wet van 24 april 1997, houdende nieuwe regels over het verstrekken van huursubsidies (Huursubsidiewet). Available from: <http://wetten.overheid.nl/BWBR0008659/2017-03-27>.

Wet van 27 juli 1998, houdende regels ter bevordering van het overleg tussen huurders en verhuurder van woongelegenheden (Wet op het overleg huurders verhuurder)

Wet van 29 augustus 1991 tot herziening van de Woningwet. Available from:

<http://www.wetboek-online.nl/wet/Woningwet.html>.

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Available from: <http://wetten.overheid.nl/BWBR0005416/2017-07-01>

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<http://wetten.overheid.nl/BWBR0036530/2017-07-01>.

Appendix II – interview schedule

Introduction Qs.

How many housing market regions are you currently active in?

How many municipalities, tenant's organizations, do you need to sign prestatieafspraken with?

What is the existing composition of regulated and non-regulated housing?

What is your rental strategy which segments (i.e. those identified on do you intend to grow?

What role does your non-regulated play in your overall strategy?

What do you think the objective of the Act is *really?* , The Parliamentary Inquiry?

Choice of rules

- What type of split will you chose for?
- How much transfer of regulated housing to the niet DAEB part of the corp will there be?
- Why the transfer?

1. What are the differences in benefits between the rules

Rents, resource exchange relationships

What are the main benefits of this choice of split?

- *..... strength of the organization, such as key ratio's LTV, DSCR*
- *.....regarding achieving your rental strategy*
- *Capacity to produce housing (e.g. obtain finance) that is consistent with your*
- *In terms of relationships with other actors (Municipality, tenants, AW, WSW)*

How does the other type of split change these assumptions?

- *..... strength of the organization, such as key ratio's LTV, DSCR*
- *Capacity to produce housing, that is consistent with your business model*
- *.....to offer a rent level that is consistent with your business model*
- *In terms of relationships with other actors (Municipality, tenants, AW, WSW)*

Which are the most important aspects of your environment?

- *...actors such as organizations, (Municipalities, tenants, AW, WSW)*
- *....local market areas...such as Groningen,*
- *How does this admin / legal split affect these relationships?*
- *How do you think the other admin / legal split would affect these relationships?*

What is the benefit for this type of split for dealing with the other changes of the act?

- *Co-definition of housing priorities*
- *Choice of housing market area*
- *...how do you think the other type of split could help you deal with these changes?*

2. Longer term survival

What is uncertain in the future regarding the type of split you have chosen for?

-with regard to the most important aspects of the environment you identified

How would the other type of split affect these assumptions?

-with regard to the most important aspects of the environment you identified

How this this choice contribute to the long term survival of the corporation?

How would the other choice contribute to the long term survival of the corporation?

3. Demands of actors

How has the Act affected the demands of certain actors vis a vis the corporation?

- Local level, municipalities, tenants organizations
-i.e. *how have they behaved differently, preferences, demands, strategies*
- Central level

How does your choice of split affect these relationships? How would the alternative?

Evaluating costs – monitoring, enforcement

How does the admin split affect the way that actors monitor and enforce preferences?

- Central level, AW (v.important), the WSW
- Local level, municipality, tenants organizations

How would the alternative affect monitoring and enforcement?