

Implementing Housing Regulations through Planning: The Case of Private Midrental Housing and Institutional Investors in Amsterdam

A CASE STUDY TO THE IMPLEMENTATION OF MIDRENTAL HOUSING REGULATIONS THROUGH HOUSING DEVELOPMENTS OF INSTITUTIONAL INVESTORS IN AMSTERDAM



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SHAPING DEVELOPMENTS

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Preface

At first, I was hesitant about writing a preface for this thesis. I believed it was overdone and bloated to provide the reader with personal information of the researcher and the process. However, after executing a master thesis myself, I understand why people want to share their experiences. Not only does the master thesis mark the end of a long road, it is also a period where you develop yourself personally and learn how to deal with a massive research. My initial ideas on the topic changed over time. Besides the fact that this was a necessary condition for a satisfactory thesis, it also made the process rambunctious and exiting at the same time. The turbulence of the process does not mean I am not satisfied with the result. I find it exciting if I look back at the process and how the thesis developed over time. Especially when shaping the theoretical framework and conducting the first interviews, it had to adapt to new findings. During this process, there were sometimes moments I could not believe I would sufficiently deliver a master thesis myself. Additionally, due to the impact of COVID-19. Gathering respondents during a lockdown provided challenges, but by continuously addressing respondents, the topicality and my personal interest in the subject kept my motivation present.

Furthermore, the repeating moments of new insights and the brainstorming with colleagues from my internship, my supervisor and roommates kept me motivated over time. Because of this, I first want to thank my roommates and promise them I will never execute a master thesis in the middle of a pandemic again. In addition, I want to thank the employees of my internship for helping to find respondents for my interviews and sharing thoughts and ideas. Furthermore, I want to thank my supervisor for the guidance through this process. Last but not least, I want to thank my parents for the support. Not only during this research, but throughout my whole education.

Joost van der Maat
Amsterdam, August 2020

Abstract

Middle-income households struggle to find affordable housing in Amsterdam due to urbanisation and a growing economy. Despite the growing need for housing, construction in Amsterdam fails to meet contemporary demand and provide affordable housing for middle-income households. Due to urbanisation and a shortage of supply, prices of owner-occupied housing and rents of private rental housing grew to excessive levels, which are too expensive for middle-income households. Additionally, the social rental sector of the Netherlands is restricted to lower income levels. To prevent the exclusion of this income group, the municipality of Amsterdam conducts a combination of inclusionary housing and rent control regulations. However, developers and institutional investors critique the regulations. According to these market parties, the regulations obstruct their abilities to sufficiently meet the shared objective of solving the shortage of private midrental housing. This research aims to explore how institutional investors, developers and the municipality of Amsterdam can efficiently implement these regulations by the following research question:

How can institutional investors and the municipality of Amsterdam efficiently implement midrental housing regulations through housing development processes of institutional investors in Amsterdam?

This research conducted a document analysis and semi-structured interviews at institutional investors, developers and the municipality of Amsterdam. By executing a single case-study, this research aims to exemplify theory and give practical recommendations.

This thesis argues that economic viability and the capacity of the municipality to implement the rules are essential for the regulations to succeed. The municipality of Amsterdam applied a collaborative approach in drafting the regulations to prevent a fallback in housing production. By consulting and addressing the resources of institutional investors and developers, the regulations aim to take financial interests into account. Additionally, the municipality of Amsterdam holds a significant steering capacity over housing developments by a tender approach for plot developments and the land lease system. Therefore, the municipality is able to obligate housing constructions to comply with their objectives before and after a property is built.

Despite the agreement, the obligations reduce potential revenues of institutional investors and developers. To overcome this effect, market parties lower construction costs by reducing the quality of midrental dwellings. Nevertheless, due to high initial costs and the accumulation of other prescribed conditions, the financial risk in housing development projects increased. Consequently, institutional investors with low-risk commitments are predominantly outcompeted by higher-risk investor groups.

To prevent the discouragement of institutional investors, the municipality can lower building costs by adjusting land values and apply a more 'area-based approach' of the '40-40-20 rule'. Moreover, institutional investors can invest in existing properties and after that, initiate a property transformation to reduce competition. To conclude, this research suggests that a more extensive land capacity and a more managerial role of the municipality in area developments holds the promise to reduce competition and lower development risks. Additionally, these actions of the municipality can overcome the reliance on economic cycles and efficiently execute the objectives of midrental housing regulations.

Table of Contents

1	Introduction	1
1.1	Motivation.....	1
1.2	Problem statement.....	2
1.3	Relevance	4
1.3.1	Societal relevance	4
1.3.2	Academical relevance	5
1.4	Research question	5
1.5	Reading guide.....	6
2	Theoretical Framework	7
2.1	Rental systems and the affordability gap	7
2.1.1	Affordability issues in the private rental sector and the deregulation of housing.....	9
2.2	Policies of governments to safeguard affordability in rental housing	11
2.2.1	Inclusionary zoning.....	13
2.2.2	Rent control	15
2.2.3	Supply subsidies and land values	17
2.3	Implementation of regulations through the planning system.....	18
2.3.1	From an active to a passive planning system in the Netherlands	18
2.3.2	Hierarchy versus heterarchy	19
2.3.3	Institutionalisation of the development process.....	20
2.3.4	Instruments, land positions and capabilities of governments	21
3	Methodology	23
3.1	The conceptual model and the research structure.....	23
3.2	The case study.....	24
3.3	Document analysis.....	25
3.4	Interviews	26
3.4.1	Structure of the interviews.....	26
3.4.2	Method of analysis: the thematical analysis	27
3.4.3	Selection of respondents.....	29
3.5	Ethics	30
3.5.1	Validity.....	30
3.5.2	Reliability	31
4	Context.....	32
4.1	The economy and urbanisation of Amsterdam	32
4.2.1	Skyrocketing selling prices in the owner-occupied sector	34
4.2.2	The social rental sector and the Dutch regulation system.....	35
4.2.3	The private rental sector and deregulation	37
4.3	Policies of the National Government.....	40
4.3.1	Inability to influence existing stock	40
4.3.2	Restrictions in appointing land for development.....	40

5	Results	42
5.1	The tension field of drafting the regulations	42
5.2	Economic factors: effects of the regulations on actors' operations	45
5.2.1	Adaptations and decrease of project submissions of institutional investors	48
5.2.2	Land valuations and supply subsidies	50
5.3	The planning factor: the implementation of regulations through the planning system	53
5.3.1	Tender procedures and prescribed conditions	53
5.3.2	Transformation procedures and customised agreements	58
5.3.3	Contracts and instruments of the planning system	60
5.4	Overview of the results	63
6	Conclusion and discussion	65
6.1	Practical recommendations	66
6.2	Limitations of the research and future studies	68
6.3	Epilogue: midrental housing regulations and the housing market in Amsterdam ..	69
	Bibliography	71

Overview of tables

Table 1	Difference between the dualist and unitary rental system	8
Table 2	Planning system factors and economic factors that are necessary for the efficient implementation of inclusionary zoning	14
Table 3	Advantages and disadvantages of flexibility and certainty in planning systems	21
Table 4	Framework of the thematical analysis	28
Table 5	Overview of the respondents	29
Table 6	Midrental housing regulations of the Action Plan	43
Table 7	Adjusted regulations after collaboration with the IVBN and NEPROM	44
Table 8	Overview of the economic factor characteristics	63
Table 9	Overview of the planning system factor characteristics	64

Overview of figures

Figure 1	The network of midrental housing development and the role of housing regulations	3
Figure 2	Affordability gap in unitary and dualist rental systems	9
Figure 3	The four-quadrant model	12
Figure 4	The effect of inclusionary zoning on the housing market	15
Figure 5	Rent control and the effect on housing quantity	16
Figure 6	The conceptual model	24
Figure 7	Map of the Netherlands and the location of Amsterdam	32
Figure 8	Economic growth of Amsterdam, the Netherlands and the EU based on GDP	33
Figure 9	Population growth in Amsterdam after the financial crisis of 2008	33



Figure 10	Differentiations of housing sectors in Amsterdam and the Netherlands.....	34
Figure 11	Prices of owner-occupied housing in Amsterdam between 2005 and 2019.....	35
Figure 12	Housing stocks and the liberalisation limit in the Netherlands in 2019...	36
Figure 13	Changes in private rental housing shares	37
Figure 14	Absolute deregulated housing constructions per year and percentages of total new projects up to 2017 in Amsterdam.....	38
Figure 15	Income groups in Amsterdam.....	39
Figure 16	Permits granted for private housing projects in Amsterdam.....	39
Figure 17	Map of planning capacity locations in Amsterdam.....	41
Figure 18	Map of housing values (WOZ waarde) in Amsterdam.....	41
Figure 19	Map of dwellings sizes in different districts in Amsterdam under an applied rent of 850 euros	44
Figure 20	Area development of Strandeiland.....	47
Figure 21	Land ownership in Amsterdam.....	51
Figure 22	Location of Sloterdijk.....	56
Figure 23	The housing project 'Vertical'	56
Figure 24	Steering capacity of the municipality of Amsterdam by different ownership forms	60
Figure 25	The possible mismatch between supply and demand for institutional investors dwellings.....	67
Figure 26	The effect of adjusting yield and construction costs.....	67
Figure 27	The 'new' affordability gap.....	70

1 Introduction

This chapter introduces the research topic and explains the motivation, the problem definition, and the goal of the research. After that, the section explains the societal and academical relevance. The relevance is followed by the main research question of this research. The main question is divided by three sub-questions, which structures the research. Finally, this chapter is concluded by the reading guide for the thesis.

1.1 Motivation

Costs for housing are quickly rising after the financial crisis of 2008, especially in urban areas (Adamczyk, 2019). Particular income groups cannot afford to live in cities anymore because the costs for housing are rising faster than the average salary (Wetzstein, 2017). Not only global cities such as Shanghai, New York City and London but also the relatively smaller city of Amsterdam is dealing with rising expenses for housing. The affordability pressures lead to the exclusion of certain income groups in Amsterdam (van Gent, 2013; Fainstein, 2014; Municipality of Amsterdam, 2020a). As a result, housing affordability is widely addressed by the media. Newspapers increasingly blame investors for this problem, especially regarding the rental sector (Parool, 2020a). However, if one digs deeper into the issue, two distinct origins are stated by academics: the lack of new supply after the great financial crisis of 2008 and the housing policies of the Dutch National Government (Hoekstra & Boelhouwer, 2014). From 1980, the Dutch National Government adopted policies that stimulate homeownership, neglects private rental housing, and uses social rental housing for low-income households.

The National Government based its choice on trends regarding privatisations and EU laws regarding state aid. EU state aid laws state that commercial landlords may not receive equal state aid and regulations as social housing corporations (Elsinga & Lind, 2013). Consequently, the Dutch National Government created a clear distinction between the 'deregulated' and the 'regulated' rental sector by determining the '*liberalisatiegrens*' (liberalisation level). This level is set at a monthly rent of € 737,14 (price level 2020) and is determined according to factors such as square meters of the dwelling and locational characteristics (Rijksoverheid, 2020). The combination of privatisation and the distinction between private and social rental housing led to a relatively small 'deregulated' private rental stock and a more extensive 'regulated' social housing stock. Due to the increasing demand for housing in Amsterdam, middle-income households perceive problems to find adequate housing in various sectors. Firstly, the social housing stock is inaccessible due to income criteria. Secondly, the owner-occupied sector is unaffordable due to high demand and low supply. Besides, the owner-occupied sector is remote because banks have adopted stricter income and labour criteria for granting mortgages. Thirdly, the private rental sector experiences rising demands and causes unaffordable rents for middle-income households (Hoekstra & Boelhouwer, 2014). The municipality notices this trend and conducted policies and ambitions to increase the stock of private rental housing and adds rent regulations on these new dwellings (Municipality of Amsterdam, 2017a). The total supply of these private 'midrental' dwellings consisted of 5,6% in

2015 and grew to 15,4% in 2019 (Municipality of Amsterdam, 2020a). Nevertheless, the midrental stock is still insufficient to meet the demand because the average rents of private rental dwellings have shown no reduction since 2015 (Municipality of Amsterdam 2020a).

1.2 Problem statement

Regulating the private rental sector is challenging for the municipality of Amsterdam. Due to the decentralisation, municipalities are responsible for steering their local housing market. However, they cannot intervene in the existing stock and are, therefore, only capable of steering newbuild development projects. The municipality conducted two regulations that aim to steer the development of midrental dwellings. These regulations aim to provide more housing for middle-income households. The first regulation is called the “40-40-20 rule”. This regulation needs to ensure that each development project with 20 dwellings and above had 40% social housing, 40% middle segment housing, and 20% liberalised or owner-occupied housing (Municipality of Amsterdam, 2017b). The second regulation consists of rent control by obligating rental levels (Municipality of Amsterdam, 2017). Both rules are applied to all new housing projects, starting from their conduction in 2017. The municipality of Amsterdam is the only municipality in the Netherlands that combines both types of regulations through housing developments during the time of conducting this research.

Institutional investors and developers have critiqued both regulations. Interest groups of these market parties argue that both regulations are too burdensome for their business case and will cause a fallback in housing production (IVBN, 2018; NEPROM, 2019; Municipality of Amsterdam, 2017a). Additionally, recent data shows that the amount of requested housing development permits is decreasing since 2017 in Amsterdam (CBS, 2020d). Institutional investors and developers are nevertheless crucial parties for the municipality because of two reasons. Firstly, housing development is not a core operation of governments themselves, but the municipality steers housing developments by granting legal contribution if plans comply with their objectives (Buitelaar & Bregman, 2016). Secondly, institutional investors have extensive financial capabilities, which is necessary to initiate housing developments (Nethercote, 2019). Therefore, both parties need to collaborate to reach their objectives.

Financial capabilities of institutional investors are increasingly invested in private rental housing and originate from investment funds of pension and insurance companies (IVBN, 2018). Private rental dwellings in the midrental category suits them as an investment category because they aim for long-term revenues with low-risk investment categories (IVBN, 2018). Midrental housing fits this strategy because the vacancy rates are low due to the relatively small rent and contemporary high demand for this type of housing. Institutional investors create these investment opportunities by investing in the development of midrental houses in urban areas. Consequently, these investments contribute to the objective of the municipality of Amsterdam to increase the stock of this type of housing. In this process, they collaborate with developers, who are ‘translating’ the financial goals of institutional investors to physical outcomes such as housing (van Loon & Aalbers, 2017). However, if projects of these market parties become unfeasible, they may switch to other revenue possibilities (Nethercote, 2019). Consequently, a reduce of market initiatives jeopardises the

ambition of the municipality to develop 1.500 midrental dwellings per year. Thus, the municipality operates on thin ice by implementing these regulations. They have to find a balance between facilitating market interests and protecting public goals. This research focusses on the ability of the municipality to steer housing developments and the economic willingness of institutional investors and developers. Therefore, this thesis focusses on the economic effect of the regulations and how institutional investors and developers perceive these rules. Additionally, this research explores the instruments of the municipality to implement the regulations and thereby the strength of the planning system.

Figure 1 illustrates the relationships between institutional investors, developers and the municipality of Amsterdam and the role of the regulations. This figure shows how the Dutch National Government influences the steering capacity of municipalities and the housing market, as described in the problem statement above. The Province of North-Holland monitors this. Furthermore, the affordability problems in the housing market stimulates the municipality to conduct the regulations. Consequently, institutional investors are also incentivised to invest in midrental dwellings due to the significant demand for housing. Nevertheless, both actors have a different role in this collaboration. Explanatory, the municipality wants to safeguard affordability by regulating new developments. Contrarily, institutional investors and developers aim for profits through their operations, which are affected by the regulations. Therefore, the roles of the actors can be seen as contradicting but with a shared ambition, namely to yearly supplement the midrental housing stock with 1.500 dwellings up to 2025.

In this research, the influence of the National Government and Province is given as context and is not included in the empirical research of this study. This choice is based on the notion that the National Government has an impact on the planning system of Amsterdam but does not directly influence housing developments itself. Therefore, the implementation of the regulations is decentralised to the municipality of Amsterdam (Hoekstra & Boelhouwer, 2014).

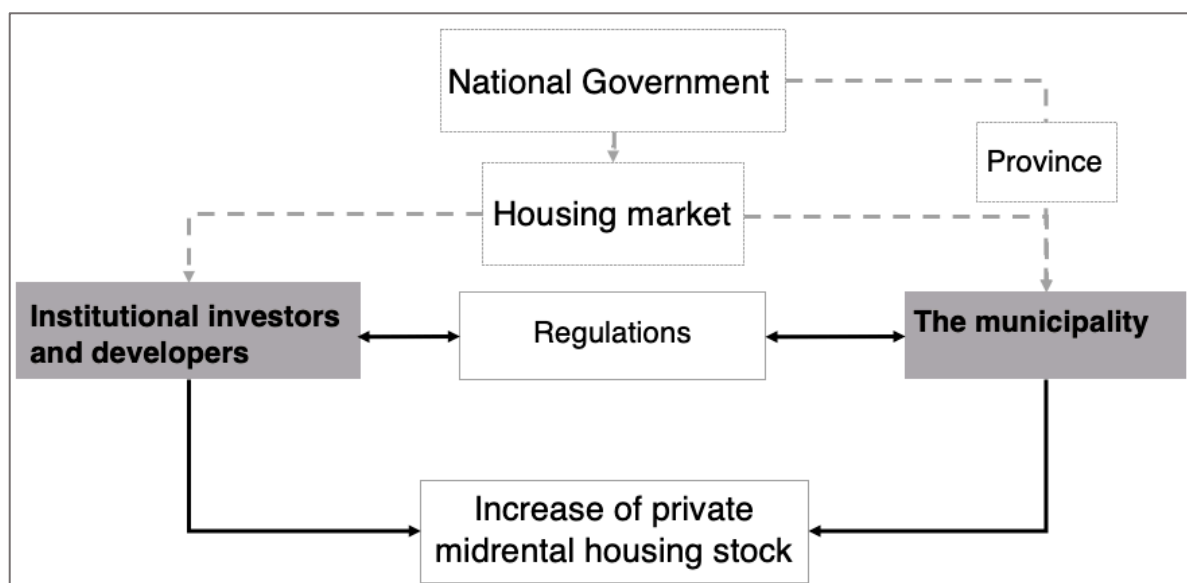


Figure 1 The network of midrental housing development and the role of housing regulations (author)

1.3 Relevance

The research topic is based on the observation regarding the challenges in the collaboration between institutional investors and the municipality of Amsterdam (Parool, 2020a). By researching this topic, this thesis contributes to filling particular academic knowledge gaps regarding housing development, institutional investors and regulation implementation through the planning system. Therefore, the execution of this research is no goal on its own but aims to contribute to societal challenges by making statements from a scientific basis (Bryman, 2016). In this paragraph, we elaborate on both the societal and scientific relevance of the research.

1.3.1 Societal relevance

Academics and politicians agree that diversity and inclusivity are essential factors for cities. Therefore, multiple authors and politicians have addressed the topic exclusion caused by unaffordability (Fainstein, 2014; Van Gent, 2013; Dewilde, 2016). Under contemporary urbanisation, more and more cities have to deal with the exclusion of lower and middle-income households (Hoekstra & Boelhouwer, 2014). As mentioned earlier, Amsterdam increasingly experiences the exclusion of middle-income households. Consequently, teachers, police officers and other vital occupations struggle to find adequate housing the city (AT5, 2020). The municipality of Amsterdam implements these regulations to prevent the exclusion of this specific income group. This research explores the factors that influence the implementation of these regulations in the particular collaboration between institutional investors and the municipality. Therefore, this thesis gains insight into the process of housing development and what factors contribute or countervail growing an inclusive housing stock of institutional investors in Amsterdam.

Regarding the specific situation of Amsterdam, the National Government limits the ability of the municipality to regulate the housing market by steering new developments. The regulations of the municipality play a challenging role in the collaboration between institutional investors and the municipality. On one side, the municipality wants to increase the housing stock to meet contemporary demand. On the other hand, the municipality wants to guarantee the affordability of new private rental housing. The collaboration with institutional investors reflects the challenging situation of the municipality of Amsterdam to seek a balance between both parties' interests. By researching which factors influence this collaboration, a statement can be made on the outcome of the regulations regarding the objective to increase the midrental housing stock of institutional investors. Furthermore, because institutional investors strategically opt for low-risk investments, this study can explore how the regulations influence the economic feasibility of housing developments in Amsterdam. In other words, by researching an 'extreme' case of low-risk investors, this research can make falsifications regarding the effect of the regulations on financial feasibility (Flyvbjerg, 2006). In this light, the research can explain what factors may obstruct the implementation of the regulations and can thereby give recommendations to the actors involved.

1.3.2 Academical relevance

Academics have praised the planning system in Amsterdam and the amount of steering capacity Dutch municipalities had over housing development. The large ability of municipalities was due to the *active planning approach*. However, this method shifted towards a *passive planning approach* after the financial crisis of 2008 (Samsura, van der Krabben, van Deemen, & van der Heijden, 2015; Buxton & Taylor, 2011). In this new planning approach, housing development initiatives are executed by market parties, and municipalities steer these developments by granting the necessary legal contribution. The passive planning approach makes municipalities dependent on market interests to reach their own objectives. However, few studies have researched contemporary partnerships between the public and the private sector in the process of housing development (Dodson, da Silva & Sinclair, 2017). Additionally, the mutual dependency of private and public agencies also shaped a shift 'from government to governance' (Jessop, 1998; Rhodes, 2007). In this shift, previous hierarchical operations of governments have given way to an equal collaboration of both sectors, whereby governmental agencies facilitate private interests. How governmental agencies facilitate these interests in the planning system, without harming the goal of planning regulations, requires more attention, according to Steele & Ruming (2012) and Evers & de Vries (2013).

Contemporary housing systems experience deregulations, due to the growing belief on the financial powers of the private sector (Wijburg, Aalbers, & Heeg, 2017). Besides, contemporary housing development responsibilities are increasingly decentralised. Therefore, de Kam, Buitelaar & Needham (2014) expect local governments will implement similar regulations. Furthermore, institutional investors are a growing investment group in housing but are relatively unaddressed in academic research (Nethercote, 2019). Therefore, Nethercote (2019) advocates for more qualitative research regarding this investors category and what factors drive their housing development operations and outcomes. Mainly because the role of institutional investors is relatively undiscovered in the literature regarding the financialisation of housing. In addition to this, Nethercote (2019) advocates for single case study research to explore their interests. By researching institutional investors group in Amsterdam, we contribute to scientific knowledge of this topic.

1.4 Research question

This paragraph states the research questions and elaborates on these questions as well. To research the problem as stated previously, the following main question is conducted:

How can institutional investors, developers and the municipality of Amsterdam efficiently implement midrental housing regulations through housing development processes of institutional investors in Amsterdam?

We conducted several sub-questions to sufficiently answer the main question. The following sub-question provides insight in the governance process of the drafting process of the regulations:

How does the municipality of Amsterdam collaborate with institutional investors in conducting midrental housing development regulations?

After this question, this study explores how these regulations affect operations of institutional investors and developers and if they adjust their actions. Answering the following sub-question will provide knowledge on the influence of the regulations on revenues of market parties and their willingness:

How do the regulations of the municipality affect the operations of institutional investors and developers in midrental housing development in Amsterdam?

Besides the willingness of the market parties, the efficiency of implementation is dependent on the capacity of the municipality. The following sub-question will allow this thesis to gain knowledge about the structure of the development process:

What procedures and instruments do the municipality of Amsterdam use to implement midrental housing regulations in housing developments of institutional investors?

1.5 Reading guide

This paragraph provides a reading guide and explains what to expect in the different chapters of this thesis.

Chapter two elaborates the theoretical framework, which follows the structure of the research questions. This chapter describes relevant theories regarding rental systems, real estate markets and housing policies. Besides, the results of previous research regarding regulations and planning systems are presented, which forms the background of this research

Chapter three defines the methodological section and covers the methods of this research. Moreover, this chapter provides in-depth methodological choices regarding qualitative research, the case study of Amsterdam and the target group of institutional investors.

Chapter four gives information on the housing market in Amsterdam. This context is vital to understand the drivers of the municipality to construct the regulations. The section also presents knowledge regarding middle-income households in the Netherlands and how the Dutch National Government influences the planning system of the municipality of Amsterdam.

Chapter five describes the results of this research. The previously stated sub-question structures this chapter. Eventually, a statement on the implementation process of the regulations through the planning system in Amsterdam is given.

Chapter six answers the main research question and related sub-questions. Furthermore, this chapter puts the results in a contrast of the literature review and provides recommendations for the actors and future research. We conclude the thesis with a paragraph regarding the effect of the regulations on the housing market of Amsterdam.

2 Theoretical Framework

This chapter provides the theoretical background regarding the concepts of this research and the results of previous papers. The first paragraph starts with elaborations on rental systems and affordability issues. After that, the second paragraph explains the interventions and measures of the government to deal with affordability. The third paragraph elaborates on governance and planning systems.

2.1 Rental systems and the affordability gap

Kemeny (1995) provides a theoretical explanation for affordability in rental systems. Kemeny's (1995) theory distinguishes the private rental sector and the social rental sector and focusses on the effects of policies. Thereby the theory explains why countries differ in affordability and shares of housing sectors. Kemeny (1995) defines two rental systems; the unitary and the dualist rental system. The unitary rental system marks a general, equal treatment of the social and the private rental sector, making both sectors in competition for tenants (Hoekstra, 2009). This competition occurs because both the private and the social rental sector are generally equally treated, creating relatively equal rental levels. The regulations make both the social and the private rental system equally affordable and create a relatively large share of rental housing. Therefore, the percentage of homeownership is relatively low. On the contrary, the dualist rental system is characterised by a distinction between the private and the social rental sector. Four characteristics define the dualist rental system. Firstly, the social rental sector is heavily regulated, subsidised, and substantial access criteria are in place. Secondly, the private rental sector is deregulated and is relatively unsubsidised. The deregulation of the private sector means that demand and supply factors define the rents. Thirdly, the social housing sector is used as a social security net for low-income households in the dualist rental system. Lastly, the dualist housing system is based upon the ideology of privatism, which leads to a large stock of owner-occupied housing. The distinction between both systems is made insightful in table 1.

Table 1 Differences between the dualist and unitary rental system (O'Sullivan & Decker, 2007)

	DUALIST SYSTEMS	RENTAL UNITARY SYSTEMS	RENTAL
SHARE OF OWNER- OCCUPANCY SECTOR	Relatively large	Relatively small	
DISTRIBUTION OF DWELLING TYPES AND SIZES	Social and private rental dwellings are not necessarily present in the same segments of the housing market	Social rental and private rental residences are equal in all segments of the housing market	
LEVEL OF HOUSING QUALITY	Significant differences between the owner-occupancy and rental sector	Relatively small housing quality differences between the owner occupancy and the rental sector	
DIVERSITY OF NEIGHBOURHOODS	Relatively stable residualisation in both rental sectors	Relatively limited residualisation in both rental sectors	
RENT LEVELS	Significant differences between social and private rental dwellings	Small differences between the social and private rental dwellings	

Under the increasing adoption of liberal ideologies, states experience a shift towards a dualist housing system. The dualist rental system promotes homeownership and consequently discourages rental housing (van Duijne & Ronald, 2018). Inhibiting private rental housing can be seen as paradoxical because previous research showed a link between rental housing and flexibility in labour markets (Oxley, Lishman, Brown, Haffner, & Hoekstra, 2010). The discouragement of private rental housing has led to relatively low stock in contemporary dualist rental systems. Without an increasing stock, rising demand leads to higher rents in the private sector. Oppositely, rents in social housing will remain at the same level due to strict regulations. This difference has eventually created a gap between the two sectors. This gap is known as the 'affordability gap' and is made insightful in figure 2 (Kemeny, 1995). Middle-income groups fall in between this gap and experience issues in finding adequate housing in dualist rental systems. Mostly because they cannot afford an owner-occupied house in a housing system that is dominated by this type housing (Hoekstra & Boelhouwer, 2014). Previous research showed that the dualist rental system is more linked with issues regarding affordability than the unitary rental system (Kemeny, 1995; Hoekstra, 2009).

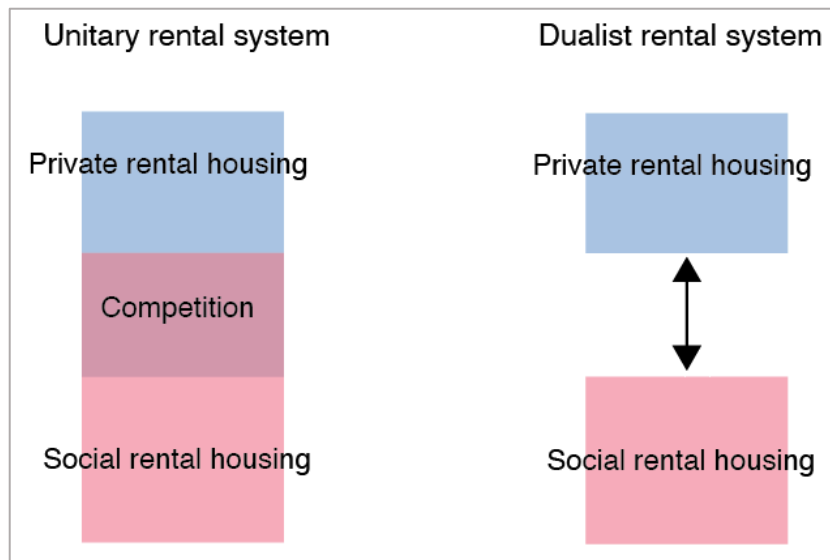


Figure 2 Affordability gap in unitary and dualist rental systems (author; based on Kemeny, 1995)

Academics have critiqued on the generalisation of these rental systems. Stephens (2017) explains that rental systems are contextually dependent and, therefore, differ between countries. Consequently, a clear distinction between a strongly regulated social housing sector and a completely deregulated private rental sector does often not occur in practise (Stephens, 2017). Regarding the context of the Netherlands, Hochstenbach & Ronald (2020) refer to the private rental system as *regulated deregulation*. The authors explain that the private rental sector experiences fewer regulations than the social rental sector. However, some regulations are still active. Thus, these authors show that rental systems mostly have characteristics of the unitary and the dualist rental system. The combination of different regulations in both rental sectors makes rental systems unique and challenging to compare (O'Sullivan & Decker, 2007).

2.1.1 Affordability issues in the private rental sector and the deregulation of housing

The previous paragraph demonstrates how rental systems may cause affordability issues. However, the design of the rental systems does not cause pressures on affordability on itself. This paragraph explains how external factors influence this pressure and how this affects public and private interests.

Previous research showed that urbanisation and deregulation of the private rental sector introduce affordability issues. Urbanisation is internationally caused by economic attractiveness which leads to increased demand for housing (Wetzstein, 2017; Van Gent, 2013). Increased demand leads to higher prices in the private rental sector and leads to affordability issues for certain income groups (Begley, Loewenstein, & Willen, 2019). The combination of the deregulated character and market-based rents of the private rental sector creates opportunities for property investments (Priemus, 1998). Property is namely an efficient investment category, which incentivises investors to develop rental housing (Rolnik, 2013). Nethercote (2019) elaborates on the financialisation of housing regarding institutional investors. The author explains how these organisations focus on regions with high economic productivity and demand for housing. The introduction of these financially powerful



organisations in housing has its upsides and downsides. On the upside, the organisations contribute to the expansion of the private rental housing stock. In theory, this increases the supply, which eventually lowers the rents of private rental housing (Geltner, Miller, Clayton, & Eichholtz, 2014). On the downside, these investors seek revenues on their investments, meaning they need returns in forms of rents (Dewilde, 2018).

Hochstenbach & Ronald (2018) showed how privatisation policies in Amsterdam switched dwellings of the social housing stock to private rental housing. Their study reveals that this shift harms general housing affordability because more rental dwellings are deregulated (Hochstenbach & Ronald, 2018). Van Gent (2013) explains that the growing stock of private rental housing can lead to the exclusion of certain income groups, which is an unwanted outcome regarding the 'Just-City' theory (Fainstein, 2014). To avoid this city-wide gentrification, governments have multiple measures at hands, such as increasing the stock and regulating the rents of private rental housing. The municipality of Amsterdam conducts a combination of two regulations, which are implemented through the planning system. In the following paragraph, theories and previous researches regarding housing regulations are explained. Before elaborating on previous research regarding regulations and the effects, the paragraph firstly states characteristics of property markets by the *four-quadrant* model (DiPasquale & Wheaton, 1994).

2.2 Policies of governments to safeguard affordability in rental housing

This paragraph elaborates on the characteristics of the economic drivers of housing construction and how regulations influence the financial capabilities of market parties. At first, this paragraph describes how different property markets and variables influence housing developments. Secondly, measures governments to safeguard affordability are mentioned. Additionally, this paragraph states how these measures influence the operations of developers and investors.

According to Geltner, Miller, Clayton & Eichholtz (2014), increasing the stock of market-determined housing lowers rents because demand is met. Increase the housing stock can be incentivised by governments, but also by market parties if they observe rents are high (Geltner, Miller, Clayton, & Eichholtz, 2014). The authors base this notion on the *four-quadrant model*, which is visible in figure 3 (DiPasquale & Wheaton, 1994). Geltner, Miller, Clayton & Eichholtz (2014) describe this model as follows:

“The four-quadrant model can be used primarily to simultaneously examine the long-term balance effect within and between the usage market and the investment market.”

(Geltner, Miller, Clayton, & Eichholtz, 2014: p. 16)

The four-quadrant model reflects cycles in the real estate market and entails of a supply-side and a demand side. The supply side consists of the construction and development market and the demand side on the investment and usage market (DiPasquale & Wheaton, 1994). The model is based on four markets and sheds the light of the effects of rents on dwellings values and stock increase. The model shows how rents (R) influence the stock (Q), under a certain level of demand (D). The supply affects the construction market (C), which changes the price (P) and the investment market and the yield (Y). Through these markets, the housing stock strives for equilibrium and changes within these markets reflect the real estate cycle. However, the model demonstrates hypothetical situations, which seldomly occurs in the real estate market. Research regarding the balancing effect of stock increases has namely shown that the property market is slow to react on market changes (Caldera & Johansson, 2013; Glaeser, Gyourko, & Saks, 2003; Clapham, 2018). The real estate market is slow to react because of three reasons. Firstly, the real estate cycle consists of multiple markets which all have to adapt to new developments in the usage or development markets. Since constructions can take several years, sufficient complies to demand changes is challenging. Secondly, properties are bound to land, which makes housing an immobile product with a long lifespan. The long lifespan makes the product hard to reproduce also because that particular plot of land is already filled. Real estate products are, therefore, unique and hard to reproduce. Thirdly, the real estate market is imperfect, because it lacks essential conditions as perfect information, complete markets, perfect competition and no market failures. The immobile character and the long lifespan of properties obstruct these conditions (Geltner, Miller, Clayton, & Eichholtz, 2014). Due to these characteristics, property markets are slow to react to demand and supply changes, and market equilibrium almost never occurs. For

market-determined housing, this means that affordability problems may occur and are slowly levelled. Therefore, the characteristics of property markets may introduce unwanted effects that the housing market itself cannot always solve.

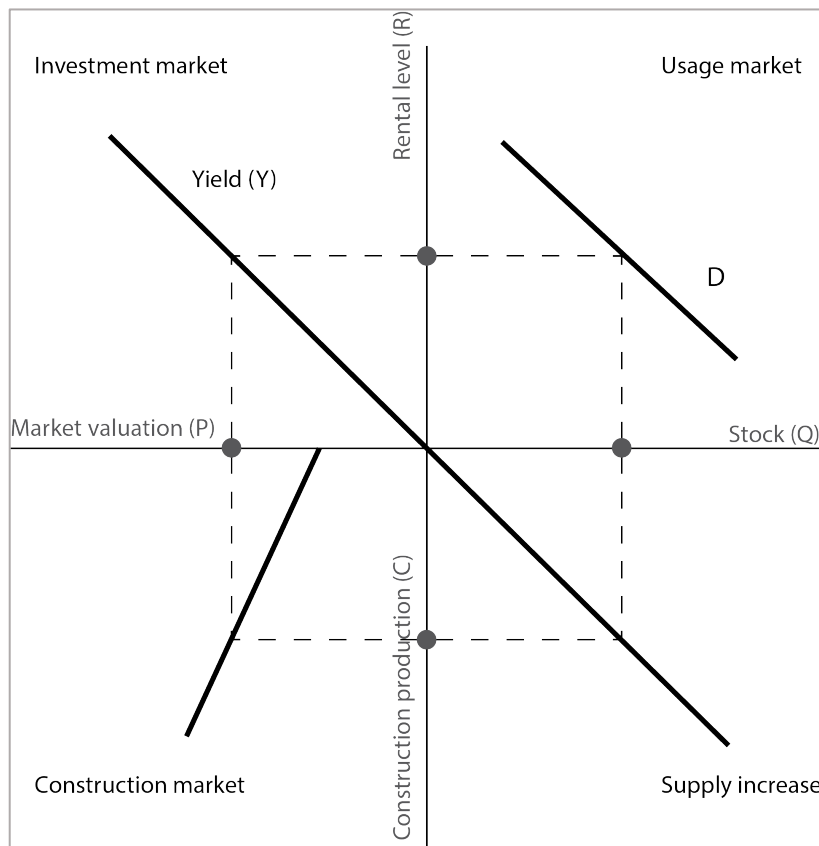


Figure 3 The four-quadrant model (author; based on DiPasquale & Wheaton (1994))

Along with stimulating supply increase, governments can intervene in these markets to influence the negative outcomes of the property market. Previous research from Haffner & Boelhouwer (2006) showed how governments intervene in housing markets which suffer from unaffordability. These interventions can come in forms of supply subsidies and rent regulations (Haffner & Boelhouwer, 2006; Clapham, 2018). In addition, DiPasquale and Wheaton (1994) argue that increasing rents may not be a sufficient incentive for the market to strive to an equilibrium. Nevertheless, the *four-quadrant model* can be used to explain how specific markets, demand, or events influence the housing market in a whole.

Governments can use regulations to control rents to keep rental levels affordable. Regulating rental systems through planning can be executed by two types of regulations. Firstly, inclusionary housing regulation is used in multiple rental systems over the world and is priorly addressed by academics (Farthing & Ashley, 2010; Morrison & Burgess, 2014). Secondly, governments often combine inclusionary zoning with rent control regulations (Kholodilin & Kohl, 2020). Previous research showed that rent control regulations are introduced by many governments in times of housing unaffordability (Jonkman, Janssen-Jansen, & Schilder, 2017). We elaborate on both regulations, previous research and their results below.

2.2.1 Inclusionary zoning

In inclusionary zoning, governments obligate or stimulate developers to allocate a certain percentage of the constructed dwellings to certain affordability levels. By doing so, the regulation uses the planning system to provide affordable housing. As Oxley (2011) defines:

“Inclusionary zoning typically either requires, or offers incentives to, private developers to contribute to affordable or social housing by providing such housing as part of a market-led development, building it on another site, or providing land or money in lieu of affordable provision”.

(Oxley, 2011: p. 320)

Academics justify affordable housing delivery through planning because an increase of dwelling values can occur as a positive externality. Namely, the value of properties can be influenced by actions on other plots and does not require actions of the owner of the property. Therefore, this regulation is a form of ‘betterment tax’ and aimed to capture values of economic prosperity to lower-income groups (Agyemang & Morrison, 2018; Schuetz, Meltzer, & Been, 2011). Previous research of Calavita and Mallach (2010) links inclusionary zoning to planning systems that decentralised housing production to local governmental agencies. When these local governments experienced an exclusion of certain income groups, they implemented the inclusionary zoning regulation (Calavita & Mallach, 2010). Because pressure on affordability occurs more often in dualist rental systems than unitary systems, de Kam, Buitelaar & Needham (2014) expect the future wish for inclusionary zoning will occur more often in dualist rental systems than in unitary rental systems (de Kam, Buitelaar, & Needham, 2014). Inclusionary zoning is a regulation that can be relatively low cost and effectively applied by governmental agencies, which increased the international popularity of the law (Schuetz, Meltzer, & Been, 2011).

An efficient implementation of inclusionary zoning relies on two factors; financial and planning capabilities of the public and the private sector. Obligating market parties to execute these regulations is thereby dependent on their financial capabilities to overcome this effect, but also on the ability of governments to obligate or incentivise developing parties. Table 2 presents factors that influence the economic viability and the capacity of governments to implement the regulations. The table is divided by elements of planning systems and the real estate market and is based on the study of Agyemang & Morrison (2011). Previous research from Agyemang & Morrison (2011) has shown that the extent of ownership rights and negotiation room in the planning system are factors that influence the efficiency of the execution of inclusionary zoning. Their research showed that when ownership rights are firmly in favour of market parties, the performance of this regulation may be inefficient (Agyemang & Morrison, 2011). Additionally, the presence of negotiations influences the ability of governments to implement the regulations. Especially if market parties have lots of room to negotiate (Morrison & Burgess, 2014; Agyemang & Morrison, 2011). Agyemang & Morrison (2011) also describe that economic planning factors such as land capacity and financial capabilities of market parties are important for inclusionary zoning to succeed (Agyemang & Morrison, 2011). Regulations harm profits of housing development projects. Consequently, decreased profits can lead to a discouragement of developers

to construct housing. The constraint can, therefore, cause damage to housing developments in its whole, especially when demand for housing is high (Oxley, 2011). Academics, therefore, agree that healthy market conditions and property rights are crucial for the implementation to succeed.

Table 2 Planning system factors and economic factors that are necessary for the efficient implementation of inclusionary zoning (author; based on Agyemang & Morrison (2011))

<i>Nature of the planning system</i>	<i>Nature of the land and residential market</i>
<i>Governmental ownership of development rights</i>	<i>Delineated and formalised land market</i>
<i>The central government is committed to change</i>	<i>Sufficient number of market players who are willing to develop</i>
<i>Vigorous enforcement of implementing regulations</i>	<i>Financial feasibility not adversely affected</i>
<i>Strong capacity of the local planning authority</i>	<i>A large number of development sites forthcoming</i>
<i>Little negotiation room</i>	<i>Developers' willingness to contribute</i>

However, the regulation is not left without critique from academics due to the fact that the regulations affect the financial feasibility of housing development projects (Oxley, 2011; Ellickson, 1981). Oxley (2011) describes that governments tend to underestimate market factors such as demand and supply for developers. Additionally, the author explains that these regulations may have little attention to the impact on developers' costs and revenues. This regulation can endanger financial feasibility because it influences the costs and demands of housing projects (Oxley, 2011). Inclusionary zoning may have a negative effect on housing demand when the regulations designate specific income groups for the dwellings. Specific target groups generally decrease demand for housing because a target group is smaller than the general public. Reduced demand decreases the willingness of developers to construct a specific type of housing. Therefore, Ellickson (1981) states that inclusionary zoning may be sufficient in the short term because the demand for affordable housing is present. But if supply meets demand, developers and investors will not be incentivised to construct more affordable housing because it harms their business case (Ellickson, 1981). Figure 4 on the following page shows the influence of inclusionary zoning on the housing market and makes insightful how the demand and construction market is affected by the regulation. Reduced demand and increased costs may lead to a mismatch in supply and demand for housing, as Ellickson (1981) argued.

Morrison & Burgess (2014) showed that an economic downturn in England led to a more flexible and less strict implementation of inclusionary zoning. The authors explained that England's National Government, the actor which introduced the regulation, lowered the obligated share of affordable housing when the financial crisis of 2008 occurred. The economic downturn reduced housing development initiatives due to decreased financial capability of developers. Consequently, developers were unable to implement inclusionary zoning, which led to a decrease of affordable housing provision. However, due to the increased flexibility of the regulations, developers were increasingly capable to execute the regulation, which had a positive effect on the construction of affordable housing to a certain extent (Morrison &

Burgess, 2014). Other authors corroborated the reliance of the regulation on financial viability by showing the efficiency of the regulation in times of economic success (Crook, Currie, & Jackson, 2002). These previous researches showed that demand for housing and economic capability are important factors for a successful implementation of inclusionary zoning.

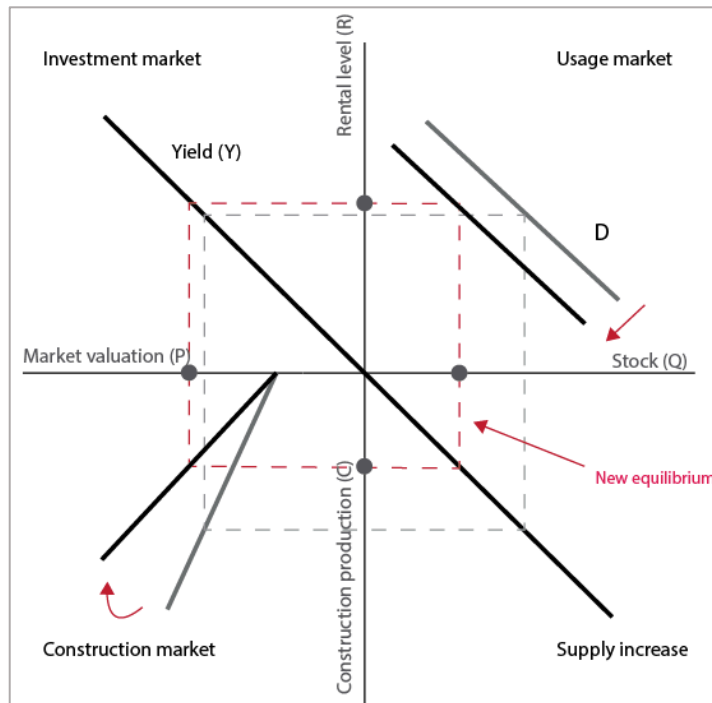


Figure 4 The effect of inclusionary zoning on the housing market (author; based on Ellickson, 1981)

2.2.2 Rent control

Governments often combine inclusionary zoning with rent control and minimum durations that these regulations are in place (Ramakrishnan, Treskon, & Greene, 2019). Similar to inclusionary zoning, rent control is executable through planning and internationally used when pressure on affordability occurs (Priemus & Dieleman, 2002). By controlling the maximum rent level, the regulation has an impact on the value of dwellings and lowers the revenues of investors and developers. Lowered revenues may discourage the development and investment market, which incentivises critique of academics. Kholodilin and Kohl (2020) point out:

“Rent control is usually introduced with good social-policy intentions, it generally risks to crowd out its object of regulation through inhibiting new construction”.

(Kholodilin & Kohl, 2020: p. 3)

Critique on rent control derives from the theory of welfare loss (Gleaser & Luttmer, 2003). In other words, putting a price ceiling on products creates a limitation in profits to be made. Figure 5 on the following page illustrates how this regulation influences the willingness of developers and the quantity of constructed dwellings eventually. In this figure, Gleaser & Luttmer (2003) show that an optimum (A) between housing demand (D) and supply (S) is present. If a rent control regulation is established, a

reduction of the producer surplus occurs (C). Reduced producer surplus limits the ability of developers to meet the present demand, which leads to an insufficient quantity (Q) of housing. Furthermore, Gleaser & Luttmer (2003) and Nethercote (2019) have researched how developers react to price ceilings other than aborting production. They have shown that developers also adjust the quality of their projects to the price level of the regulation to balance costs with revenues (Gleaser & Luttmer, 2003; Nethercote, 2019).

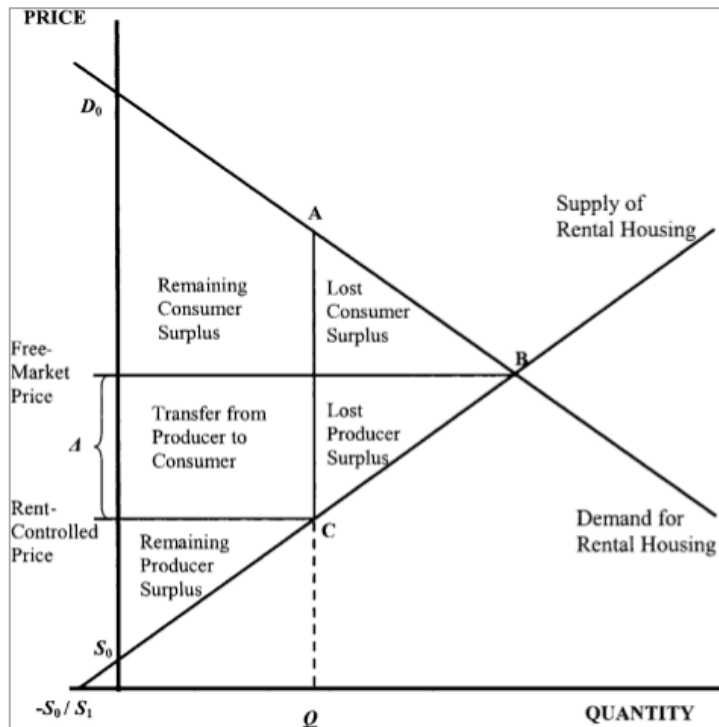


Figure 5 Rent control and the effect on housing quantity (Gleaser & Luttmer, 2003)

A difference between rent regulations and its effect on production quantity can be distinguished between *first-generation* and *second-generation rent control* (Kholodilin & Kohl, 2020). *First-generation rent control* was introduced after WWII and consisted of pure rent freezes. Rent control in its early form had a significant effect on the investment revenues in new constructions of private rental housing. *Second generation rent control* focuses on limiting the rise of rents, which mostly occurs after a new tenant was occupying a dwelling. These regulations also affected a decrease in new constructions, but these were less significant than first-generation rent regulations (Kholodilin & Kohl, 2020). Furthermore, Kholodilin and Kohl (2020) have shown that rent control does not endanger construction in housing overall. Developers, however, may respond by switching to other housing sectors, such as owner-occupied, as a response. Nethercote (2019) adds that institutional investors may shift their investments to other possibilities, such as stocks and bonds if revenues are more significant there. To compensate investors and developers for their losses, governments may subsidise these regulations. The following paragraph elaborates on subsidies.

2.2.3 Supply subsidies and land values

Supply subsidies consist of lowering land values and subsidising construction. It can be differentiated per category of affordable housing developments (Lennartz, Haffner, & Oxley, 2012). Governments can steer the development of particular housing, which can contribute to gentrification or segregation in specific neighbourhoods. Previous research showed how supply subsidies could stimulate developers to increase the quality of dwellings or could be used to stimulate housing production (Oxley, Lishman, Brown, Haffner, & Hoekstra, 2010). However, other research from Lennartz, Haffner & Oxley (2012) showed that disadvantages of supply subsidies lie in the uncontrolled and undefined use of the support. Granting subsidies does not guarantee these subsidies are used for what they aim for, especially when housing providers execute projects with substantial financial risks. Furthermore, once tenants are living in these subsidised dwellings at an affordable rate, tenants are protected and cannot be dispersed from these dwellings. Tenant protection can, therefore, create long waiting lists and inaccessibility of housing for other potential tenants (Lennartz, Haffner, & Oxley, 2012).

On the other side, land values can also decrease the producer surplus. This decreased surplus may lead to a decrease in developers' willingness. Murphy (2019) explained that land values provide incentives for specific development actions because they are part of the construction costs. In other words, if high land values make development projects unfeasible, projects will not be executed or are adjusted to the land values (Murphy, 2019). Research from Deng (2002) elaborates on the effect of high land costs regarding land leases. This research made insightful how costly land leases contribute to higher rents of dwellings on these lands. This occurs because the land cost runs through on the business case of the developers and the investors (Deng, 2002). Therefore, Murphy (2019) states:

"Land valuations articulate actions: they act, or they make others act".

(Murphy, 2019: p. 4).

Murphy (2019) also emphasises how because governments are in control of valuating land values, they have indirect control over the actions of developers and investors due to their control of land values. Malpezzi & Green (1996) further state that governmental regulations regarding land supply increases the value of lands. Their research focussed on the American context and reveals that if governments limit land supply, land values increase. Consequently, this results in higher prices for housing (Malpezzi & Green, 1996). Thus, governmental regulations influence financial the capabilities of market parties, which indirectly influences the implementation of affordable housing regulations (Agyemang & Morrison, 2011; Morrison & Burgess, 2014). However, as Agyemang & Morrison (2011) showed that implementation of these regulations not only dependent on market viability, but also on the legal and organisational capacity governments. The following paragraph demonstrates the planning system, governance and development instruments.

2.3 Implementation of regulations through the planning system

This paragraph elaborates on the characteristics of the planning system and what factors shape the implementation of regulations through housing developments. Firstly, the planning system in the Netherlands is described and how the steering capacities of the municipalities. Second, this chapter elaborates on the complexity of including private actors' interests for executing public goals. At last, we describe what instruments and processes the municipality may use and how this influences the outcome of housing development processes.

2.3.1 From an active to a passive planning system in the Netherlands

The financial crisis of 2008 had a significant impact on the capabilities of Dutch municipalities to steer housing developments towards their goals. Formerly, Dutch municipalities drove housing developments by actively acquiring land and set plans for this land to be developed, which is called the *active planning approach* (Samsura, van der Krabben, van Deemen, & van der Heijden, 2015). Municipalities did so by acquiring land, making plans and delivering them to housing associations and developers. Ploeger & Boujouh (2017) praise this approach regarding the ability of the public sector to steer implement general goals because the active planning approach enables municipalities to ensure enough housing capacity is produced. Nevertheless, the active planning approach also has a downside because it is financially expensive for the public sector. The expensiveness of the active planning approach became clear during the financial crisis of 2008. Many Dutch municipalities aborted the *active planning approach* after budget cuts from the National Government during this financial crisis (Buitelaar & Bregman, 2016). After this crisis, not only budget cuts from the National Government occurred, the National Government also introduced policies that limited urban housing development on brownfield sites. When this policy was introduced, urbanisation started to rise and the demand for urban housing increased. Consequently, the values of urban land increased, and the active land approach became too financially burdensome for municipalities. As a result, many Dutch municipalities shifted to a *passive planning approach* (Buxton & Taylor, 2011).

In this approach, the municipality does not actively acquire land. Instead it waits for private initiatives and facilitates these initiatives by granting legal contribution. By doing so, they put more financial risks in the private sector (Buitelaar & Bregman, 2016). When the private sector takes these initiatives, the municipality steers them by granting contribution if the development meets specific goals or prescribed regulations. In this way, the municipality still holds its steering capacity to execute public purposes, such as inclusionary zoning, rent control or other developer obligations (Gielen, Salas, & Cuadrado, 2017). The passive planning approach creates a situation of mutual dependency. To be more specific, developers and investors are dependent on the municipality to make revenues and the municipality on developers and investors to execute public goals (Buitelaar & de Kam, 2009). This reliance incentivises municipalities to cooperate with investors and developers and decreases the formerly Dutch top-down planning culture. However, due to the dependency on market initiatives, the municipality has to take the interests of the actors involved into account. Buitelaar & Bregman (2016) elaborate on the negative

side of the passive planning system. This paper exposes the vulnerability of the system, which entails the reliance on economic cycles and efficient collaboration. Buitelaar & Bregman (2016) explain that economic downturns or inefficient collaborations may harm public objectives due to the reliance on private parties' capacity. Additionally, the authors advocate for a change of the passive planning culture.

2.3.2 Hierarchy versus heterarchy

Mutual dependencies of organisations create complex situations due to the multiple interests that are involved. The *passive planning approach*, decentralisation of public responsibilities and reliance on private actions decreased the formerly top-down planning culture and created a shift towards a more heterarchical approach (Evers & de Vries, 2013). Heterarchical governance is referred to by Jessop (1998) as: "*the mode of conduct of specific institutions or organisations with multiple stakeholders, the role of public-private partnerships, and other kinds of strategic alliances among autonomous but interdependent organisations*". At first, Thorelli (1986) was critical on heterarchical governance because combining activities of the private and the public sector may introduce distortions of the market. Nowadays, academics are appreciating the collaboration of the public and private sector because both sectors can supplement each other (Louw, van der Krabben & Priemus, 2003; Savini, 2016). Especially in distorted markets, such as the housing market, supplementation of both sectors contributes to a more effective execution. Addressing the private sector in executing public interests has advantages, according to Louw, van der Krabben & Priemus (2003). They elaborate that heterarchical collaborative governance is more democratic, more efficient and more reliable in enhancing economic purposes. Additionally, heterarchical governance is more capable of dealing with wicked problems because it is more flexible and more adaptive to the interests and resources of the actors involved (van Bortel & Mullins, 2009). Addressing each other resources shapes a more effective collaboration, which supplements the actors involved (Savini, 2016; Dodson, de Silva, Dalton, & Sinclair, 2017).

However, the decreasing hierarchical approach of governments does not only come with opportunities for the public sector. The shift simultaneously 'hollows out' governmental legitimacy in terms of actions and financial capabilities (Rhodes, 2007). According to Friedman & Rosen (2020), this creates a shift in authority. In this new situation the private sector and her interests get more control over governance, which repulses the public interest. In academic literature, the change from hierarchical governments to heterarchical collaboration is known as the 'shift from government to governance' (Macleod & Goodwin, 1999). Balancing private and public interests emphasises one of the conflicts governments have to deal with and is called the 'property conflict' by Campbell (2016). In this conflict, governments try to find a balance between enhancing economic growth and protecting the public interest. Campbell (2016) have shown that the property conflict can be managed by clear institutionalisation and by establishing frameworks for cooperation. Unclear institutions are also one of the disadvantages of heterarchical governance. Jessop (1998) warns for vague rules. In his view, unclear institutions are one of the disadvantages of heterarchical governance. Hence, Jessop (1998) advocates for meta-governance in which there is one leading actor accountable for shaping institutions. Moreover, Evers

& de Vries (2013) elaborate that a hierarchy and clear institutions enhance steering capacities of municipalities for executing their goals. Previous research from Klijn (2020) has shown that involved actors in collaborations shape institutions. If these actors shape rules, they are more likely to follow than when a leading actor forms a law. Regarding housing development, research from O'Brien, Lord & Dembski (2019) has shown that municipalities mostly execute their goals by setting regulations for private activities. According to Brinkerhoff & Brinkerhoff (2011), setting and executing rules can be done on both the policy level and the operational level as well.

To conclude, the execution of housing development can be seen as a collaboration because both the public and the private sector are aiming at the same goal. Consequently, this collaboration can be seen as a form of a public-private partnership. Bovaird's (2004) definition of public-private partnerships corroborates this situation:

"public-private partnerships are working arrangements based on a mutual commitment (over and above that implied in any contract) between a public sector organisation with any other organisation outside the public sector".

(Bovaird, 2004, p. 200)

This definition highlights the importance of how shared goals lead to a contractual relationship. In this mutual dependency, a degree of equal decision making is active, to oppose the domination of one or multiple actors. Therefore, all actors involved should be able to influence the process to execute their goals (Brinkerhoff & Brinkerhoff, 2011).

2.3.3 Institutionalisation of the development process

Gielen, Salas & Cuadrado (2017) describe that municipalities have different procedures and instruments at hands to steer developments in a passive planning approach. Ruming & Steele (2012) point out that the planning system often combines various aspects of flexibility and certainty to ensure public goals are met, without harming interests of private initiatives.

A hierarchical process that provides certainty is often combined by a process that offers more flexibility. Steele & Ruming (2012) call this the 'schizoid' planning system and their research shows that Western planning systems are either categorised as 'regulatory zoning systems' (active and hierarchical) or 'discretionary systems' (passive and more heterarchical). The advantages and disadvantages of this approach are presented in table 3. However, modern planning systems combine both systems to 'implement flexibility while ensuring predictability' (Steele & Ruming, 2012). In practice, this is merged by using top-down manners and bottom-up process at the same time (Steele & Ruming, 2012). This combination is addressed because top-down processes have the cons of not taking the actors' interests into account, and this method creates one-sided outcomes. On the other side, flexibility has the disadvantage to create more conflicts and uncertainty in the result because all actors can implement their interests in the process (Jonkman, Janssen-Jansen, & Schilder, 2018). According to Pissourios (2014), the challenge in the passive planning system is to steer bottom-up processes without reducing the willingness of market initiatives.

Naess (2001) adds that a weakness of bottom-up processes is that some developments need more coordination (Naess, 2001).

Table 3 Advantages and disadvantages of flexibility and certainty in planning systems (author; based on Steele & Ruming, 2012))

	ADVANTAGES	DISADVANTAGES
TOP-DOWN SYSTEMS (CERTAINTY)	One-way decision making	Little flexibility regarding regulative outcomes
	Consistent decision making	Speedier execution
	Faster planning applications	Little potential for negotiation
BOTTOM-UP SYSTEMS (FLEXIBILITY)	Flexible decision making	Uncertainty in regulative outcomes
	Slower plan-making	Slower execution
	Responsive to circumstances	Potentials for negotiations

2.3.4 Instruments, land positions and capabilities of governments

Institutionalising arrangements may decrease the flexibility of collaborations; it also creates more certainty for the municipality to predict outcomes (Campbell, 2016; Pissouris, 2014). Setting these arrangements is dependent on the land position of the actors involved because privately owned land limits the capacity of governments to steer land use (Agymang & Morrison, 2011). If governments own the land, they can set the regulative framework wherein the development must take place by adjusting zoning plans (Buitelaar, Galle & Sorel, 2011). Furthermore, they can choose parties that may develop under the prescribed conditions of the government (van Valkenburg, Lenferink, Nijsten, & Arts, 2008). When a development initiative is registered, the land can be sold to the developer. Granting the ownership rights to market parties limits the legal capability of governments (Buitelaar, Galle & Sorel, 2011).

Lease contracts can be used by governments as well. This system enables municipalities to keep control over the land use because governments keep the possession of the land. If lessees want to change the land use, they need an adjustment of the lease contract. This enables municipalities to steer developments in order to grant cooperation. The land lease system is thereby an *ex-ante* and an *ex-post* control instrument and captures value increases continuously. Therefore, Savini (2016) describes this system as an instrument that provides certainty for all actors. However, the system is under pressure. In recent debates, lessors and politicians are opposing this 'municipal cash flow' system. The limited flexibility of the instrument also resists the speed of urban developments and the neglect of the interests of the actors involved (Savini, 2016; Ploeger & Boujouh, 2017). Additionally, Farthing & Ashley (2010) elaborate on land positions of actors in housing development. The authors describe that land if market parties possess a land position, their bargaining positions changes. Consequently, this may result in refraining developments. Their study also explains that municipalities are more careful in negotiation in this process because it could hamper their ambitions to execute public goals through private initiatives (Farthing & Ashley, 2010). These results are in line with previous research from Van Straalen & Witte (2018), which illustrated that a shared public and private ownership in housing development projects creates a less predictable outcome



regarding public goals because sectors operate under different objectives (van Straalen & Witte, 2018).

The zoning plan is a public instrument, which does not need cooperation or agreement of private actors involved. The zoning plan is granted a central role in the planning system of the Netherlands after the change of the Planning Act (Wro) in 2008 by the National Government (Buitelaar, Galle & Sorel, 2011). Building permits need to align with the zoning plan to be granted. This makes the zoning plan the central instrument for municipalities to steer the built environment. On the contrary, private instruments are used to document arrangements between multiple parties and are used in the land lease or land sales. One of the goals of contracts is to share the financial risks between the public and the private sector and is drafted under negotiations (Savini, 2016). According to Buitelaar & de Kam (2009), this shapes a difference between the instruments, because zoning plans can be executed hierarchically, and contracts are executed under a collaboration. However, previous research from Buitelaar, Galle & Sorel (2011) has shown that the Dutch zoning plan may be revised when development initiatives are conducted, which sounds rather contractionary for the means of the instrument. Nevertheless, the ability to alter the zoning plan is useful for municipalities to steer the development towards public goals. In this process, the municipality only grants contribution to change the zoning plan when developments meet municipal requirements (Buitelaar, Galle & Sorel, 2011). The ability to alter also has a financial motive because municipalities are obligatory to update their zoning plans every ten years. If a development initiative needs changing of a zoning plan, the costs of replacing are transferred to the developing parties (Buitelaar, Galle & Sorel, 2011).

3 Methodology

This chapter provides the methodology of this research and elaborates on the design of this case-study research. Moreover, this study gathered data by semi-structured interviews to set up in-depth explorations. This research uses qualitative methods to analyse the complex issue of housing development. By using this approach, the thesis was capable of focussing on different interests regarding economic and planning factors. To execute triangulation in the research a combination of document analysis with semi-structured interviews is executed. The interview design is structured by the theoretical framework and the research questions (Scheepers, Tobi, & Boeije, 2016). This chapter first explains how the theoretical framework provided the structure of this research. Secondly, we elaborate on the research design of the single case study. Thirdly, the method of document analysis is described. Fourthly, the approach of the interviews is stated. Fifthly, this chapter ends with remarks regarding the validity and reliability of the research.

3.1 The conceptual model and the research structure

The theoretical framework formed a conceptual model and is used to structure the research. Figure 6 shows the conceptual model and starts with the topics regarding the context of the research topic and is visible in the first box. The theoretical context is provided in the first paragraph of chapter two and the outcome on the housing market of Amsterdam is described in chapter four. The second box represents the regulations used to protect affordability through housing developments. The introduction of this research described how the actors involved collaborate in the drafting process of the regulations, which provides information regarding the governance of housing development in Amsterdam (Dodson, da Silva & Sinclair, 2017). Therefore, the second box relates to the first research question and provided data on governance and how the municipality copes with private interests. The conceptual model consists of two factors that influence the implementation of regulations through the planning system; the economic factor and the planning system factor (Agyemang & Morrison, 2011; Oxley, 2011). Both elements are visible in box three and four. These factors are influenced by the status of the housing market in Amsterdam and the planning system in the Netherlands. We provided this context in chapter four as well. This chapter explains how affordability issues occur for middle-income households in Amsterdam.

Chapter two described how the economic factor is essential for the regulations to succeed and is presented in box three (Agyemang & Morrison, 2011). This research explored economic viability at institutional investors by addressing their willingness to invest and how they operate under these regulations. Additionally, the thesis researched how the municipality handles possible supply subsidies and the role of land values in the economic factor. Besides the economic factor, the capacity of local governments is important for the implementation of regulations through planning. This factor is visible in box four. Essential factors for the capacity of governments are the planning procedures and available legal instruments.

To sum up, this research explored how the municipality uses the planning system to implement the regulations through housing developments of institutional investors. Researching the economic and planning system factors allows this thesis to come to a conclusion regarding the efficiency of implementation of the regulations through housing developments of institutional investors. Box five in figure five represents this conclusion.

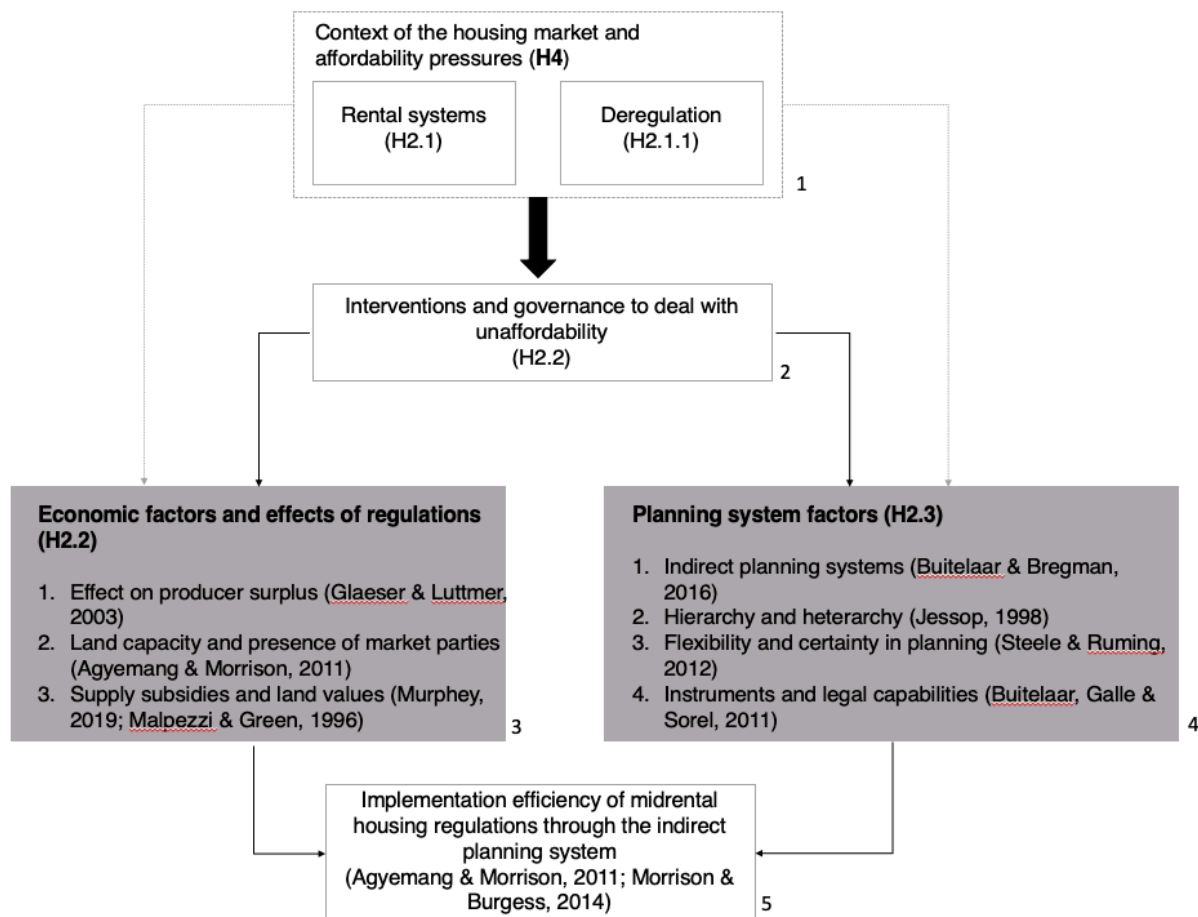


Figure 6 The conceptual model (author)

3.2 The case study

The research uses a single case-study design, which contributed to a practical exemplification of relevant theories. Moreover, the case study research design allowed this study to go into depth regarding this specific situation (Flyvberg, 2006; Bryman, 2016). The case selection of Amsterdam and this research design gives this thesis a unique character. Due to the fact that Amsterdam is the only Dutch municipality implementing inclusionary zoning and rent control through the planning system. Comparing this case with other cases would be challenging because context is an important factor in cases studies overall (Gustafsson, 2017). The context of Amsterdam differs with other Dutch municipalities since others did not apply these regulations, experience significant lower pressure on the housing market and have different planning procedures (Ploeger & Boujouh, 2017; O'Sullivan & de Decker, 2007). Since context is a crucial factor, the generalisation of a single case remains

debatable. However, this research aims to contribute to academic knowledge by the exemplification of theories, as Flyvbjerg (2006) states:

“A scientific discipline without a large number of thoroughly conducted case-studies is a discipline without systematic production of examples, and a discipline without examples is an ineffective discipline.”

(Flyvberg, 2006: p. 219)

By researching which factors influence the collaboration between the actors, this study is able to make a statement regarding the efficiency of the regulations on a scientific basis. Focussing on institutional investors allowed the research to explore the governance process of conducting the regulations because only this investor group was involved in the drafting process (Municipality of Amsterdam, 2020b). Furthermore, institutional investors are overly active in midrental housing and operate under low investment risks. By researching this topic in a case study, generalising the results should be executed with cation. However, the case study research design enables falsifications helps to make practical recommendations to the actors involved (Flyvberg, 2006).

Despite the fact that the case study was an effective method to gain in-dept data, it also had weaker points. The external validity of the results is relatively low because the case study focussed solely on one particular, geographical, situation and one a specific investment group. These characteristics are addressed in paragraph 3.5. To overcome this criticism of single case-studies, this thesis applied the method of Kelliher (2005). This method advises single case studies to use multiple sources to apply triangulation (Kelliher, 2005). We applied triangulation by executing a document analysis and semi-structured interviews in different target groups in the development of midrental housing of institutional investors in Amsterdam. By carefully selecting respondents, the study provided reliability and internal validity of the results.

3.3 Document analysis

This research consisted of multiple methods to retrieve data regarding the research questions. The first method discussed in this paragraph is the document analysis. According to Bryman (2016), documents for this method are not produced with a scientific goal but have to be relevant for the research topic. The research addressed reports regarding housing policies and interests of the actors in housing development in Amsterdam. The document analysis contributed to gaining contextual background information regarding the case as well as specific results of the research. Additionally, the theoretical framework and the results from the document analysis formed the foundations of the semi-structured interviews.

Furthermore, the documents are obtained from the internet. These documents have been extensively checked according to the four criteria of Bryman (2016); authenticity, credibility, representativeness and meaning. To safeguard these conditions, this research used documents of the actors involved. The documents originated from institutional investors, developers, relevant media, interest groups and the municipality. Since these documents were published in the internet, they were quickly addressable. Moreover, relevant information and data were already gathered

within these documents. The quick availability of data in these documents made the process efficient and cost-effective (Bowen, 2009). The document analysis provided a contextual background and supplementary data for the empirical results of this research (Bryman, 2016; Bowen, 2009).

Nonetheless, according to Bowen (2009), the document analysis also has limitations. Documents may provide insufficient details and biased data (Bowen, 2009). Biased data may occur because authors of these documents did not produce these documents for academic goals. To deal with these disadvantages, semi-structured interviews and neutral data sources, such as the CBS (Dutch Central Bureau for Statistics), provided supplementations and increased the validity of the results (Bowen, 2009).

3.4 Interviews

This research interviewed actors by semi-structured interviews and the document analysis. By applying both method the study aimed to establish in-depth data and triangulation. The method of semi-structuring interviews provided standardisation without neglecting flexibility and adaption. Flexibility and adaptation of semi-structuring the interviews gave the interviewer space to adapt to the answers that respondents gave and allowed the harvesting of in-dept data (Bryman, 2016). Another advantage of applying semi-structured interviews was the possibility for participants to come up with additional information. Consequently, this approach of interviewing contributed to the exploration of the topic (Scheepers, Tobi, & Boeije, 2016). The flexibility in this methodology was helpful because the concepts of this research are relatively unaddressed in academic literature (Nethercote, 2019). The content and the structure of the questions are based on the conceptual model (figure 6). Results of the interviews were approved when saturation occurred, which means that no new information occurred during the interviews.

3.4.1 Structure of the interviews

The data that derived from the interviews was extensive because interviews were transcribed completely. The data was analysed in a semi-structured manner by applying structured coding. The method of coding prevented the research from drowning in the vast amount of data that derived from the transcripts. A repeatable structure was established in this coding to keep an overview of data and to assure relevant topics were addressed. The following structure aimed to cover the relevant concepts over all the different actors:

The affordability gap (H2.1 & H2.1.1)

Why are middle-income households experiencing affordability pressures? (H2.1)

How does this affect your organisation?

Effect of regulations and subsidies on operationalisations (economic factors - H2.2)

What is the perceived goal of the regulations? (H2.2)

View on market equilibrium and land supply in Amsterdam? (H2.2)

How do these regulations influence your organisations' operations?
(H2.2.2)

Are supply subsidies necessary? (H2.2.2)

Views on the outcome of these regulations and instruments to increase the stock

Instruments and procedures of the development process (planning system – H2.3)

How does the municipality take private interests into account? (H2.3.1)

What procedures are used, and how do they influence the development process? (H2.3.2)

What instruments are used in the planning system? (H2.3.3)

How do procedures and instruments affect the collaboration of the actors involved? (H2.3.2)

3.4.2 Method of analysis: the thematical analysis

Before starting the interviews, we asked respondents for permission to record the interviews for the convenience of transcribing the entire interview. Structuring these massive amounts of data and finding logical paths were the main challenges of the research process. The analytical method of the 'thematical analysis' was applied to prevent carried away in this data (Bryman, 2016). The thematical analysis suited this research because the method assured a structure by different themes and theoretical concepts. The themes were based on recurring subjects from the interviews and the conceptual model. By using a 'framework', the data was structured to keep an overview (Bryman, 2016). Table 4 shows this framework and contains partly filled in quotes of interviewees. We divided the themes over the interviewees which assured that we conducted an overview without losing essential information. Following the method of Bryman (2016), we filled in the framework with motifs and codes derived from the interviews. Extensively coding and analysing transcripts was essential to fill in this Framework (Bryman, 2016).

At first, themes were conducted by the conceptual model and document analysis. After the conduction of the general themes, we created more specific subjects when the research evolved. Creating more particular schemes gave more extensive insight into the results of subjects. We divided these subjects by the nature of theoretical concepts regarding affordability issues, the financial effects of regulations and the planning system. When filling the thematical framework, we followed the method of Bryman (2016), which contains the following steps: firstly, we indicated what motifs are linked to which themes and subjects. Secondly, we kept the language of the participants as original as possible. Keeping language close to its origin was a challenge since the interviews were carried in Dutch. After transcribing and coding the interviews, we translated the statements to English and kept the language as original as possible. Thirdly, we left out unnecessary information and statements to keep a clear overview.

Table 4 Framework of the thematical analysis (author)

Interviewee	Municipality	Investor	Developer
Topic			
Affordability issue (H2.1)			
<i>The affordability gap</i>			
Economic factors (H2.2)			
<i>Regulations and market interests</i>			
<i>Stock addition and the regulations</i>			
<i>Rent control</i>			
<i>Long-term mutational prohibits</i>			
<i>Inclusionary zoning 40-40-20</i>			
<i>Land values</i>			
<i>Supply subsidies</i>			
Planning system (H2.3)			
<i>Tenders</i>			
<i>Transformations</i>			
<i>Heterarchy vs hierarchy</i>			
<i>Negotiation process</i>			
<i>Mutual dependency</i>			
<i>Contracts</i>			
<i>Zoning plans</i>			
<i>Effectiveness</i>			
Outcome			
<i>Effectiveness</i>			

3.4.3 Selection of respondents

We gathered interviewees through the network of the internship, and by contacting potential interviewees from the document analysis. Due to the sensitivity of the content of the topic, we kept all respondents anonymous. As mentioned earlier, we choose not to interview the National Government because the National Government is not directly involved in the housing development process in Amsterdam. Therefore, the indirect influence of the National Government was researched by the document analysis and is described in the context chapter.

During the research process, the interviews were executed until saturation occurred. Nevertheless, this research also prevented a too large sample size because this could lead to difficulties for gathering in-depth data (Bryman, 2016). Additionally, institutional investor consists of a relatively small group in Amsterdam. Therefore, the sample group is kept relatively small. Moreover, developers that collaborate with institutional investors and project managers and policy advisors of the municipality are interviewed as well. Due to the fact that these groups are relatively homogeneous, saturation occurred relatively quick (Bryman, 2016). In table 5 we give an overview of the respondents of our data collection.

Table 5 Overview of the respondents (author)

<i>Type</i>	<i>Organisation type</i>	<i>Role</i>	<i>Number</i>
<i>Municipality</i>	Project Management Department	Senior Project Manager	1
	Project Management Department	Project Manager	2
	Land & Development Policy Department	Senior Policy Advisor Land and Development	3
	Land & Development Policy Department	Senior Policy Advisor Land and Development	4
<i>Institutional investors</i>	Institutional investor	Acquisition Manager	5
	Institutional investor	Head of Acquisition Department & Acquisition Manager	6 & 7
<i>Developers</i>	Developing institutional investor	Development Manager	8
	Developer and tender manager	Partner	9
	Developer	Partner	10

3.5 Ethics

Academic research methods have to be repeatable to have reliable results. Repeating the methods of this research means that it must gain the same results. A high level of repeatability creates high values of validity and reliability and are necessary conditions to prevent the results from bias (Scheepers, Tobi, & Boeije, 2016). This paragraph examines both factors in relation to this research approach.

3.5.1 Validity

As reported by Scheepers, Tobi & Boeije (2016), validity is a necessary condition to prevent systematic mistakes during the data collection (Scheepers, Tobi, & Boeije, 2016). It is required to protect the data interpretation from subjectivity to accomplish an internal validity. This study prevented subjectivity by being aware of the position of researcher during the conducting of the interview (Scheepers, Tobi, & Boeije, 2016). Besides enhancing validity in the interview process, the usage of multiple methods stimulates validity (Bryman, 2016). This research enhanced validity by combining the interviews with the document analysis (Bryman, 2016). Bryman (2016) suggests letting participants confirm the results of the interviews to further strengthen validity. This method is applied by confirming statements and asking follow-up questions during the interviews. This method will increase the claim that the measurement is correct, and misinterpretation was prevented (Bryman, 2016). Bryman (2016) further proposes to corroborate the results and validate the interpretations by sharing summaries of transcripts with the interviewees (Bryman, 2016). This research followed this method by sharing our results with the respondents after transcribing the interviews. Moreover, we gathered different perspectives on the situation by interviewing multiple actors. This thesis also executed interviews with different employees of the same organisation to prevent biased results. This approach is in line with the method of Scheepers, Tobi, & Boeije (2016).

The external validity of this research is relatively low since the research design consists of a single-case study and the focus on a target group. The uniqueness of the case makes the external validity of the results low, and generalisation to other Dutch municipalities was, therefore, a limitation. The specific focus of this thesis makes generalisation of the results challenging (Bryman, 2016). On the contrary, Flyvberg (2006) explains how results of case-study researches helps in the falsification of theories and previous studies:

“Falsification is one of the most rigorous tests to which a scientific premise can be subjected: If the premise is incorrect in only one case, it must be considered false and revised or rejected”.

(Flyvberg, 2006: p. 228)

According to Flyvbjerg (2006), exemplification of theoretical events contributes to academic social research (Flyvberg, 2006). In line with these arguments, Ruddin (2006) explains that generalisation is not the primary goal in case study researches. Social research should focus on the study of particular cases (Ruddin, 2006). Thus,

generalisation and building new theories were not the key focus of this research. We, therefore, focus on the practical recommendations for the actors involved.

3.5.2 Reliability

According to Scheepers, Tobi & Boeije (2016), a study with a high reliability should come with the same results when repeated by various researchers. Repeatability is necessary for reliability and can be established by standardising methods of data collection and analysis (Bryman, 2016). To ensure reliability, we have gathered data at multiple respondents from different organisations and combined interviews with the document analysis. During the interviews, we executed member checks to gain in depth-data. Member checks contains asking confirmative questions to corroborate the interviewer's analysis and allow the interviewee to correct the interpretation (Bryman, 2016). This research also allowed corrections by participants by sending summaries of the findings to the interviewee after we coded the interview. In doing so, the respondent could correct the interviewer in their interpretation to increase reliability (Bryman, 2016).

Nevertheless, repeating social research remains challenging because it cannot be guaranteed the repetition shares the exact same results (Bryman, 2016). This is due to the moment of conducting the research, but also because the interviews addressed specific respondents. The participants of the interviews may have a certain view on the problem and thereby may influence the results (Bryman, 2016). As described earlier we prevented this bias by interviewing multiple participants from multiple organisations. Moreover, this research aims to assure reliability by having transparently described the research methods in this chapter (Aguinis & Solarino, 2019).

4 Context

This chapter presents the challenges of middle-income households in the housing market in Amsterdam. Firstly, this section gives an introduction to the city of Amsterdam. Secondly, this section explains how affordability issues occur for middle-income households in Amsterdam. The reader should note in this chapter that specific ownership information of institutional investors in Amsterdam was inaccessible. Therefore, we generalised institutional investors with other property owners under the 'private sector'. The third paragraph demonstrates how the National Government influences the planning system of the municipality and why the researched regulations are limited to only new developments.

4.1 The economy and urbanisation of Amsterdam

Amsterdam is the capital of the Netherlands and is located in the Province of North Holland (figure 7). Amsterdam is also the largest city of the Netherlands with 859.732 inhabitants and 440.302 houses in 2019 (CBS, 2020a; CBS, 2020b). The city has the most extensive stock of rental dwellings, which consists of 70% of all housing in the city (CBS, 2019). The metropolitan area has the most extensive gross regional product per capita of the Netherlands with more than 75.000 in 2018 (CBS, 2019).

Amsterdam's economy has grown significantly from 2000 onwards. Figure 8 shows how the economy of the city developed faster than other Dutch and European cities from 2010. The growing economy attracts residents due to an increase in employment, and the attractiveness of urban living (Hochstenbach & Ronald, 2020; van Doorn, Arnold, & Rapoport, 2019). Consequently, the population of Amsterdam grew significantly during the economic revival after the financial crisis of 2008 as is seen in figure 9 (CBS, 2020a).



Figure 7 Map of the Netherlands and the location of Amsterdam (Alamy.com, 2020)

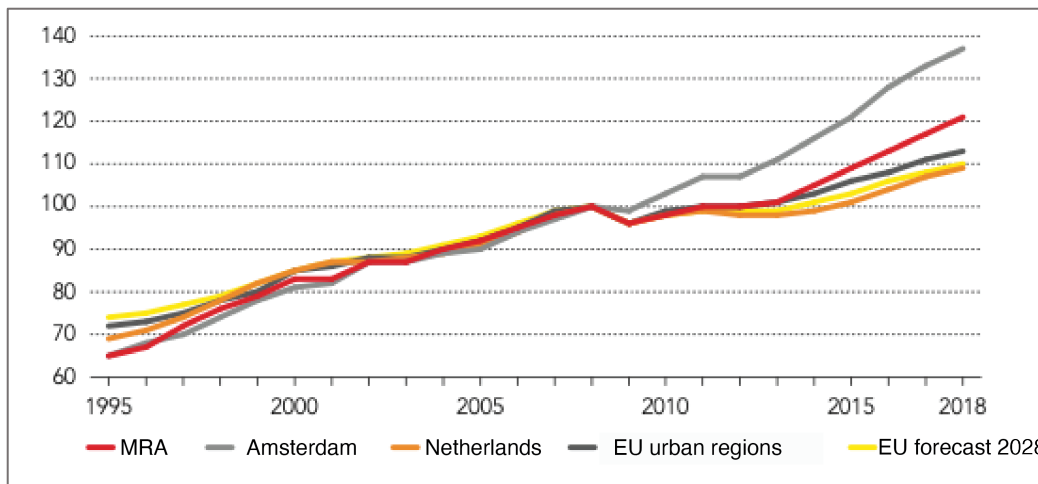


Figure 8 Economic growth of Amsterdam, the Netherlands and the EU based on GDP (Metropole Region Amsterdam, 2019)

Despite the growing interest, housing construction could not meet this increasing demand because the financial crisis caused a lack of housing construction (Hoekstra & Boelhouwer, 2014). The calculated housing shortage in Amsterdam is around 68.000 houses in 2019 (Groenemeijer & Gopal, 2019). Housing shortages occur in all sectors of the housing system in Amsterdam, leading to increased selling prices and rents and exclusion of certain income groups. Especially middle-income households struggle to find adequate housing due to numerous factors. Middle-income households are diverse in demographics, households and working class, and are therefore difficult to define (van Middelkoop & Schilder, 2017). However, these households have one thing in common; their income level, which is calculated between 1 and 1,5 times of the modal income between € 38.035,- and € 60.095,- per year (Municipality of Amsterdam, 2020a). The shortage of sufficient housing leads to the exclusion of middle and lower-income group. Consequently, the average salary of Amsterdam’s population grew from € 1.736,- in 2011 to € 3.069,- in 2019 (Municipality of Amsterdam, 2020a). The group made up 21% in 2011 of the total population of Amsterdam and 17,9% in 2019. However, only 14,4% of Amsterdam’s housing stock fitted this income group in 2019 (Municipality of Amsterdam, 2020a). These problems are arising in different ways in different housing sectors. The following paragraph shows how these problems occur in the different housing sectors in Amsterdam.

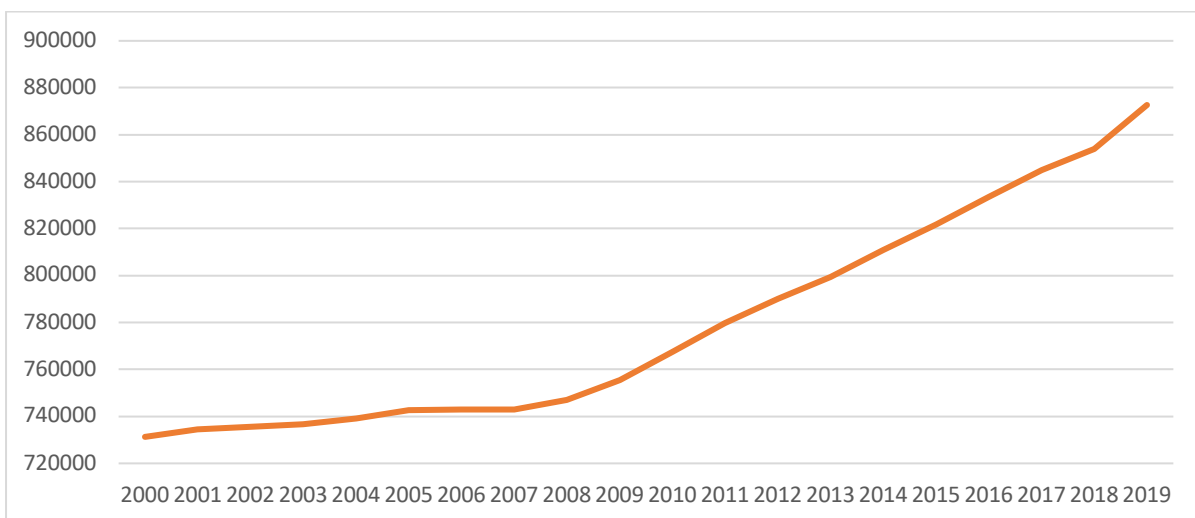


Figure 9 Population growth in Amsterdam after the financial crisis of 2008 (CBS, 2020a)

4.2.1 Skyrocketing selling prices in the owner-occupied sector

The owner-occupied sector is the second largest housing sector in Amsterdam (CBS, 2020). Figure 10 shows that this share differs from the Netherlands in general, where the owner-occupied sector is the largest housing sector (CBS, 2020b). From 1980 onwards, housing policies of the Dutch National Government aimed to increase private ownership of housing. Wherefore the demand for rental housing reduced (Hoekstra, 2009). In 2020, 4,3 million out of 7,3 million houses are owner-occupied, which is roughly 57% (CBS, 2020b). In Amsterdam, however, 29,8% of all homes are owner-occupied (CBS, 2020b). This difference occurs because the cities of the Netherlands had a traditional focus on the social rental sector. This topic will be addressed in paragraph 4.2.2.

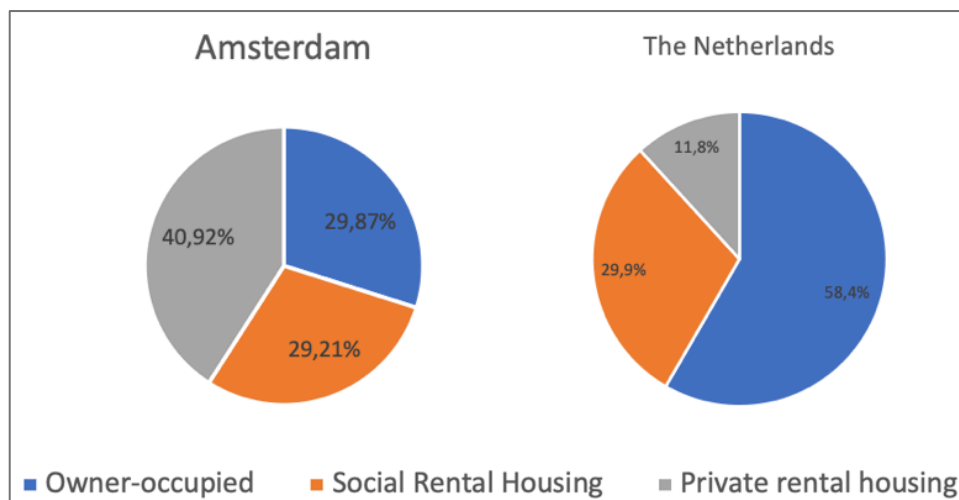


Figure 10 Differentiations of housing sectors in Amsterdam and the Netherlands (CBS, 2020b)

Figure 11 shows how contemporary urbanisation increased the price for owner-occupied housing in Amsterdam (CBS, 2020c). As reported by the Dutch Bureau of Statistics [CBS] (2020c), the average selling price of an owner-occupied house in Amsterdam entailed € 484.995,- in 2019, and is visible in figure 11. Besides the increasing prices, banks applied stricter norms for granting mortgages after the economic collapse of 2008 (Hoekstra & Boelhouwer, 2014). According to the ABN-AMRO, middle-income households are able to get a mortgage between € 171.330,- and € 292.648,- (price level: 2020). On 19-5-2020, 484 out of 3.982 owner-occupied houses with a maximum price of € 300.000,- were available in Amsterdam on the largest broker website in the Netherlands. Out of these 484 houses, only 276 homes had a maximum price category of € 250.000,- (Funda, 2020). Moreover, the municipality of Amsterdam (2020a) states that 75% of all owner-occupied housing is more expensive than € 297.000. Due to the increased prices, the owner-occupied sector is generally unaffordable for middle-income households.

Besides the prices and the availability of owner-occupied housing, inaccessibility for middle-income households is also occurring due to two reasons. Firstly, due to outbidding by more financially capable households or organisations, and secondly because of the increasing rigorous criteria for mortgages after the financial crisis of 2008 (Hoekstra & Boelhouwer, 2014; Hochstenbach & Boterman, 2017). Middle-income households are increasingly working under flexible job contracts, which decreases their possibilities to receive a sufficient mortgage. The municipality of

Amsterdam also expects that these employment conditions will increase the coming years (Municipality of Amsterdam, 2017a; Hoekstra & Boelhouwer, 2014). Consequently, the demand for rental housing is increasing in Amsterdam. The following paragraph elaborates on middle-income households in the two rental sectors; the social and the private rental sector.

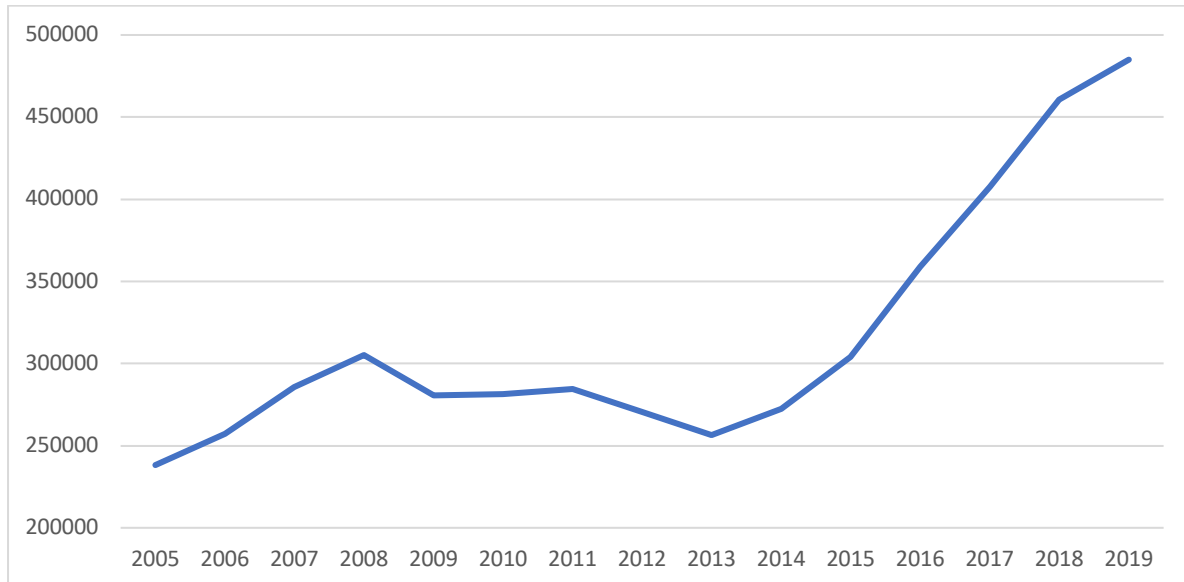


Figure 11 Prices of owner-occupied housing in Amsterdam between 2005 and 2019 (CBS, 2020c)

4.2.2 The social rental sector and the Dutch regulation system

The social rental sector aims to provide housing for lower-income households and to prevent urban segregation (De Boer & Bitetti, 2014). The sector operates under strict rent control, whereby the rents are not allowed to rise above the yearly adjusted liberalisation level of € 737,14 (price level: 2020) and are only applicable for income groups up to € 39.055,- (Municipality of Amsterdam, 2020a). The social housing sector consists of a relatively large stock because the sector had a significant role in providing housing during the housing crisis after WWII (De Boer & Bitetti, 2014). The share of social housing is visible in figure 10 on the previous page (CBS, 2020b). The Dutch rental sector did not align with EU laws regarding state aid and fair competition up to 1994. Since the Dutch rental system regulated privately-owned dwellings in the same manner as dwellings owned by social housing associations (Elsinga & Lind, 2013). Therefore, the National Government separated both sectors in 1994 by deregulating the private rental sector. This adjustment also aimed to encourage private investments in the deregulated rental sector (Hoekstra & Boelhouwer, 2014; Hoekstra, 2009). Besides differences in the number of regulations, the social housing sector also receives demand and supply subsidies such as housing allowances and reduced land values for housing associations.

Rents of both rental sectors are calculated according to the 'Woningwaarderingssysteem' (point system for dwelling value/WWS). In this system, the 'WOZ waarde' (dwelling value) plays a significant role and is calculated by selling prices of nearby houses, services and the quality of a rental house (van Middelkoop & Schilder, 2017). Not only residences of social housing corporations have rents below the liberalisation limit, but privately-owned dwellings with insufficient points are also equally regulated. Figure 12 shows how the distinction is established by the

liberalisation limit between dwellings owned by private organisations and housing associations. When houses have sufficient points to be designated above the liberalisation limit, both sectors become deregulated. Social housing corporations are allowed to rent these dwellings to households above the income level designated for social housing. However, housing associations may only provide these dwellings to certain income groups up to € 43.574,- and privately-owned dwellings are deregulated (van Middelkoop & Schilder, 2017). The ‘deregulated’ service of housing associations is called the non-DAEB (DAEB = service of general economic interests) section of social housing associations and are allowed to rent these dwellings to middle-income households. Nevertheless, only 5.9% of the middle-income households in Amsterdam are applicable for this housing stock. Furthermore, the non-DEAB section only consists of 10% (18.000) of the total dwellings owned by social housing corporations in Amsterdam (CBS, 2020b; de Boer & Bitetti, 2014). Thus, besides the owner-occupied housing sector, the social housing sector is inaccessible for middle-income households. The inaccessibility is caused by the strict income criteria and middle-income’s salaries are above the income benchmark of the social rental sector.

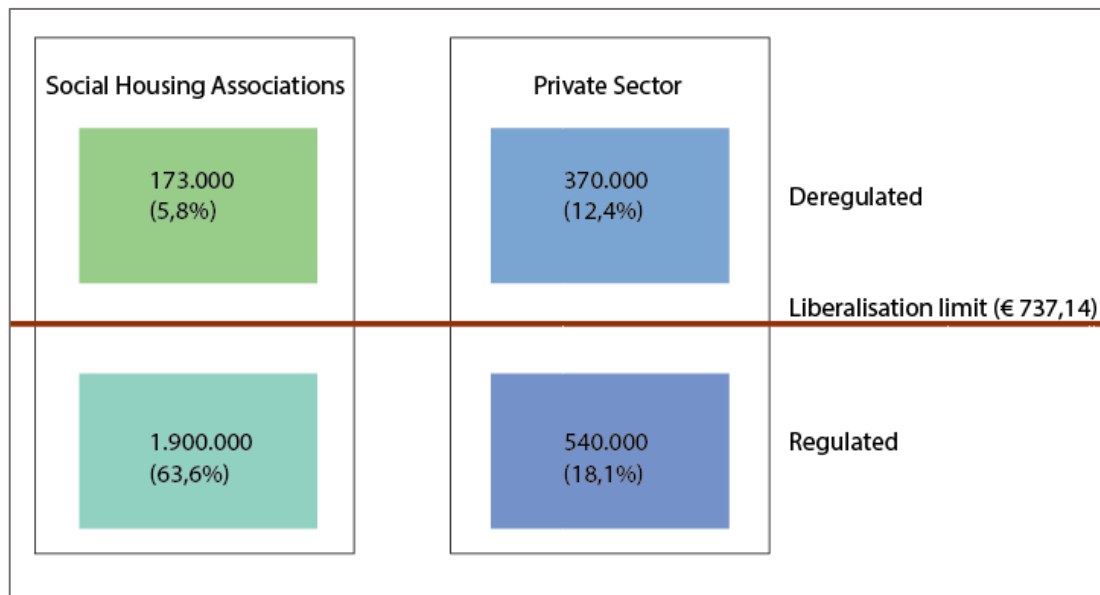


Figure 12 Housing stocks and the liberalisation limit in the Netherlands in 2019 (author; based on Ministry of the Interior and Kingdom Relations (2019))

4.2.3 The private rental sector and deregulation

Due to the pressure on the previously described sector, middle-income households are 'expelled' to the private rental sector. Therefore, the private rental sector experiences growth in demand (Municipality of Amsterdam, 2020a). As described in the previous paragraph, not all privately-owned dwellings are deregulated. Not only may market parties provide housing below the liberalisation limit, but 'deregulated' dwellings may also experience regulations. Moreover, property owners may decide the rental levels of their dwellings. Therefore, not all property owners of deregulated dwellings rent their dwellings for the highest price possible. The municipality of Amsterdam (2020a) made insightful how the deregulated share of rental housing is growing in combination with different rental levels. Figure 13 shows the separation of three rental levels owned by private property owners. These levels consist of an expensive level (rents above € 1001,33), a midrental level (rents between € 737,14 and € 1001,33) and rents according to the liberalisation limit or below (€ 737,14 or below). Nevertheless, figure 13 shows that the stock of privately-owned housing on the liberalisation level reduced. Moreover, the share of expensive housing increased to 26,7% in 2019 (Municipality of Amsterdam, 2020a). Additionally, figure 14 shows that 30% of all housing development projects consisted of private rental dwellings. Unfortunately, information regarding the ownership of institutional investors in the private rental sector in Amsterdam is inaccessible. Consequently, we are only able to show information of the private sector in its whole.

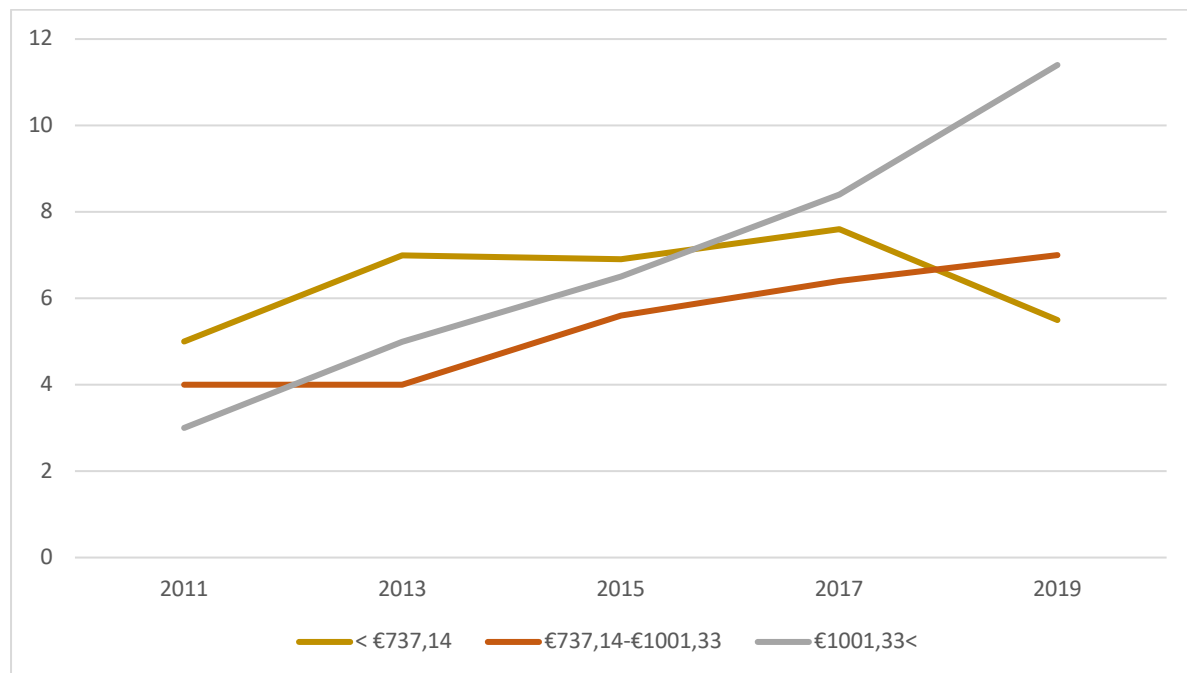


Figure 13 Changes in private rental housing segments in shares (Municipality of Amsterdam, 2020a)

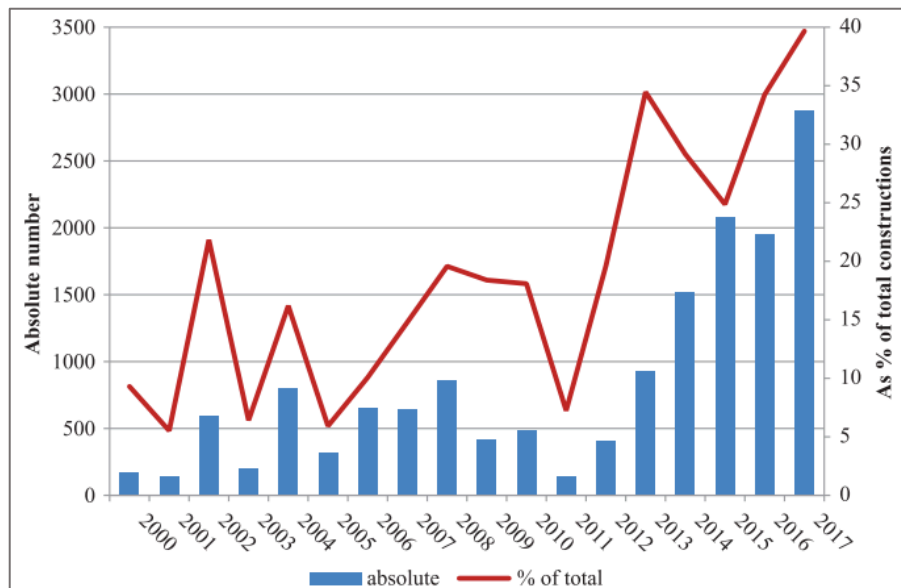


Figure 14 Absolute deregulated housing constructions per year and percentages of total new projects up to 2017 in Amsterdam (Hochstenbach & Ronald, 2020)

As described earlier, demand for private rental housing is increasing due to the affordability and accessibility pressures on the housing market. Despite this growing demand, contemporary housing projects lack to introduce more midrental housing (Municipality of Amsterdam, 2020b). Figure 13 and 14 show that the stock of private rental housing increases. But private rental housing in the midrental segment stagnates, despite the great demand. The growth of deregulated private housing and the stagnation of midrental housing are mostly occurring due to mutations of tenants. When a tenant is leaving, the owner can change the contract and thereby increase the rent. Landlords can do so because the demand for private rental housing is growing to such an extent that tenants accept high rents. Furthermore, satisfactory midrental dwellings are rented out to people with a higher income, because it provides a higher degree of tenant security for the landlord. This is called 'skewed-living' and contains an occupation of a tenant that does not suit the initial rental level. Landlords can do so since midrental housing does not have to be designated to certain income groups, the landlord has no restrictions regarding the tenants. Skewed living also occurs in the social rental sector. Consequently, skewed living decreases the availability of housing for the initial target group (Municipality of Amsterdam, 2017). These effects lead to the exclusion of middle-income households in the past eight years, as to be seen in figure 15.

To prevent the exclusion of middle-income households, the municipality of Amsterdam aims to develop 10.000 midrental dwellings up to 2025. Additionally, the municipality obligates developers to include midrental dwellings in their projects by the '40-40-20 rule' and rent control regulations (Municipality of Amsterdam, 2017b). However, market parties were discouraged from developing new housing in Amsterdam under these regulations. In addition to this, permit requests for housing development projects decreased (Doodeman, 2020; CBS 2020d). Figure 16 shows that the decrease of requested permits for housing projects started 2017, the year

when the municipality launched the regulations (CBS, 2020d). Despite this observation, there is no proof that the regulations of the municipality are causing this fallback in requested permits. It does, however, raise the question if these regulations affect the actors' interests and how efficient the implementation process of the regulations is executed.

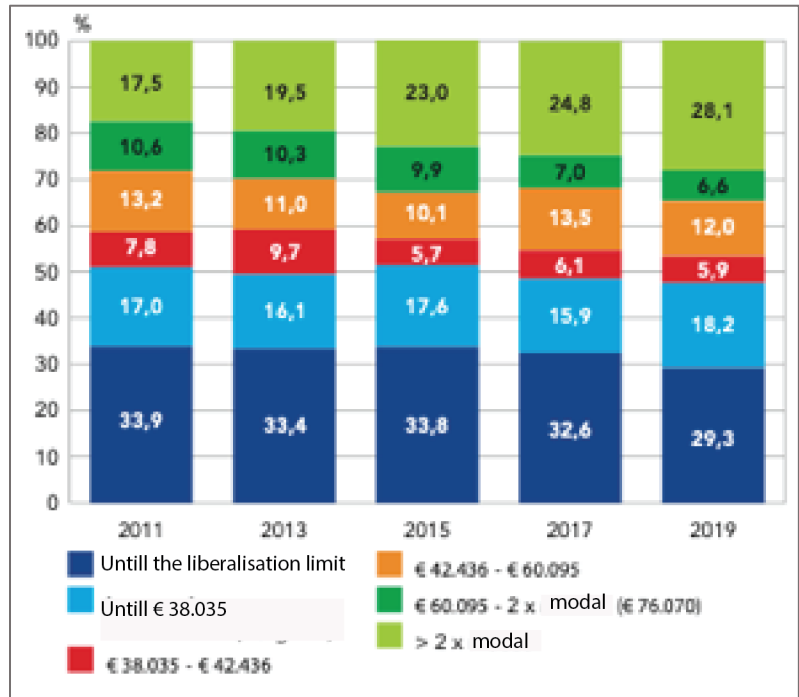


Figure 15 Income groups in Amsterdam (Municipality of Amsterdam, 2020a)

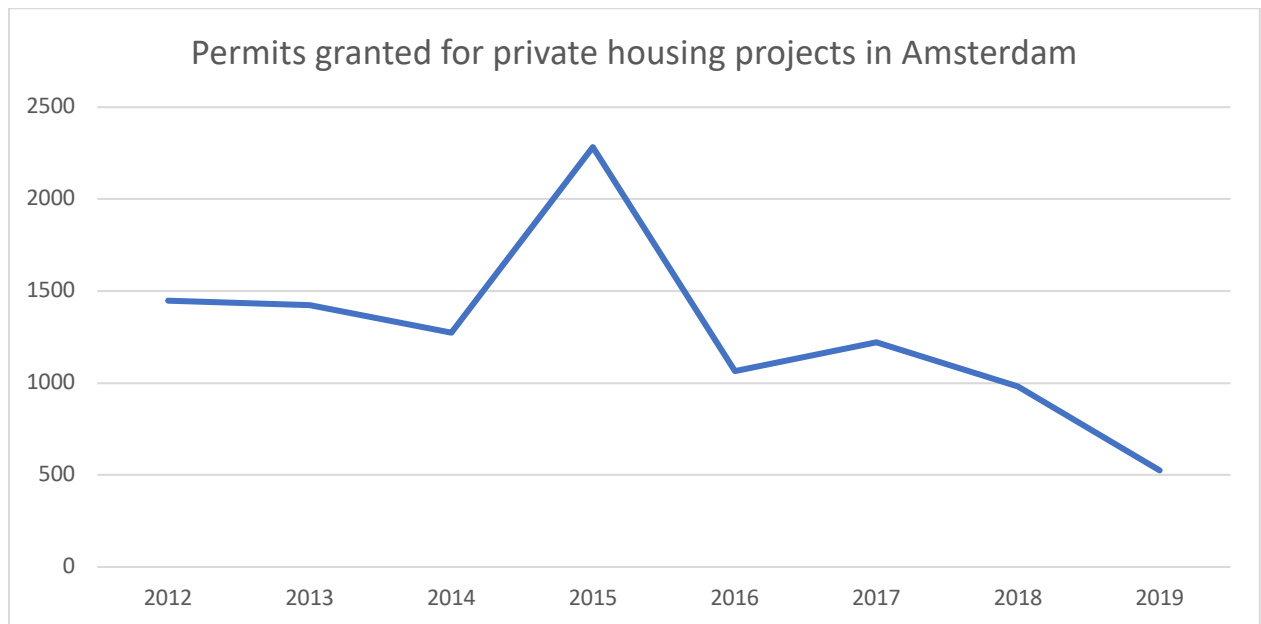


Figure 16 Permits granted for private housing projects in Amsterdam (CBS, 2020d)

4.3 Policies of the National Government

The Dutch National Government outsourced responsibilities of housing development to local municipalities. However, municipalities are not free in steering and intervening in housing stocks and developments. The National Government restricts municipalities by setting policies that affect the capabilities of municipalities. This paragraph describes how and what policies directly influence the municipality of Amsterdam to steer housing affordability for middle-income households.

4.3.1 Inability to influence existing stock

Municipalities are not able to influence and regulate the existing stock of housing but can only steer new developments within the municipal boundaries (Municipality of Amsterdam, 2018). Legal cooperation of municipalities is needed if owners want to adjust their property and need a permit or other legal contribution. This restriction forms the basis of the researched regulations of the municipality of Amsterdam, which are implemented through newbuild housing developments (van Gijzel, 2018) (Municipality of Amsterdam, 2019). The municipality cannot initiate these housing developments themselves but leaves this action at market parties, due to the *passive planning approach* (Buxtion & Taylor, 2011). However, municipalities steer housing developments by only granting legal contribution when proposed plans comply with certain objectives of the municipality (Municipality of Amsterdam, 2018). Nevertheless, municipality does designate building plots whereon private organisations may make development plans for.

4.3.2 Restrictions in appointing land for development

The National Government also restricts the availability of potential land for development projects. Based on the ladder of sustainable urbanisation, the National Government limits development land to inner-city boundaries (Ministry of the Interior and Kingdom Relations, 2019; Salet, 2014). When the municipality appoints land for development, the Province monitors if development is in line with the ladder of sustainable urbanisation. The ladder of sustainable urbanisation aims to prevent urban sprawl and greenfield development. To comply with this policy, the municipality designated brownfield sites for development and contains a planning capacity of 56.078 houses up to 2025 (Metropole Region Amsterdam, 2020). This is illustrated in figure 17 on the following page. Most of this capacity consists of old industrial sites and are located at urban nodes. This policy influences the costs of housing developments because urban land is more expensive than greenfield sites, according to the method of residual land valuation. This method relies on the value of the property that will be developed on the land. As explained at the beginning of this chapter, the demand for housing in Amsterdam is high. High demand for housing also leads to a higher land value according to the residual land value calculation (Municipality of Amsterdam, 2019; Yeung-Nan, 2003). Figure 18 shows that the highest property values in Amsterdam occur around the city centre. Consequently, the urban land development restriction obligates developments to be executed on inner-city grounds which are relatively higher in value. Additionally, the National Governments thereby influences the capacity of development grounds.

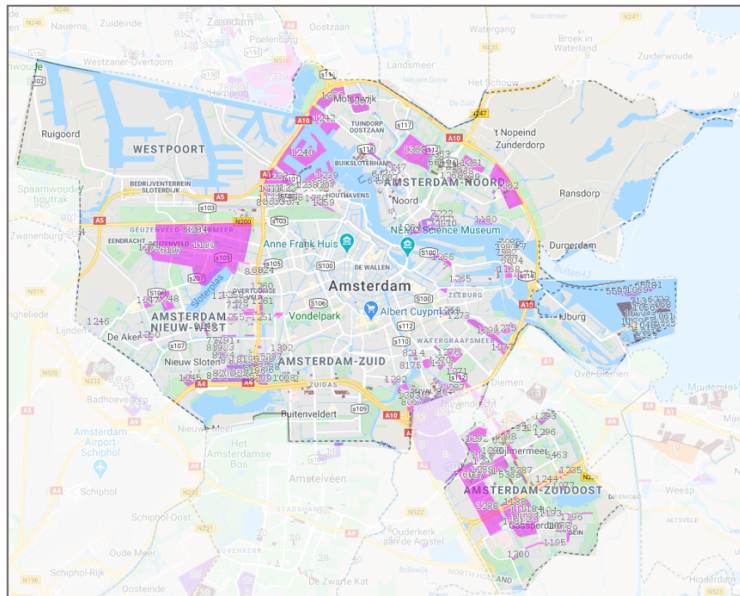


Figure 17 Map of planning capacity locations in Amsterdam (Metropole Region Amsterdam, 2020)

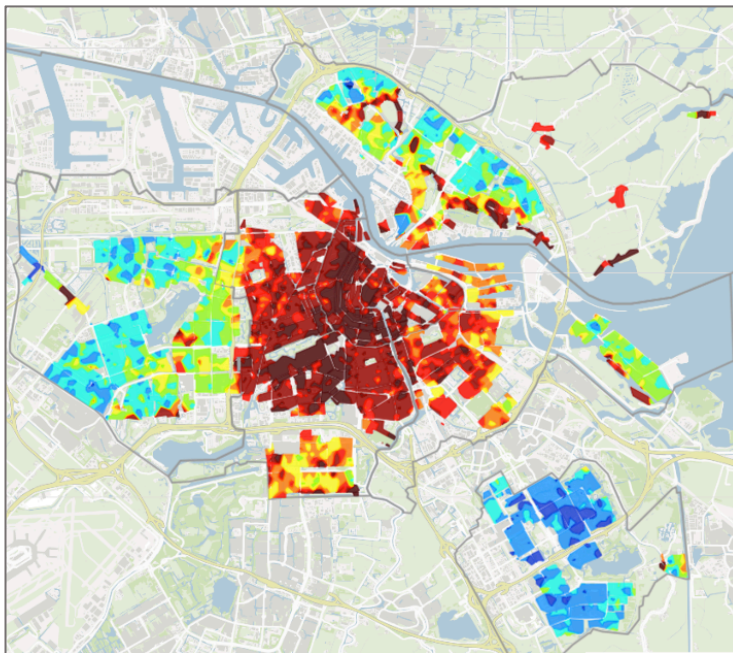


Figure 18 Map of housing values (WOZ waarde) in Amsterdam (Municipality of Amsterdam, 2020a)

To sum up, this chapter shows the cause of the pressure perceived by middle-income households in Amsterdam's housing market. Despite the high demand, the private rental sector fails to provide affordable rental housing for this income group. Therefore, the municipality drafted regulations that are within its reach, which entails steering new housing development initiatives by market parties. However, as previously described, these implementations are challenging to implement due to the pressure on private interests. The following chapter elaborates this tension and what challenges the municipality and institutional investors face to execute midrental housing regulations efficiently.

5 Results

This chapter presents the results derived from the interviews and document analysis. The sub-questions and the conceptual model structure this chapter. Therefore, it starts with the drafting process of the regulations. Secondly, this chapter describes the effect of the regulations on the economic factor of institutional investors and developers. Thirdly, this section elaborates on the planning process of housing in Amsterdam. This chapter is concluded with an overview of both factors regarding the efficiency of implementing midrental housing regulations through housing developments of institutional investors.

5.1 The tension field of drafting the regulations

This paragraph starts with the content of the regulations and the drafting procedure of the regulations. This process sheds light on the collaboration between institutional investors and the municipality. The municipality aims to steer the development of midrental housing by two regulations by the '40-40-20' rule and rent control.

The 40-40-20 rule applies to all new housing projects to steer the development of midrental housing. As described in the context, affordable housing in Amsterdam decreases and deregulated residences grows. Due to the significant demand for housing and the growing share of deregulated housing, rents of private rental housing increases. A respondent gave the following quote regarding this topic: *"As a house owner, you are crazy if you say I will rent the apartment for € 1100 or just a little less, so the diversity in the city remains good."* (Respondent 2, 2020). To secure a particular percentage of affordable housing, the municipality of Amsterdam obligates developers to construct 40% social housing, 40% midrental housing and 20% deregulated rental or owner-occupied housing (Municipality of Amsterdam, 2017b). The 40% social housing is regulated according to the liberalisation limit, as described in chapter four. High rental levels lead to affordability problems for middle-income households. One respondent added: *"as a result, the diversity of the residents of Amsterdam is split up into people with a lot of money and people who can find a place in social housing."* (Interview 8, 2020). To safeguard the affordability of the 40% private midrental dwellings, the municipality supplements the 40-40-20 rule with rent control regulations. These regulations are stated in table 6 (Municipality of Amsterdam, 2017a). After releasing in 2017, the regulations were applied to all housing projects (Municipality of Amsterdam, 2017a). The rent control regulation was the first outcome of the 'Samenwerkingstafel Middenhuur' (cooperation table midrental housing). This 'table' facilitates the collaboration between the public and the private sector to conceive legitimate solutions regarding midrental housing development.

Table 6 Midrental housing regulations of the Action Plan (author; based on Municipality of Amsterdam, 2017a)

1	Allocation for tenants from the social housing sector to newbuild midrental dwellings;
2	Allocation of middle-income households (1,5x medium income per household);
3	Maximum initial rent and no linked parking place regulations, because parking places can steer up development costs and rents;
4	A maximum rent of € 971,- per month per dwelling (price level 2017);
5	Average rent of € 850,- monthly rent per dwelling for the total stock of midrental housing in a development project (price level 2017);
6	Rent rises may only follow inflation (CPI +0%);
7	The minimum duration of these conditions is 25 years;
8	The minimum size of 40 square meters per dwelling.

Despite the rent control regulation is an outcome of a ‘cooperation table’, the municipality did not directly consult private actors. Additionally, the 40-40-20 rule was not conducted in the cooperation table, but solely a product of the municipal council (Interview 4, 2020). Institutional investors did not want to invest in midrental housing in Amsterdam under these conditions because they perceived the regulations as too jeopardising for their investments (Interview 5, 2020; Doodeman, 2020; IVBN, 2018). The interests’ group of institutional investors (IVBN) came with the following statements regarding midrental housing regulations:

“Unfortunately, too strict conditions are imposed that discourage investors from investing more in midrental housing in Amsterdam. The municipality regulates the maximum initial rents, prescribes minimum square meters or limits the rise of rents to pure inflation (which means freezing the rent in real terms). The municipality then also demands that the agreements be maintained for a too long period“.

“Such massive regulation does not lead to more middle-rental housing! This is to the detriment of the house hunter. More average rent offers many house hunters significantly more chances to find a suitable home more quickly. Too tight regulation not only reduces the pace of construction but also hinders the diversity and especially the quality of the houses”.

(IVBN, 2018)

The municipality of Amsterdam started new meetings to find satisfactory solutions (interview 4, 2020; Municipality of Amsterdam, 2019). From February 2019, the IVBN, NEPROM and the municipality met every two months to speak about the subject. The IVBN offered a trade-off during these conversations. On behalf of the institutional investors, they offered to lower the rise in rental levels of the existing stock in Amsterdam, if the municipality would dampen the regulations. With this attempt, the municipality had the opportunity to influence the existing stock, which is outside their influence area (interview 4, 2020). Therefore, the municipality adjusted the regulations.

Under the agreement of table 7, the IVBN, the municipality and the NEPROM commit to develop 10.000 midrental dwellings up to 2025:

Table 7 Adjusted regulations after collaboration with the IVBN and NEPROM (author; based on Municipality of Amsterdam, 2020b)

1	An initial average rent of € 899,35 throughout the project, with a bandwidth between € 737,14 and € 1.037,37 per dwelling;
2	Rent rise of inflation +1% (CPI +1%) per year per house;
3	The minimum duration of these conditions is 20 years;
4	Five years can be added if the sitting tenant is still in place;
5	After these 25 years the dwellings may be sold without additional land lease costs;
6	The residual land value does account these conditions.
7	Houses have a prescribed minimum size of 40 square meters.
8	Land valuation is only adjusted if the dwelling is 70 square meters or larger.

Condition eight in table 7 aims to incentivise developers to construct midrental dwellings with a larger size than 70 square meters. If a house is smaller than 70 square meters, the municipality treats the house as a ‘deregulated’ private rental dwelling when calculating the land value. Namely, midrental dwellings have a lower value than deregulated private rental housing. According to the residual land value calculation, less expensive housing leads to lower land value. However, a developer does not receive this ‘discount’ if the dwelling is smaller than 70 square meters but has to pay the land price according to the price of a deregulated dwelling. According to the municipality, this is a necessary incentive for developers to construct larger dwellings because market values will lead to relatively small homes. Figure 19 shows a map that implies that neighbourhoods with the most significant demand holds the most expensive land values, which will lead to smaller dwellings (Municipality of Amsterdam, 2017a).

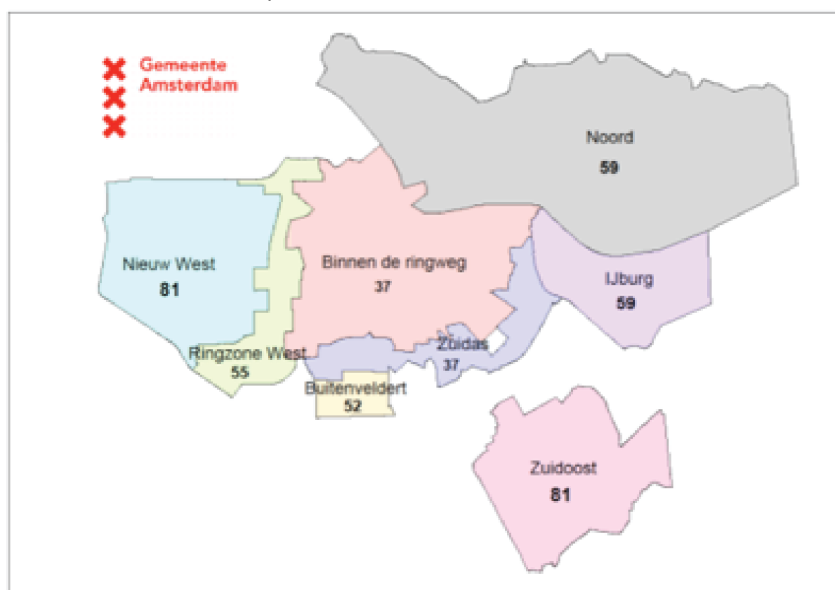


Figure 19 Map of dwellings sizes in different districts in Amsterdam if a rent of 850 euros is applied (Municipality of Amsterdam, 2017a)

To sum up, the municipality of Amsterdam wanted to stay in control by unitarily setting regulations. After the boycott and trade-off of institutional investors, the municipality adjusted the regulations to prevent a fallback in private rental housing development. In this process, the municipality of Amsterdam searched for a ‘tension field’ in conducting of the rent control regulation to find a balance between public and private interests:

“The municipality searched for a tension field because we (the municipality) do not want to give presents to institutional investors, but we also want that housing developments to be initiated. The municipality searched for that tension field and the outcome is the adjustment of the regulations”.

(Interview 4, 2020)

The result of this ‘tension field’ are regulations that aim to contribute to public goals, without creating unfeasible projects for developers and investors (Interview 4, 2020). Furthermore, the IVBN and the municipality addressed each other’s resources by a trade-off of rent rise and lowering the conditions. After this process, these conditions suit the objectives of institutional investors and developers (Interview 5, 6, 7 & 8, 2020). However, these organisations have to adjust their operations to deal with the situation. The following paragraph describes the results regarding the economic effect of the regulations on institutional investors and developers.

5.2 Economic factors: effects of the regulations on actors’ operations

The drafting process of the regulations could give the impression that midrental housing rules only affect the operations of market parties negatively. Despite this possible perception, it is not the case. Both the rent control regulations and the 40-40-20 rule have positive effects on the activities of private actors as well. However, a negative effect of the regulations is still occurring, despite the adjustments of the rent control regulations. In this paragraph, we describe how these regulations influence the operations of the market parties.

The midrental housing regulations lower rents of private rental dwellings, which increases the demand for this type of housing. Increased demand affects the long-term turnover of investors positively because it lowers the risk of vacancy (interview 6, 7 & 10, 2020). Lower vacancy risks suit the strategy of institutional investors because these investors invest for relatively long terms, whereby lower vacancy rates reduce long-term risks (interview 6 & 7, 2020; IVBN, 2018). There are, however, concerns about the designation process of the tenants. The regulation prescribes specific target groups, but a particular instrument or method is not yet decided. If this would be a lengthy and bureaucratic process, vacancies may occur. As a consequence, this could result in a decrease in long-term revenues (Interview 6 & 7, 2020). Thus, lowering rents reduces long-term investments risks of institutional investors in Amsterdam, if executed efficiently. Inefficient policy, on the contrary, it could endanger their exploitation revenue. The 40-40-20 rule also has a positive effect on revenues of institutional investors. The obligation to develop housing for different income groups

creates inclusive and diverse communities. These “healthy area developments” also create neighbourhoods where the tenants’ demand is the most significant. Institutional investors aim to invest in dwellings in these diverse city districts. The 40-40-20 rule supports this objective because it prevents tedious housing development in Amsterdam (Interview 5, 6, 7 & 8, 2020).

The 40-40-20 rule, nevertheless, negatively affects business cases of developers by lowering the average dwelling value of housing projects in Amsterdam. For example, if the inclusionary housing program is not applied, the average rents of these dwellings would be higher, and the developer would sell these houses for a higher market value due to the status of Amsterdam’s housing market (interview 8, 9 & 10, 2020). Furthermore, developers adjust dwelling sizes and qualitative demands according to their rental levels. Rental levels of dwellings determine the constructed floorplans and services. Combining these dwelling types in the same building is a challenge for the design, which leads to costly solutions in development projects (Interview 10, 2020). The municipality also observes the difficulties of the 40-40-20 rule for housing developments:

“It is quite difficult to apply 40-40-20 throughout the city and because it has to be applied on the building level. Therefore, a lot of parties drop out”.

(Interview 2, 2020)

For institutional investors, the 40-40-20 rule is not the most endangering regulation due to the fact that institutional investors would already include midrental housing in their portfolio’s, even without these regulations:

“Institutional investors have always invested in a proportion of midrental housing so that in itself is not a big problem. Where we mainly see limitations in the business case, and where investors also see risk, is the fact dwellings should be exploited for 20 years in this, and no rises above CPI +1 per year. And that kind of long-term restrictions has a real effect on the investment value of the dwellings”.

(Interview 8, 2020)

The restrictions on the indexation of the rent (CPI +1%) contributes to a decreased market value of midrental dwellings, which affects the prices for the dwellings as well. Decreased market values occur because the rents cannot grow equally with the rental levels of the deregulated homes. On the long term, the limitation on rent rises “*will contribute to a growing gap between values of midrental houses and deregulated houses*” (interview 6 & 7, 2020). For institutional investors in Amsterdam, this is more harmful than the regulations regarding the starting rental level, considering they have a minimum starting revenue and an exploitation revenue. The starting rent is suitable for their starting revenue. However, for the exploitation revenue, a CPI +1% indexation jeopardises investments on the long-term. Primarily for the reason that institutional investors also have to make maintenance and other costs as owners of the property (Bouwinvest, 2018; Interview 6, 7, 8 & 9, 2020). Not only investors and developers experience the pressure of the regulations on their operations, but also the

municipality has to deal with the effect of the regulations when the municipality prepares land for urban development:

“The municipality also perceives the 40-40-20 rule as too burdensome to execute a feasible business case sometimes”.

(Interview 2, 2020)

An example project is the area development of Strandeiland (figure 20). The municipality creates a new island for housing development nearby the existing urban area IJburg. To make this operation feasible, the municipality sells the plots to project developers after the preparation is fulfilled. The value of this land is residually calculated, meaning the value of the land reflects the value of the upcoming property on that plot. However, their calculations show the incomes will not compensate for this operation if they sell the plots under the 40-40-20 rule. Therefore, they derogate from the 40-40-20 rule in this area and apply a 40-25-35 ratio for upcoming housing development projects to prevent a negative balance (Interview 2, 2020).



Figure 20 Area development of Strandeiland (debrugkrant.nl, 2020)

Regarding investment criteria, institutional investors could indeed accept lower yields and overcome lowered revenues. For institutional investors, this is not a simple option *“because pension and insurance funds have minimum requirements for yields as well”* (interview 6, 7, 8, 2020). Institutional investors still perceive problems for investing in midrental housing development due to the regulations:

“I experience the image of the municipalities is that investors run such large revenue that they can impose many different restrictions without any problems”.

(interview 8, 2020).

Institutional investors do not invest their own capital; they invest by order of pension funds, insurance companies and other large financial organisations. Institutional investors need to make sufficient returns on the wealth of their clients.

“From an institutional investors point of view, you commit to the goals of our clients because it is social money, it also consists of pensions of middle-income households”.

(Interview 8, 2020)

Despite the adjustment of the regulations, institutional investors perceive the regulations as too burdensome. To comply with their client demands, they increasingly have to opt for other investment categories:

“Institutional investors have to think in the interests of our clients, if the municipality prescribes conditions we cannot comply with, we have to think in other opportunities”.

(Interview 6 & 7, 2020).

As a consequence, institutional investors switch their scope to other cities or investment categories than housing development in Amsterdam.

“Because in agglomerations, you can also sufficiently live for the price of midrental housing, so that is why we opt for these municipalities more often”.

(Interview 5, 2020).

Institutional investors increasingly opt for other municipalities than Amsterdam and look for opportunities in other investment criteria (interview 5, 6 & 7, 2020; Bouwinvest, 2018). Thus, despite the agreement in the drafting process, some institutional investors do not perceive the regulations as satisfactory to their revenue requirements. However, institutional investors also adjust their operations to overcome decreased revenues. The following paragraph describes how market parties adapt to these regulations.

5.2.1 Adaptations and decrease of project submissions of institutional investors

In the housing development process, developers construct dwellings and seek investors before and after they submit a project. In this process, institutional investors and developers collaborate to take each other interests into account. In this collaboration, institutional investors can assist developers by checking their business cases and safeguarding investment objectives by forward funding (Interview 5, 2020). Institutional investors, moreover, share their ‘program of demands’ with developers. A ‘program of demands’ includes of instructions from investors to developers to meet their qualitative wishes in relation to the dwellings. Institutional investors are generally keen to invest in high-quality housing because their tenants have relatively high demands and because of sustainability factors (interview 6 & 7, 2020; IVBN, 2018). High requirements for dwelling quality lead to relatively high costs for the construction of the dwellings. To adapt to reduced profits, developers and institutional investors lower costs of construction by adjusting quality requirements. Respondents from

institutional investors do this by altering their 'program of demands' for housing developments in Amsterdam:

"The regulations of rent control make us look different from our qualitative demands and finishing levels of midrental housing".

(Interview 6 & 7, 2020)

Additionally, developers argue that they adjust their operations to overcome the reduced profits. They lower the quality of the dwellings, the dwelling's sizes and quality of the overall project by reducing the number of parking places, for example. Typically, private rental housing comes with one or two parking spots per house, but midrental dwellings do not get parking places or have to share them with other inhabitants (Interview 8 & 10, 2020). Developers also reduce the architectural quality of contemporary housing developments to overcome the regulations. They regret this because the regulations limit the possibilities to distinguish developers from other parties (Interview 9 & 10, 2020).

Furthermore, developers not only reduce the costs of their housing projects, but on top of that, they also try to increase profits in other ways. Regarding housing, one manner is to increase the values of the 20% deregulated housing from the 40-40-20 rule (Interview 9 & 10, 2020). Increasing the market value of the deregulated share leads to expensive rents and prices for these dwellings. Extreme increasing dwelling values do not fit the investments strategies of institutional investors since there is more risk applied over the longer term. Increased risks in these investments occur due to the limited demand for higher rents. If demand decreases, these dwellings become vacant, and this jeopardises the longterm investment strategy of institutional investors. Institutional investors increasingly observe that developers apply extreme values of deregulated residences in Amsterdam. This approach of developers harms the objectives of institutional investors because developers offer rental housing in a package of the overall project, not per individual home. Institutional investors have to buy the whole project if they want to invest in these dwellings. However, this approach makes them increasingly refuse these investments in Amsterdam. Respondents from institutional investors argue they buy fewer residences from developers in Amsterdam on the grounds that it does not fit their operational investment strategy (interview 6, 7, 8, 9 & 10, 2020). For this reason, developers sell their projects more often to investors with higher risk profiles than institutional investors (interview 6 & 7, 2020).

To sum up, respondents from developers and institutional investors are adjusting their operations to make midrental housing development in Amsterdam feasible (interview 6, 7 & 10, 2020). These adjustments result in lower dwelling qualities, smaller dwelling sizes, extreme rents and prices in the 20% share or less parking space of new midrental housing constructions in Amsterdam. By doing so, they lower the construction costs or adjust the revenues for the deregulated rental sector to make housing development projects financially feasible in Amsterdam. However, this is a contemporary solution that fits the current state of the market and the financial abilities of institutional investors and developers (Interview 6, 7 & 8, 2020). Market parties believe that the municipality of Amsterdam must also contribute by adjusting the land costs. The municipality calculates the land values residually:

This is often the field of tension because these costs are the only button the municipality can influence with credibility”.

(Interview 6 & 7, 2020)

Nevertheless:

“The municipality always wants to benefit from developments. These incomes are the basis on which public provisions are maintained, such as roads and other social objectives”.

(Interview 1, 2020)

5.2.2 Land valuations and supply subsidies

Land in Amsterdam is rarely sold but leased according to the land lease system (*erfpacht*). In figure 21, it is visible that the municipality keeps a significant amount of land in their possession by the land lease system. When the municipality issues the land for development, they calculate a market-determined price according to the method of the residual calculation. When land is designated for development, developers propose a land lease price when they submit a project for a particular plot, after that the municipality leases the land to the preferred plan. The lease price is yearly adjusted according to inflation rates or adjustments of the property on the land (Municipality of Amsterdam, 2019; Municipality of Amsterdam, 2016). These land costs are the highest expenses for market parties in housing projects (Interview 5, 8 & 10, 2020). Developing organisations perceive these costs are significantly higher in Amsterdam than other urban regions. This is caused by the method of residual calculation and high demand for urban housing in Amsterdam. The combination of lowered incomes and the high prices for the land makes business cases of developers and investors tight. Consequently, the land value produces a challenge to include midrental housing in their plans (Interview 5, 8 & 10, 2020). The ‘*Planbureau van de Leefomgeving*’ (Planning Office of the Environment) addresses that high land values are a significant burden for the provision of midrental housing in urban areas. Be that as it may, this is a variable a municipality cannot easily adjust (Planbureau van de Leefomgeving, 2017).

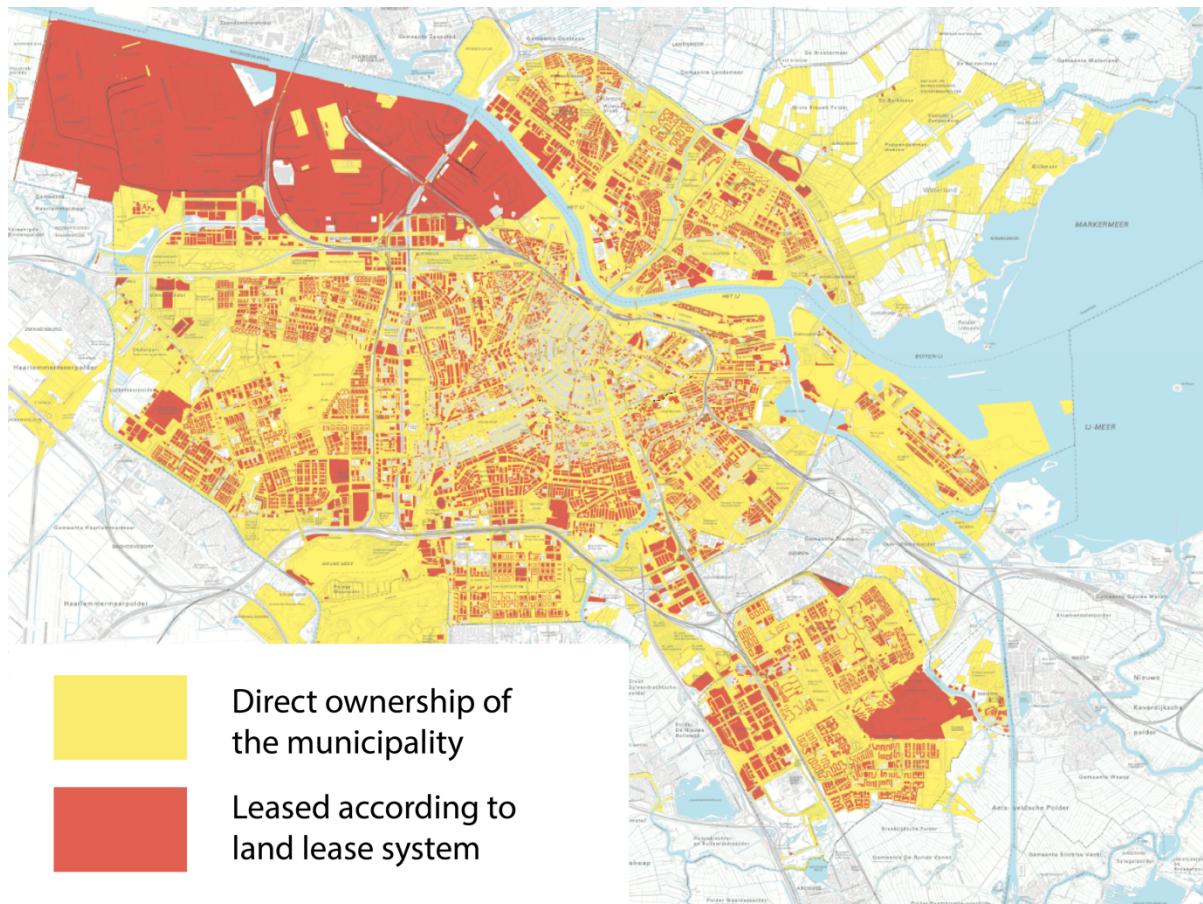


Figure 21 Land ownership in Amsterdam (amsterdam.nl, 2020)

Despite these observations of developers and the PBL, the municipality of Amsterdam does not lower the land value due to three reasons. Firstly, the municipality needs the income of land leases to provide social services to the residents of Amsterdam:

“It is social money, so anything we receive from land prices we have to spend on other social objectives and the development of the city”.

(Interview 3, 2020)

Revenues of the land lease system are the largest source of income for the municipality. Lowering the land lease costs would affect the budget of the municipality significantly (Interview 1, 2, 3 & 4, 2020). Secondly, the land policy of the municipality calculates the land values with market variables, such as current building costs and dwelling values. In their opinion, their system aligns to the costs and revenues of developers:

“We apply residual land calculation system. So, we don't think they're too high”.

(Interview 3, 2020)

One respondents added that if the land value would be too burdensome, market parties would not submit higher bids than these prices or register a project at all (Interview 4, 2020). Thirdly, significantly lowering land prices than market prices for private organisations is considered state aid by the European Union (Municipality of Amsterdam, 2019). According to the EU, social housing corporations may receive this supply subsidy, while market parties are not allowed to receive this subsidy. The supply subsidy allows social housing corporations to provide rents counter market. As a result, developers preferably sell their part of social housing to housing corporations instead of investors. Namely, with housing corporations, they receive subsidy in forms of lowered land costs. If they sell the 40% social housing to investors, they will not receive this form of financial support (PBL, 2017; Interview 6, 7 & 8, 2020). According to the participants:

The different treatments create an unfair competition because social housing corporations also do not have to deal with revenue requirements as institutional investors do”.

(Interview 6 & 7, 2020)

The ‘cooperation table midrental housing’ addressed the topic of land value calculations. In this meeting, land value calculators of the municipality, institutional investors and developers transparently shared their data. However, this did not result in an adjustment of the calculative method (interview 2, 3 & 8, 2020; Municipality of Amsterdam, 2019). In the development process, adjustments of the land value may occur if both parties share each other’s calculations or through particular trade-offs, such as investments in public spaces of the projects’ area development (Interview 8, 2020). However, in the end, the land price is quite fixed, and there is little negotiation room (Interview 2, 2020). The disagreement between the municipality and developing parties primarily left the question whether the sufficient capital is present at market parties or whether they use the discussion to lower their costs for development.

5.3 The planning factor: the implementation of regulations through the planning system

The planning system of Amsterdam consists of multiple procedures the municipality uses to steer housing developments of developers and institutional investors. The procedures are characterised by ownership rights and options to derogate from these regulations. These procedures create a two-folded distinction which depends on the land position of the actors and influences the capacity of the municipality (VNG, 2017). If the municipality owns the land, the land is issued by a tender. Contrarily, if a private organisation owns or leases the area, the municipality can steer the development by only granting legal contribution if the design complies to their demands. Both situations have a different impact on the implementation and outcome of the regulations. In this paragraph, we elaborate on both approaches and how they influence the steering capacity of the municipality. This paragraph starts with the tender procedure, and after that, the transformation process of privately owned or leased land is described.

5.3.1 Tender procedures and prescribed conditions

The tender process, the municipality designates a plot for housing construction and prescribes conditions the development has to comply with. Developers have to take these conditions into account when they register for the tender. After all market parties submitted their proposal and bids for the land, the municipality can pick the plan that aligns best with their objectives. The winning organisation(s) may work out their initial proposal in the following period to successfully come to a permit that is in line with the initial plan. The process of working out a project can take an average of three to four years. If they do not successfully compose a design, the process aborts. As a next step, the municipality adjusts the tender and brings it back on the market (Interview 1, 2, 6, 7, 8, 10, 2020; VNG, 2017). In the processes of developing a design, developers and investors must comply with the initial prescribed conditions of the tender. This process is not only monitored by the municipality, but also by developers who lost the contest:

“Losing parties often send e-mails and letters to keep an eye out. So, if the outcomes differ from the prescribed conditions, the municipality can be legally charged”.

(Interview 2, 2020).

The municipality is flexible in setting these prescribed conditions. These conditions differ by factors such as sustainability, architectural quality or housing affordability and size. In setting the terms of the tender, the municipality has to acknowledge financial feasibility, otherwise, it risks unsatisfactory submissions. Aligning tenders with economic viability is a necessary condition, as the following quote explains:

“Because if the municipality releases tender projects where no organisation registers for, the municipality does also not meet their goals”

(interview 4, 2020).

Despite the need to incorporate market parties' practicability, the municipality releases tenders without the consultation of market parties. The tender approach makes it a 'take it or leave it' procedure whereby the municipality unilaterally prescribes requirements for market parties. If market parties perceive the conditions as impossible or unfeasible, they can register for other projects or not register for tenders at all. This procedure ensures that the control capacity remains in the hands of the municipality and gives power to make direct demands on development projects (interview 2, 3 & 4, 2020):

“In the tender procedure, the municipality prescribes the conditions and how the program should be classified. It is a ‘take it or leave it’ procedure. You can't negotiate about the conditions anymore”.

(Interview 3, 2020)

Prescribing conditions does not only provide certainty for the municipality. Also developers know where they are up to in registering. This clarity allows developers to calculate the effect of the restrictions in an early stage of the project and prevents unknown developments during the process (Interview 8 & 9, 2020). Institutional investors perceive the prescribed conditions of the tenders as too burdensome, which is amplified by the midrental housing regulations. Due to the procedure, it is not possible to derogate from these prescriptions (Interview 2, 2020). A developer in Amsterdam states the procedure as follows:

“The municipality tests the market by releasing tenders and bids, which causes a situation where the highest bidder wins, and there is little attention for quality, intent or reputation. Because of this, the winner is often not a party with an institutional investor”.

(Interview 8, 2020)

These investors invest with a low-risk profile, and the accumulation of these terms gives the tender projects a higher-risk character. Due to this higher-risk operation, institutional investors perceive less ability to execute the midrental housing demands:

“We have less ability to bear the risks caused by the regulations. Because of this, our organisation does not favour to invest in tenders in Amsterdam”.

(Interview 6 & 7, 2020).

Risk is not only occurring due to the accumulation of prescribed conditions. In addition to the conditions, registering for tenders comes with high initial costs for developers. Developers have to make a land bid, and on top of that submit registration costs to the

municipality. Moreover, developers make internal costs to work out an initial design. Working out the first design can cost up to a million euros for a single tender, without being sure you may work out the project. When a developer loses the contest, they lose the costs for registration and working out the first design (Interview 9, 2020). The combination of initial fees and high development costs makes submitting for current tenders financially risky. Institutional investors are, therefore, not always willing to take this risk. Consequently, institutional investors participate less and less in tender projects for housing developments in Amsterdam. Developers observe that winning collaborations are combinations of developers and investors with higher risk profiles because low-risk collaborations are outcompeted (interview 6, 7, 8 & 10, 2020).

“Institutional investors notice that it's getting more and more difficult to come up with good deals and pushes the investors with a goodwill aside.”

(Interview 6 & 7, 2020).

Nevertheless, institutional investors and developers do not blame the tender procedure in itself. They point to the conditions and the low availability of tender opportunities. Due to the low capacity of tenders, competition is significant. Institutional investors feel embittered because they see themselves as trustworthy partners in urban development (Interview 5 & 8, 2020).

Submitting tenders under significant financial risk comes with uncertainties for public goals as well. When the parties find themselves in a situation that the plan is unachievable, the tender project is aborted. In that case, the tender goes back to the municipality, the municipality may adjust the conditions, and the tender is released again. Because of the increased high-risk nature of housing tenders, institutional investors and developers forecast that more tenders will fail in the upcoming years (Interview 6, 7, 8 & 10, 2020). Failures of tenders jeopardise the ambition of the municipality to construct 1.500 private midrental dwellings per year because the entire process of housing development slows down.

Competition for tenders takes place not only at the city level as a whole as well on a location-specific basis. Investors and developers aim for projects in attractive area developments. When searching for satisfactory propositions, market parties keep a close eye on area developments. The location of the plot is not the only feature in selecting projects. Institutional investors argue that the directive role the municipality takes plays a part as well (Interview 5, 2020; Bouwinvest, 2020). Market parties are more willing to invest in areas where municipalities take an active role in facilitating area development by governing actors' interests and developing attractive public space. In that case, institutional investors are prepared to lower their initial starting revenue expectations because the exploitation revenues will compensate this in the future. The compensating exploitation revenue causes a higher value of midrental dwellings, although the rents are the same. Eventually, this plays a significant part for all investors. Institutional investors are, nevertheless, willing to take more risks in these projects (Interview 5 & 8, 2020).

The area development of 'Sloterdijk' exemplifies this argument. 'Sloterdijk' is relatively close to the inner-city and has multiple public- and car transportation nodes as is visible in figure 22. In this view, developers and investors perceive the area as a high potential for housing and other real estate developments (Municipality of

Amsterdam, 2018). Nevertheless, a respondent believes that the municipality takes little direction in conducting comprehensive master plans, bringing together relevant actors and developing public spaces. As a consequence, this causes a slow take-off for private initiatives. Due to this absent role, investors are discouraged from investing in constructed dwellings of developers in this area. One developer finished a housing project called 'Vertical' (figure 23), and after finishing, few investors were keen to invest in this project. Therefore, the developer reduced the prices of dwellings with € 80.000,- to € 100.000,- (interview 5, 2020; Amsterdam Woont, 2019). This concession is established due to the lack of indirect value drivers and the lack of prospects that municipalities would take direction in this area (interview 5, 2020).

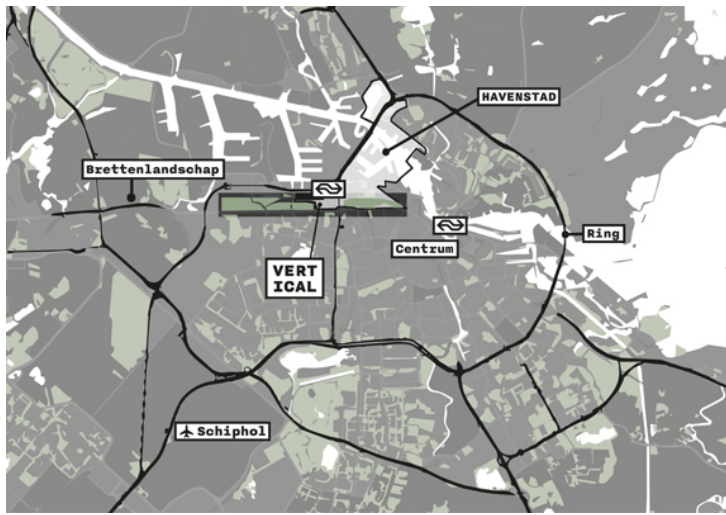


Figure 22 Location of Sloterdijk (amsterdamvertical.com, 2020)



Figure 23 The housing project 'Vertical' (amsterdamvertical.com, 2020)

The tender procedure allows the municipality to steer developments by prescribing conditions in a form of contest. However, the accumulation of terms and risks makes the submission risky, riskier than institutional investors prepare to carry. This risk accumulation is why respondents from institutional investors and developers argue that submitting a feasible project that complies with their revenue requirements is getting harder. This results in fewer and fewer submission for projects of institutional investors in Amsterdam. Despite these arguments, the municipality has another

stance regarding the housing development process overall. The municipality does not observe failing projects or reduced registrations for tender projects if midrental housing regulations are prescribed (interview 2, 3 & 4, 2020). This observation can be caused due to the long duration of housing development projects. Meaning, projects with the researched regulations applied have started relatively close to this research and, therefore, failures are currently not observed:

“This is also a sign that it is still interesting for market parties to develop in Amsterdam, because they still see enough potential for revenues. If all our tenders would fail, then you can say that something is going wrong or there are too many conditions. In that case, something is wrong. But so far, that's not the case.”

(Interview 3, 2020)

Nevertheless, the municipalities acknowledge that if only high-risk investors and developers win all tenders projects, it endangers the eventual outcome of tender processes (interview 2 & 4, 2020). Primarily because tender procedures exist of strict prescribed conditions and adjustment after submitting is not possible (interview 5, 6, 7 & 8). The limitations to adjust from prescribed conditions may create difficulties in the process:

“The process of tenders takes such a long time that building costs and sustainability measures for example, always change”.

(Interview 9, 2020)

The limitation in adjustment after submitting also limits possibilities to improve the initial design:

“That makes the tender procedure quite difficult, because there is simply no room for improvement. It's about feasibility, of course, but it can also just get better, but the municipality prescribed conditions and market parties just have to comply with this.”

(Interview 2, 2020)

Whenever organisations lease land from the municipality and want to transform the property, a different procedure comes in place. This process has more room for adjustments and discussions. The following paragraph elaborates on the transformational procedure.

5.3.2 Transformation procedures and customised agreements

As described in this chapter, the municipality of Amsterdam seldomly sells land, but leases it by the land lease system. In the case that a property owner wants to adjust their estate, it may need legal cooperation from the municipality. Private organisations need contribution from Amsterdam's municipality when the party wants to change the zoning plan, square meters of the property or other adjustments that do not fit the planning instruments in place. The municipality uses this dependency to steer the development to their goals (Interview 3, 2020; Municipality of Amsterdam 2019).

“If a new zoning plan and a new ground lease has to be conducted, the developer needs the municipality to cooperate. Then the municipality says we want to cooperate, but you have to comply with the 40-40-20 rule.”

(Interview 3, 2020)

Because the land lease system creates an administrative dependency of property owners on the municipality, the land lease system is an instrument that holds steering capacity at the municipality. If the municipality sells its land, the only steering instrument would be the zoning plan. In this circumstance, property owners only need contribution when their transformation objectives do not fit the zoning plan. In the land lease system, property owners need participation if their transformation needs an adjustment of the lease contract (Municipality of Amsterdam, 2017). On the occasion that property owners want to change the square meters of the building, they need an adjustment of this contract as the land lease price is based on the volume of the property and its functions (Interview 3, 4, 6 & 7, 2020). Therefore, the land lease system is an instrument that keeps relatively more steering ability at the municipality than when the municipality would sell the land.

When an owner requests a transformational procedure at the municipality, the municipality takes a more flexible approach in steering the development towards affordable housing. The municipality implements this flexibility because the property owner always has other options than constructing housing, such as other functions or not to develop at all. The municipality has conditions to derogate from specific regulations to prevent discouragement of property owners. To be more specific, the municipality is dependent on private organisations' initiatives to reach their goals. In this approach, the developing party has more negotiation room, and a *“custom-made agreements are usually conducted because the interests of both parties are taken into account”* (Interview 6 & 7, 2020). In addition, a participant from the municipality states:

“If the property owner says the 40-40-20 rule is not profitable for the development. Then we just start talking to each other and then you see what it comes down to.”

(Interview 1, 2020)

Nevertheless, these deviations need to be based on specific conditions. For the midrental rent control regulations, derogating is not possible because parties would not be treated equally and investors do not know where the regulations stand for anymore (interview 4, 2020; Municipality of Amsterdam, 2017). The municipality only

has room for deviation in the 40-40-20 rule, but need to comply with municipal terms and conditions or when business cases become demonstrably unfeasible. Deviating from the regulations can stimulate a more satisfactory business case, which prevents discouragement from investors. Because municipal project managers observe that many property owners abort transformation procedures if the municipality confronts them with the 40-40-20 rule (Interview 1, 2020).

An illustration of this is a transformation project of an office building. The developer gave this example and explained he wanted to transform the office building to 70% housing and 30% offices (Interview 10, 2020). For the 70% housing, the municipality confronted the developer with the 40-40-20 rule. In calculating the business case, the developer perceived the 70% housing part with 40-40-20 applied as unfeasible. Therefore, the developer shifted the 70% housing to 30% housing and 70% offices:

“You don't have a 40-40-20 rule for offices. Because why would I give a discount on housing? Because in the end that's what it means. Then I can better make an office.”

(Interview 10, 2020)

At the start of the implementation procedure of the 40-40-20 rule, this behaviour occurred regularly, whereby the municipality decided to create more room for deviation. Institutional investors perceive this approach as more suitable to their interests. By transparently showing their business case and discuss it with the municipality, they feel that the municipality takes the objectives of investors and developers into account. Therefore this approach creates more willingness at institutional investors to develop midrental housing than with a tender procedure (Interview 6, 7, 8 & 10, 2020). Furthermore, the transformation procedure comes with fewer risks for investors. By way of explanation, investors can buy a particular property, which creates revenues in its contemporary state, and after that, they can discuss transformations options with the municipality (interview 9, 2020). However, more room for discussion and negotiation also leads to a more lengthy process:

“The process requires “a lot of coordination, but eventually, you will find an agreement in the goals both parties pursue”.

(interview 6 & 7, 2020)

“When you have a land lease contract or another type of land position, you need to discuss with the municipality. I have the feeling you can put the business case on the table and take each other's interests into account.”

(interview 8, 2020)

Because of this approach, transformation projects come with fewer risks for investors and developers than submitting tenders. In addition to this, this procedure leaves more room for opportunism because there are no competitors involved (Interview 9, 2020). The flexibility of the process and the outcome thus has upsides for investors, because

they have possibilities to derogate from regulations and thereby increase their profits and take fewer risks. The municipality acknowledges this argument because they perceive that flexibility adds something to the eventual outcome (Interview 2, 2020). However, the municipality observes that this approach also influences their steering capacity:

“The fewer demands you make, the faster it goes. But then you probably don't get what you want, then you probably don't get that mixed city and differentiation in housing supply. And you have to talk more with each other”.

(Interview 3, 2020)

To sum up, in the transformation procedure, certain adjustments are possible in a later stage. This possibility can lead to more democratic outcomes.

“But you can't do that with the tender procedure. And if the municipality did, they would commit fraud because all parties submitted under the same conditions”.

(Interview 6 & 7, 2020).

5.3.3 Contracts and instruments of the planning system

Figure 24 shows land positions of private actors and the amount of steering capacity the municipality has over developments. Parties involved may implement midrental housing regulations by multiple planning instruments, whereby a distinction can be made between public and private instruments. A public instrument in housing development is the zoning plan, which the municipality may adjust without the agreement of private parties. On the contrary, the land lease contract is an example of a private instrument that is based on an agreement of market parties and the municipality (VNG, 2017). The Dutch planning system allows municipalities to use both types of instruments. In this paragraph, we elaborate on the manner that instruments influence the collaboration between market parties and the municipality.

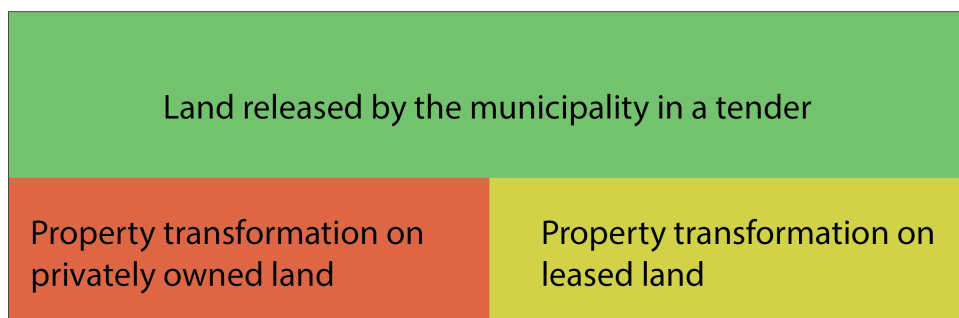


Figure 24 Steering capacity of the municipality of Amsterdam in different ownership forms (author; based on Municipality of Amsterdam 2017b)

5.3.3.1 The zoning plan

In 2017, the National Government amended the Wro (The Dutch Spatial Planning Act), which allows implementing housing categories in the zoning plan (VNG, 2017; Derksen, 2018). Although implementing midrental housing regulations in the zoning

plan is legally a useful measure, actors do not prefer this instrument. Institutional investors do not favour the instrument because of three reasons. First of all, the zoning plan is a public instrument where the municipality has sole control over. Because of this, conditions of the zoning plan can be active eternally if the municipality has no incentive for adjustment. Incentives to adjust the zoning plan are thus political arguments, where market parties have little direct influence over. When private dwellings are categorised as midrental dwellings for eternity, it negates the ability of investors to sell the dwellings without any regulations in the future. The eternal presence of midrental housing regulations would negatively influence the market value of these dwellings and the exploitation revenue of institutional investors (interview 5, 6 & 7, 2020).

“It is possible from the municipality to implement it in the zoning plan, but then the regulations would active for eternity and investors are not ready for that. Because the forecast that in 10, 15 or 20 years the regulations expire increases the market value of the dwellings”.

(Interview 6 & 7, 2020)

Secondly, the municipality does not prefer the zoning plan because it does not enable to make agreements over rent levels, dwelling sizes and rent rises (Interview 1,2 & 4, 2020). Finally, the zoning plan is relatively inflexible. If the housing market stabilises, or the municipality wants to give the specific area another function, an adjustment of the zoning plan is needed. Adjusting the zoning plan without the agreement of the property owners in the area would cost the municipality significant amounts of compensation money (interview 2 & 3, 2020; Municipality of Amsterdam, 2017).

Moreover, the VNG (Association of Dutch Municipalities) (2017) mentions that implementing midrental housing rules may have adverse effects on the business case of developers and the outcome of urban development. Due to the tremendous legal capability of the instrument, flexibility is limited for upcoming development initiatives. Therefore the VNG (2017) advises making individual arrangements with market parties to take each others' interests into account. Private agreements offer more flexibility and are an arrangement between the parties instead of a publicly fixed document (VNG, 2017). Institutional investors prefer this approach:

“For institutional investors, the most important part is that the agreements are not political arrangements. For example, agreeing a ceiling on rent levels with a duration in a private contract is very business-like and not politically dependent. In the social housing sector, politicians can decide tomorrow what the rental levels will be, for example.”

(Interview 5, 2020)

In this context, the zoning plan can be seen as a compelling tool to enforce developers and investors to develop midrental housing. So far, the municipality of Amsterdam has not done so (Interview 1, 2, 3, 6 & 7, 2020; VNG, 2017; Derksen, 2018).

5.3.3.2 Private contracts

Private agreements come in different forms, such as the land lease contract, anterior agreements and exploitation agreements. Due to the long-term character of the land lease contract, the regulations are usually applied in the land lease contract (interview 1, 2, 5, & 8, 2020; Derksen, 2018). Although the regulations are drafted in land lease contracts, not all investors agree with the method of the land lease because the lease contract is valid forever. Although, this does not mean the midrental housing regulations are valid indefinitely. The land lease contract has flexibility in content and structure. Consequently, the municipality and market parties can make a customised agreement regarding the regulations (Municipality of Amsterdam, 2019; Derksen, 2018):

“The land lease system is a very compelling instrument, institutional investors prefer an agreement that expires at some point.”

(Interview 6 & 7, 2020).

The combination of the freedom of the contract and the flexibility of the process makes arranging land lease contracts a time-consuming process. Possible deviations are negotiated and need to be authorised by the municipal council (Interview 3 & 4, 2020). Private agreements are therefore more flexible, but take more time in conduction than the zoning plan.

5.4 Overview of the results

In this paragraph, we conclude this chapter and elaborate on the main factors that influence the implementation of regulations through the planning system. Building on the separation of economic factors and the planning system of the conceptual model, we summarise the findings and give a perspective on the efficiency of regulating housing developments of institutional investors. The economic factor is seen in table 8. To sum up, institutional investors perceive the regulations as too burdensome for their low-risk investment strategy. Even though institutional investors and developers adjust their operations to adapt to the regulations, tender-winning parties are fewer and fewer combinations with institutional investors involved in Amsterdam. Parties that may work out their context submission are increasingly parties with higher-risk profiles and reduces the presence of market parties in Amsterdam's housing development market.

Table 8 Overview of the economic factor characteristics (author; based on Agyemang & Morrison, 2011)

Required factor	Status	Remarks
A strong presence of market parties	Moderate	Institutional investors could decrease because risks in tender submissions increases.
Effects on financial feasibility	Moderate	Developers and institutional investors are able to absorb the effects of the regulations to some extent, but institutional investors sometimes perceive the regulations as too burdensome and opt for other possibilities. Especially because initial land costs are perceived as too burdensome for midrental housing development.
Market parties' willingness	Moderate	Regulations are sufficient for some institutional investors and developers under the contemporary economic status but others are discouraged.
Large land development capacity	Moderate	Contemporary land capacity is available, but due to restrictive policies of the National Government land supply is a constraint which creates more competition between investors. In tenders, institutional investors are increasingly outbid by other investors in Amsterdam.

The planning system factors are visible in table 9. To sum up, the tender procedure and the land lease system provides sufficient capacity for the municipality to steer new developments and transformations of properties. The planning system is characterized by its legislative power, strict tender procedures and various instruments to implement midrental housing regulations. Although the planning system is strong in legislation, the procedures of the systems also discourage investors from developing housing in Amsterdam, particularly because the land lease system reduces the

influence of institutional investors and developers on development objectives. Furthermore, the land lease system creates extensive discussions between the developing parties and the municipality, because actors have to take each other's interests into account and the procedure allows this.

Table 9 Overview of the planning system factor characteristics (author; based on Agyemang & Morrison, 2011)

Government willingness to implement	Strong	C articulation of the regulations, which are drafted with market parties to prevent infeasibility. Also various manners of implementation in the planning system.
Governmental property development rights	Strong	Municipalities' steering capacity is strong due to the land lease system.
Legislative power in the implementation	Strong	Due to the accessibility of multiple legal planning instruments, regulations are documented efficiently.
Negotiation room	Moderate	Present in transformation processes, but only to some extent and has to be based on satisfactory provable conditions and arguments.

6 Conclusion and discussion

This thesis argues that the economic viability of institutional investors is an essential factor to implement midrental housing regulations efficiently through their housing development projects. The findings show that the regulations increase the risk of housing development projects. As a consequence, the possibilities of institutional investors to execute the regulations efficiently reduces. The theory of Agyemang & Morrison (2011) provides an understanding of what factors are necessary for implementing regulations through the planning system. By researching the economic and the planning system factor, this thesis explored the efficiency of implementing midrental housing regulations through housing developments of institutional investors. This chapter follows the conceptual model and answers the main research question. Moreover, this section puts the results in the perspective of the theoretical framework. Additionally, answering the main research question provides practical recommendations for institutional investors and the municipality of Amsterdam:

How can institutional investors, developers and the municipality of Amsterdam efficiently implement midrental housing regulations through housing development processes of institutional investors in Amsterdam?

The decision to implement these regulations is not a surprising one since Calavita & Mallach (2011) and de Kam, Buitelaar & Needham (2014) explained that affordability issues in a dualist rental system incentivises the choice to draft inclusionary zoning regulations. The municipality collaborated with institutional investors to take the financial feasibility of housing developments into account. This approach contradicts the statement of Oxley (2011), which suggested that governments have a little eye for private interests when executing inclusionary zoning. Additionally, the collaboration between the municipality and institutional investors reflects the theory of 'governance'. Due to the fact that the parties formed a 'strategic alliance' to enhance the economic purpose of housing production (Jessop, 1998; Louw, van der Krabben & Priemus, 2003).

Nevertheless, the regulations of the municipality construct a 'price ceiling' on the revenues of developers and investors (Gleaser & Luttmer, 2013). Consequently, institutional investors and developers lower the quality midrental dwellings or decide to invest in other objectives. These results are in line with previous research by Nethercote (2019) and Kholodilin & Kohl (2020). Moreover, reduced profits, high initial costs and limited capacity of land increase the risk of housing developments through contest-like tender procedures. As a result, investors with higher-risk strategies predominantly outcompete institutional investors amongst others by the possibility to bid on a tender project. The planning system and the restrictions, therefore, increases the land price, which is consistent with the theory of Malpezzi & Green (1996)

The results define the tender process as hierarchically steering of private initiatives by setting conditions, strict institutionalisation and little flexibility. On the contrary, the transformation procedure is characterised by flexibility, responsiveness and negotiations. These arguments reflect the top-down and bottom-up planning measures, and the 'schizoid planning system' theory of Steele & Ruming (2012). This research demonstrates how the institutionalisation of tender procedures keeps the

steering capacity at the municipality. Therefore, the tender and land lease systems contribute to the predictiveness of project outcomes and confirms the theory of Pissouri (2014) and Campbell (2016).

In this view, Campbell (2016) and Jessop (1998) explain that institutionalisation helps governments to predict outcomes of collaborations between the private and public sector. However, this research shows how increased institutions discourage institutional investors from taking initiatives. As a consequence, public objectives may be met since the passive planning approach makes the targets of the municipality of Amsterdam rely on private actions to reach their goals.

Furthermore, this research suggests that institutional investors take the land lease system or the zoning plan into account in their revenue expectations. An eternal validity of midrental regulations or influence of the municipality limits the ability to sell or rent the dwelling in a deregulated status in the future. Additionally, as described earlier, the tender approach increases financial risks. Therefore, this thesis argues that planning instruments influence the economic abilities of market parties. Consequently, a clear distinction between the economic and the planning system factors from the theory of Agyemang & Morrison (2011) is not entirely applicable.

6.1 Practical recommendations

This paragraph provides practical recommendations that derived from answering the main question for the actors that this thesis focussed on.

The results of this research and the *four-quadrant* model of DiPasquale & Wheaton (1994) explain that yield objectives and building costs are important factors to increase housing supply. Figure 25 on the following page makes insightful how the regulations create an imbalance between supply and demand for institutional investors' midrental dwellings. This mismatch occurs if the yield and construction costs are not adjusted. It should be noted that this imbalance only occurs for housing of institutional investors, since the research focussed on this group. In this economic perspective, adjusting both elements form the largest potential to efficiently implement the regulations. Figure 26 shows that reducing yield and building costs would influence the increase of supply positively. However, lowering yield expectations is a difficult option for institutional investors since they are restricted to the revenue objectives of their clients (Nethercote, 2019). By taking this into account, reducing building costs provides the most obvious solution to implement midrental housing regulations for institutional investors. Although, the results show institutional investors and developers already adjust their operations to lower construction expenses. Additionally, the transformation procedure leaves more room for derogations and less room for competition. If institutional investors want to invest in midrental housing, they could neglect the tender procedure and buy an existing property. After that, institutional investors can start discussions with the municipality with a more speculative approach.

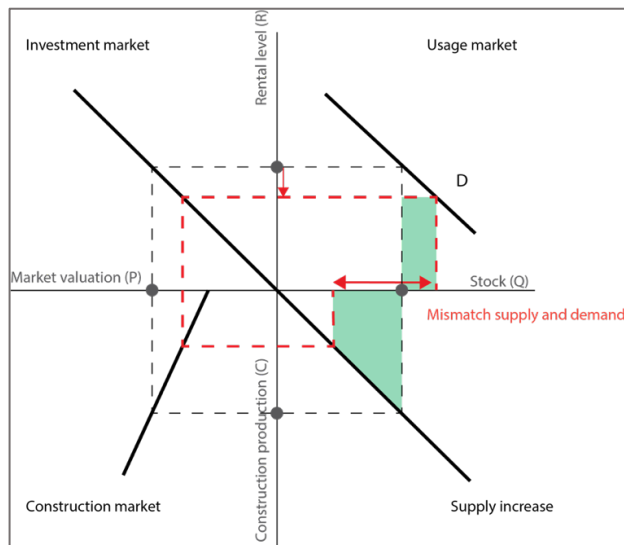


Figure 25 The imbalance between supply and demand for institutional investors dwellings (author; based on DiPasquale & Wheaton (1994))

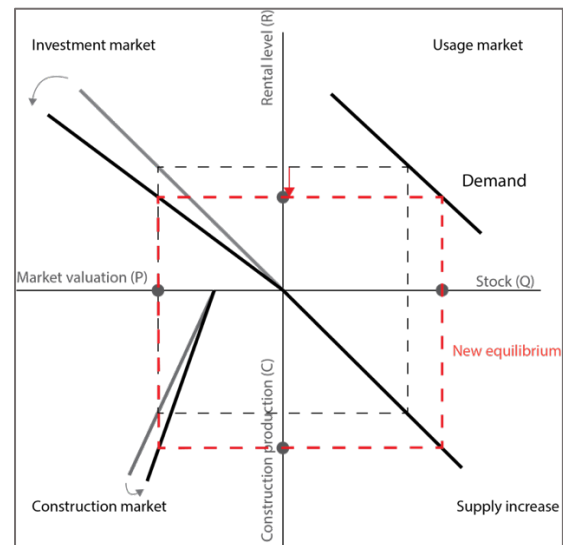


Figure 26 The effect of adjusting yield and construction costs (author; based on DiPasquale & Wheaton (1994))

Due to the effect of regulations on financial feasibility, the municipality can introduce more flexibility in institutions to reduce the pressure on business cases of institutional investors. Morrison & Burgess (2014) have shown how flexibility in the inclusionary zoning approach in England had a positive effect after the economic downturn in 2008. Consequently, more flexibility would require more collaboration between the actors, which can help to take each other's interests into account. Additionally, decreasing the duration of the regulations will have a positive effect on the revenue expectations of institutional investors.

Besides lowering regulations, the municipality can influence two factors as well. Firstly, the municipality can reduce competition by increasing land capacity. Sufficient capacity of land may reduce competition and create more opportunities for institutional investors to develop under low-risk criteria (Agyemang & Morrison, 2011). Secondly, the municipality can adjust building costs, such as land values and land lease fees. Lowering land costs can encourage housing developments, as suggested by Murphy (2019). Moreover, the municipality can apply an area-based approach of the 40-40-20 rule to reduce building costs. Chapter five explains the difficulties of combining dwelling categories in the same building lead to significant expenses in housing development projects. Construction costs can be lowered by designating single price levels for a single building. Additionally, this approach demands a more directional role of the municipality in area developments. This directive role entails the steering of relevant actors and developing public space in area developments. Eventually, this can encourage institutional investors to invest housing constructions. The directive role of the municipality can reduce the depended character of the planning system by a more efficient collaboration and a new 'planning culture' (Buitelaar & Bregman, 2016).

6.2 Limitations of the research and future studies

Although this research answered the main research question, the explorative character of the thesis created new incentives for further research as well. This paragraph reflects on the conclusions and elaborates on the limitations regarding the research methodology. In addition, recommended follow-up research topics and methods will be examined.

The thesis is conducted during an economic upturn and substantial demand for housing in Amsterdam. This context influences the investment strategies of institutional investors. If contemporary demand for housing changes, the willingness of institutional investors to accept higher investment risks may shift (Nethercote, 2019). A similar argument can be given regarding the building costs. When land values decrease, or construction costs increase, the ability of developers and institutional investors may change. As Nethercote (2019) explained, if revenues can be established elsewhere, institutional investors switch their scopes to other opportunities such as stocks, bonds or other real estate categories. To research the influence of contemporary economic status, the research can be repeated several times. Additionally, this longitudinal research design would increase the validity (Bryman, 2016).

Furthermore, this research shows that regulations increase the risk of housing development. By selecting an 'extreme' case, this statement regarding the impact of the regulations on financial viability was made. Despite this result, a conclusion regarding the overall willingness of investors in Amsterdam is not possible (Flyvberg, 2006). It could be that other investors are able to sufficiently carry the risks to such an extent that overall housing development is not endangered. This may explain the observation of the municipality that does not detect failures of tender submissions. To conduct a more extensive observation, future studies should address a broader range of investors with different risk strategies in Amsterdam. This research can thereby make statements on the presence of market parties and on the economic viability of overall midrental housing regulation implementation in Amsterdam (Agyemang & Morrison, 2011).

The results of this research provide insights into the factors that are essential for executing midrental housing regulations through the planning system in Amsterdam. However, due to the explorative character of the research design, the results do not address the effect of other factors. If the actors involved want to gain knowledge regarding the effect of certain factors, quantitative research is recommended. This research should address the impact of the factors and the causes of possible tender and transformation project failures and successes. By researching the relevant factors individually, important elements can be separated from less significant factors. Analysing and quantifying the components could give the actors involved more detailed recommendations and distinguish arguments of interests from main issues. This future research should take the extent of housing projects into account. Therefore, this study should not be executed earlier than five years. By taking this duration into account, the research is able to make insightful which factors causes of failures or successes of midrental housing projects. Since these housing developments will be completed, which makes quantitative data available. After that, significant more knowledge can be established regarding the factors and what

elements are affecting the overall efficiency of implementing midrental housing regulations.

6.3 Epilogue: midrental housing regulations and the housing market in Amsterdam

To end this thesis, we put the results in the broader perspective of the housing market in Amsterdam. This paragraph sheds light on the effect of the regulations on housing developments and how this affects the housing market in Amsterdam.

Chapter two and four explained how an insufficient supply creates the affordability gap for middle-income households in Amsterdam. The housing shortage of Amsterdam is estimated at 68.000 houses in 2019 and the planning capacity at 56.078 up to 2025 (Groenemeijer & Gopal, 2019; Metropole Region Amsterdam, 2020). According to these numbers, the planning capacity is insufficient to comply to contemporary demand. Consequently, it is unlikely that 10.000 midrental dwellings will meet the demand of middle-income households in 2025. Additionally, the regulations are politically dependent and drafted under an elected municipal council. A different council will be chosen in 2022 and has the possibility to negate these regulations.

In regard of targeting middle-income households, the current regulations lack a solution for skewed living (Municipality of Amsterdam, 2017a). If middle-income households successfully rent a private midrental dwelling, and their income rises above the target salary level, landlords cannot evict tenants from the residence. As a consequence, tenants are able to rent a midrental dwelling below their income level. Skewed living is also observed in the Dutch social housing sector and reduces the potential supply of adequate housing for the target group (de Boer & Bitetti, 2014; Interview 6 & 7, 2020). Hence, on the long-term, it is not guaranteed that the target population will occupy midrental dwellings, which can keep the demand for midrental housing high.

The regulations affect other housing segments as well. As described in the results, developers increase rents and prices of the 20% deregulated share of the 40-40-20 rule to overcome reduced profits (Interview 6, 7, 9 & 10, 2020). Figure 27 on the following page shows how the 'new' affordability gap arises in new housing developments. If new housing developments fail to meet the current demand, prices of deregulated rental housing and owner-occupied housing will rise, and the affordability gap will not close. Since deregulated and owner-occupied housing prices are market-determined, the theoretical solution to closing this new affordability gap would be to increase the stock to a satisfactory level. Especially because midrental dwellings are regulated for the limited duration of 25 years under these regulations (Municipality of Amsterdam, 2020b, Geltner, Miller, Clayton & Eicholtz, 2014).

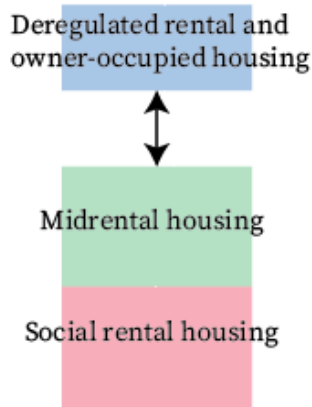


Figure 27 The 'new' affordability gap (author; based on Kemeny (1995))

As described earlier, the *passive planning approach* creates reliability on the economic cycles (Buitelaar & Bregman, 2016). Consequently, economic downturns or other sources of discouragement can lead to an imbalance in supply and demand for market-determined housing overall. A similar effect took place after the financial crisis of 2008 and caused the contemporary housing shortage (Hoekstra & Boelhouwer, 2014). Regarding the paradoxical objectives of the public sector and the private sector, it can be questioned whether regulating market initiatives is the best solution for the problem. Especially due to the reliance of the implementation on economic viability. Therefore, closing the 'affordability gap' by the 'non-DAEB' sector of social housing sectors may be more suitable. Primarily for the reason that social housing associations do not have to comply to specific yield expectations and are able to receive a deduction of the land price (Elsinga & Lind, 2013). The absence of revenue expectations makes the social housing sector suitable to fulfill social objectives, such as preventing exclusion of middle-income households.

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