Together We Stand: Collaborative Resilience of Social Housing Systems

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Introduction

The discussion on resilient cities and communities has become particularly important in the context of major natural disasters and turbulent global events, contributing to the discourse on resilient cities and adaptive planning in the context of climate change (Walker 2006). However, cities are profoundly affected by other types of external shocks often attributed to global economic shifts, political instability and globalisation of financial markets. One such example is the crisis that started in the mortgage markets of the United States in 2007–2008 with dramatic and sustained impacts on people and housing systems throughout the world (Bardhan et al. 2012). These complex and interlinked crises exposed vulnerabilities of housing markets and low income households, pointing to the need to build resilience through better policy tools and sustainable provision of social housing (CECODHAS 2012; Tsenkova and French 2011). This paper contributes to the discourse on resilient cities by exploring the resilience of social housing systems in the post-crisis period.

Objectives

The focus is on the policy and practice of Vienna and Amsterdam—examples of unitary housing systems with sustained investment in new social housing, a range of private and non-profit housing providers, and a wide range of fiscal and regulatory instruments enhancing the competitive performance of the social housing sector (Gherkiere, 2007; Matznetter, 2002). In these cities, social housing dominates local housing markets and access is open to households with low- and medium income. In Vienna, social housing constitutes 45%, while in Amsterdam it is 50%.[1] The main argument in the paper is that unitary social housing systems, despite their unique characteristics and institutional legacy, are more resilient in institutional, economic, social and environmental terms. The research has two interrelated objectives: i) to explore fiscal, financial and

[1] In both cities the private rental sector is substantial, while homeownership in Vienna is 19% and in Amsterdam - 26%.

regulatory instruments implemented to ensure growth in the system; and ii) to evaluate system resilience in two major domains—economic and social.

The theoretical and empirical challenge of this research is to hypothesize and to empirically investigate relationships between housing policy interventions and the resilience of social housing systems. This task is made operational by employing taxonometric analysis of policy content on one hand, and the comparative evaluation of social housing resilience indices on the other. The research draws on qualitative analysis of policy content, institutional arrangements and results achieved in select case studies of new housing developments, illustrating responses during the time of crisis.

Conceptual Framework

The research is informed by the convergence-divergence paradigm for comparative housing studies (Kemeny and Lowe, 1998) and advances the notion that European systems of social housing provision maintain diversity of institutional arrangements, sector size, rent-setting and allocation policies and more importantly, differences in the choice of policy instruments (Bramley *et al*. 1995; Scanlon and Whitehead, 2007; Tsenkova, 2014). *These differences by design have critical implications for the ability of social housing systems to respond to external shocks (e.g. fiscal and financial crises), defining levels of resilience.* The conceptual framework integrates housing policy analysis with concepts related to resilience thinking (Tsenkova, 2009; Norris, 2008). More specifically, it is designed to explore the resilience of unitary social housing systems focusing on new supply—the most dynamic element of the system.

The framework applies the concept of resilience, which has a well-established history in environmental research, engineering, psychology, sociology, and economics, but has not been explored in housing studies. In this way of thinking, resilient systems have the ability to thrive, improve, or reorganize themselves in a healthy way in response to stress (Walker, 2011). *Understanding complex adaptive systems, such as social housing in large urban centers, and their resilience, can be defined as the ability to withstand, recover from, and reorganize in response to crises*. Function is maintained, but system structure may not be. Key properties that contribute to resilience are strong institutions characterised by diversity and redundancy, the presence of multiple smaller systems that are relatively independent, collaboration and responsive regulatory feedbacks *(*Walker *et al., 2006).*

The conceptual framework focuses on four dimensions of systems resilience—institutional, economic, social, and environmental—to quantify measures for social housing systems (see Bruneau *et al*., 2003; McCarthy et al., 2011). For the purposes of this research, resilience of the social housing system is defined as the ability of social providers to contain the effects financial and fiscal stress during times of crisis, and to carry out maintenance and redevelopment activities

in their social housing portfolio in a manner that minimizes disruption to affordability and mitigates the impact on housing quality. Enhancing the resilience of social housing systems, through *a mix of fiscal, financial and regulatory policy instruments*, minimizes economic and social losses during a crisis and allows moderate growth in the system. It can be achieved by the ability of a social provider to perform more efficiently and effectively to absorb a shock, if it occurs, and to recover quickly after a shock (Tsenkova 2013).

The *economic* dimension of resilience refers to the capacity to reduce both direct and indirect economic losses resulting from reduced financial and fiscal support and to continue to grow. The *social* dimension of resilience refers to the ability of the social housing system to provide access to affordable, good quality housing (Tsenkova 2013, Norris 2008).

The Framework Applied: Policy Instruments

The following section will apply the conceptual framework with a focus on comparative analysis of policy instruments in Vienna and Amsterdam.

Fiscal and Financial Instruments In principle, affordability in the Austrian system is assured by brick and mortar subsidies in the form of discounted land, public loans and grants and tax relief. Housing programs, and the new supply of social housing, enjoy a relatively long-term stability and support from federal resources on the basis of housing policy commitments of the Lander. These are complemented by local grants to ensure adequate supply of new social housing. Vienna has a long-standing tradition of providing social housing, demonstrated in stable financial support. City Council supports new social housing through the provision of land by Vienna's Land procurement and Urban Renewal Fund—Wohnfond—a non-profit financially independent land banking and development organisation preparing sites for social housing development since 1984 (Bauer 2004). In addition, specialised housing banks raise low cost mortgage funds for social housing built by limited profit housing associations (LPHA).

In the Netherlands, the Dutch government abolished the supply side subsidies in 1993 and promoted a more enabling and financially self sufficient approach to social housing provision. Within this framework housing associations are free to sell, invest and chose the way to allocate their revolving funds to fulfill their social mandate. Housing associations finance new social housing with capital-market loans, own equity and revenue from sales of newly built housing and/or sale of rental dwellings Commercial loans are guaranteed by the national Social Housing Guarantee Fund, which reduces the capital costs (Niebor et al. 2012). In addition, the City of Amsterdam subsidises the provision of new social housing through reduced land lease fees (about 50% compared to regular market development).

Regulatory Instruments In Austria a wide range of regulatory instruments ensure the supervision of social housing providers and define their allocation and rent setting policies. LPHA's profits are capped at 6 percent and need to be reinvested in the housing sector. Regulations specify the conditions which must be met in order to receive subsidies (cost, size of dwellings and target households) (Bauer 2004). Supply side subsidies finance about 30% of development costs (land and construction). Rents are calculated on a cost recovery basis and account for the cost of land acquisition, construction, capital costs of the project, administration, and investment in maintenance (Amann et al. 2009). Initial rents can be increased each year with the consumer price index (CPI).

In the Netherlands, the supervision is less prescriptive and housing associations are supervised on the basis of general 'fields of performance' (Lawson and Niebor, 2009). They are driven by portfolio management considerations and operate in a more business-like manner. Given their financial self-reliance, housing associations in Amsterdam sell existing housing (2 for 1 rule) to built new housing and reinvest profits and own equity to ensure a tenure and social mix in new projects. Sales, as well as levels of new social housing provision in Amsterdam, are subject to negotiation with the city administration and specified in 3-year agreements, but both sales and new social housing output have failed to meet recent targets (AFW 2012). In terms of rent setting, social landlords have considerable freedom to pool rents across their portfolio and address priority tasks. This autonomy, however, is confined by rent regulations defining rents by the central government with prescriptive annual rent increases, usually adjusted by CPI.

Institutional Resilience

In both countries social housing is designed, built, owned and operated by private institutions with a long-standing legacy. In Austria these are private limited profit companies, while in The Netherlands the social housing providers are private non-profit institutions. In the literature on partnerships for social and affordable housing, these models will be classified as the most advanced on the continuum, depicting the transfer of liability and risk from the public to the private sector (IPSASB, 2008). The spectrum can be further unwrapped into a combination of the following operational elements: Design, Build, Finance, Operate/Maintain, Own, Lease/Develop (Allan, 1999). In most countries, Design-Build will be the most popular mode of operation, where the public sector entity assumes responsibility for both the operation and maintenance (Scanlon and Whitehead, 2007). In response to fiscal austerity measures, a more recent transition in housing policy has emphasised the importance of non-profit institutions that Design-Build-Operate-Maintain social housing, where public sector involvement is typically limited to financing and regulatory role (Moskalyk, 2008).

The autonomy and the efficiency of social housing providers in Austria and The Netherlands has allowed them to capitalise on public-private partnership (PPP) arrangements where development is undertaken with a combination of not-for-profit, private, and public participants of government programs. In Vienna, PPPs are even more sophisticated in the case of mixed income, mixed ownership projects where the social housing developers partner with other private entities to build, finance and operate such schemes (establishing daughter firms). In Amsterdam, series of mergers and acquisitions have reduced the number of institutions (down to eight) allowing them to pool profits and losses across a much larger portfolio. Overall, the post-crisis period has created an opportunity to test the institutional resilience and the ability of the socially mandated organisations to catalyse investment as well as maintain lower costs. Where the fiscal and financial support has been more stable and predictable, the institutional response has been one of risk mitigation and adaptation. In Vienna, a large number of independent social housing providers rely on collaboration with the municipal and provincial government, which has sheltered the sector from the financial shocks in the marketplace. In Amsterdam, this is not necessarily the case and the institutional landscape has experienced significant transformation based on predictable private sector emphasis on cost efficiency, risk reduction strategies and divestment.

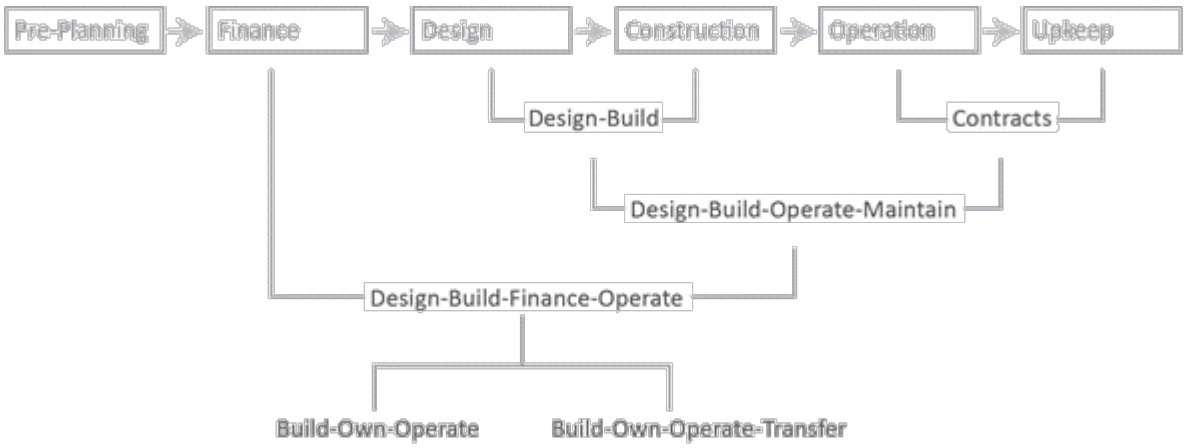

Figure 1: Partnership typologies related to phases of the housing provision process

Economic Resilience: Production and Development Strategies

Production levels in the social housing sector of Vienna are stable with a growing share of social rental housing with the option to buy, implying higher tenant contribution.[2] Subsidies in Vienna declined sharply between 2000 and 2007, reducing production from 12,000 to 6,000 dwellings under the conservative

[2] In the last five years output by LPHA is in the range of 13,000 dwellings with half of these under the option of rent-to-buy.

coalition government, but have been increased to 9,000 dwellings per year. LPHAs account for half of the new production in the city. The city of Vienna (also with the status of a federal state) is actively steering the production of new housing into areas of brownfield development and other secondary nodes in support of its planning and urban development priorities. The city also operates an evaluation system to rank projects for new sites sold through Wohnfond. Land is sold by competitive tender, which aims to reduce building costs and focuses developers on quality outcomes (Förster, 2006). In the redevelopment of brownfield sites (Gasometer, Kabelwerk), the social housing providers establish joint companies with private developers to meet city's requirements of mixed tenure, mixed income communities (Figure 2). There are many examples of innovative sustainable housing, passive housing, car-free developments, and ethnic integration through design innovation fostered by the city's competitive bidding process and sustainable development guidelines for project evaluation.

Figure 2: Brownfield development in Kabelwerk (Vienna).
The site has 950 dwellings with a mix of social rental and owner occupied housing, shopping, offices, kindergarten, green spaces, and cultural facilities. Source: Tsenkova

In Amsterdam, the production by housing associations has doubled since 2001, but two thirds are geared to the homeownership market. Recent years have seen a wave of mergers and acquisitions of housing associations driven by risk reduction and portfolio management strategies. New social housing is built on brownfield sites, and in the new greenfield development of Ijberg (Figure 3). The output of housing associations in the city accounts for over half of the completions, which are in the range of 1,200-1,500 in the last five years. Social housing—about 25-30% this output—is used to achieve a new social and tenure mix in these areas with 70% of the housing targeting the homeownership market and 30% retained as social housing. This is also perceived to be revenue neutral model in terms of development costs. Housing associations in Amsterdam have the historical role of city builders with increasing responsibilities to improve liveability of deprived neighbourhoods as well as to provide social infrastructure (AFW 2012).

Social Resilience: Affordability of New Social Housing and Choice

In Vienna average rents in new social housing are €490-€530, tenants are expected to provide €15,000-€30,000 contribution to project costs. Interviews with major social housing providers indicate that tenants are increasingly young and ethnically diverse; problems with non-payment are almost non-existent, vacancies are below 1 percent (Figure 3). In 2012 the average rent burden in Vienna for couples with children was only 20 percent of household income (Czasny and Bständig 2011). Less than 5% of the tenants receive housing allowances. By contrast, average rent in Amsterdam in 2010 was €498 (Aedes, 2012) and over 20% of households receive housing allowances.

Figure 3: ***Ijberg in Amsterdam***
This is a sustainable community for 45,000 residents built on land reclaimed from the sea. It has local jobs, retail, schools and a mix of social, market rental and owner-occupied housing. Source: Tsenkova

In terms of choice and allocation, *t*he target group in Austria is rather broad and reportedly close to 80% of the households can qualify for access to new housing. In Vienna, 25% of tenants are nominated by the municipality's Housing Service, half of the units are offered externally to prospective tenants on the waiting list and the rest – to existing tenants. Waiting lists are managed by the LPHAs, but

the average waiting period is less that one year. By contrast, the centrally managed allocation system in Amsterdam provides a one-stop shopping opportunity for households, but the waiting time to get into a desirable neighbourhood is reportedly over 6-7 years. Households in areas subject to major renewal programs and demolition have a priority to return to the area and/or receive dwellings in the neighbourhood of their choice.

Concluding Comments: Collaborative Resilience

Housing policy matters (Angel, 2000). Whilst Austria has retained its brick and mortar support for a strongly regulated limited profit, cost capped and cost rent regime, in the Netherlands the elimination of supply side support has led to financial self-reliance, organisational change, sales and more entrepreneurial strategies by housing associations. Both systems demonstrate a high degree of resilience and are essential in pursuing national and city development objectives (neighbourhood renewal, brownfield redevelopment, sustainable practices). They have some of the most advanced systems of social housing provisions based on robust partnerships with the private and non-profit sectors.

In terms of institutional resilience, Dutch housing associations have a lot more freedom to pursue own policies related to new development, sales and other commercial activities. In Amsterdam, they dominate the market for new housing but produce predominantly for homeownership with significant exposure to market risks, which makes them more vulnerable during recessions when sales are not brisk and market prices are declining. This exposure to the fluctuations in the owner-occupied housing market makes the system more vulnerable to external shocks and places significant limits on innovation. Overall, the post-crisis period has created an opportunity to test the institutional and economic resilience and the ability of the socially mandated organisations to catalyse investment as well as maintain lower costs. Where the fiscal and financial support has been more stable and predictable, the institutional response has been one of risk mitigation and adaptation. In Amsterdam, this is not necessarily the case. The institutional landscape has experienced significant transformation based on predictable private sector emphasis on cost efficiency, risk reduction strategies and divestment.

In Austria the existence of public grants and loans does influence production levels and shields the sector from market fluctuations providing more stability for its operation. In Vienna, a large number of independent social housing providers rely on collaboration with the municipal and provincial government. Social housing landlords are extensively regulated through the cost rent model and limitations on profits in Austria, while in the Netherlands the centrally determined rents provide stability in the rental market, but may constrain investment in innovation and quality improvements. In Vienna new social housing pioneers design innovation, sustainable living and consistently delivers high standards, in part steered by the city of Vienna competitive bidding process for land allocation through the Wohnfond. This is not necessarily the case in Amsterdam, where the

social resilience of the system is challenged by higher costs and longer waiting lists.

From Policy to Bricks and Mortar: Together We Stand

A comprehensive and sustainable housing policy, and in particular the alignment of regulatory, fiscal and financial instruments, can contribute to the resilience of a social housing system and neighbourhood rebuilding. An important driver in the implementation process is the diversity and the strength of the partnerships created between public, private and non-profit institutions to build affordable, good quality housing for people from all walks of life. Several issues could frame the debate on resilience and policy implementation: risk and liability, barriers and benefits.

Risk & Liability
The success of any collaboration is predicated on equality. When each member has an equal share in the partnership and assumes a high level of commitment, dealing with risk is more manageable and redirecting of resources to achieve operational efficiency is less complicated. The responsibility of governments is to create an enabling policy environment to ensure that institutional structures are not subject to /stop and go/ government programming, red tape and higher risks. While experience, discipline and cost-effectiveness might be attributed to the private and non-profit institutions, the task of policy monitoring and policy adjustment to align risks and liabilities is definately a growing responsibility for different levels of government.

Barriers
Partnerships are formed on the basis of synergies. Each institutions brings forth the skills, resources, and experience to create mutual benefits. However, motives for a private and public entity can differ (profit-driven vs. service-driven) and can posit private and public bodies on disparate ends of the collaborative spectrum. Affordable housing is a capital intensive development with low rate of return. Barriers associated with difficulty in financing, lengthy development process, high operational costs, all require a high level of government commitment to overcome.

Benefits
Partnerhips can be viewed as a necessities for governments to continue to provide high levels of services in the context of fiscal constraint. The most evident benefit is economic; more partners means more funding opportunities, more diversity and ability to pool expertise, skills and strengths for the public good. The inclusionary nature of the collaboration can be a source of legitimacy and accountability as institutions outside the closed doors of the government process are invited in.

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