

# Organizational Structures of Housing Associations in the area of Real Estate Development.

Reinier van der Kuij, MSc

Faculty of Architecture, Real Estate & Housing (research area MOVE), Technical University of Delft, Julianalaan 134, P.O. Box 5043, 2600 GA, Delft, The Netherlands

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## Abstract

Housing associations in The Netherlands have very different points of view about their ambition and functioning as social entrepreneur. A common aspect is that they perform, in one way or another, as developer of Real Estate. They have begun, next to their original and main task of building and managing the social housing stock, to develop more expensive rental and owner-occupied dwellings, a broader range of social and commercial property and have taken on a more prominent role in the (re)development of urban areas. In practice, housing associations have adopted a variety of different organisational set-ups to perform their real estate development activities.

Little empirical data is available about organisational aspects of Real Estate Development by housing associations. This paper presents the results of a survey of 56 Dutch housing associations and in-depth interviews with 14 of them, on the area of vision, ambition, strengths and weaknesses of the organisation of a housing association as developer of real estate.

This paper is part of a PhD-research ('Housing Associations and Real Estate Development: 'Fit for Use?') which focuses on the translation of the vision of a housing association as real estate developer and social entrepreneur to the organizational set-up of the housing association. Four typologies are used to identify different visions of housing associations as Real Estate Developer and as starting point for translating their vision to different organizational aspects.

## Introduction

The last decade has been a transformation with big implications for the way Dutch housing associations act on the real estate market. Their connections with the Dutch government have changed from a task-setting relation to a result-responsible control function. Instead of a government setting tasks for housing associations and controlling investments with subsidizing activities, especially in real estate management in the housing sector, housing associations now control their own budgets and take their own responsibility on how and where they're investing (Gruis, 2004). This has changed the way housing associations perform Real Estate Development as well. It has had a big influence on the organisational set-up, the dynamics of developing real estate are totally different than performing tasks for ongoing business in traditional management of real estate (Westra, 2005).

At the same time housing associations have big ambitions in Real Estate Development. In 2007 Aedes (Aedes is the Dutch sector organization of housing associations) stated that they were going to build 160.000 new dwellings between 2007 and 2010 (Aedes, 2007). In 2007 all housing associations together produced 32.354 dwellings (Aedes, 2009), a new record. 2008 seems to give about the same amount of dwellings built by housing associations (CBS). This is not enough to produce the 40.000 dwellings a year.

There is not much empirical data available about the (changing) organisational aspects of Real Estate Development by housing associations in the Netherlands in relation to their development ambition. To examine this relation a PhD-research is conducted among Dutch housing associations. This paper presents the first part of this PhD-research and is aimed at the area of history, ambition and strengths and weaknesses of the current organisation of a housing association as developer of real estate. It presents the results of a survey as well as interviews among housing associations.

A survey was set out to collect quantitative data about the current status of Real Estate Development by housing associations. It was set out at all housing associations owning over 1.000 dwellings. Most organisations with less than 1.000 dwellings do not have a fully equipped organisation and only have occasional production of real estate or occasionally buy dwellings turn-key from other developers and are therefore left out of this research. The population of the survey was 315 housing associations, 56 filled out the survey (18%). After the survey fourteen interviews were held, with the director or with the manager of the Real Estate (Development) department of different housing associations, to gather information about their historical development as developer and to gain more in-

depth knowledge about how and why organisations set up a certain organisation to achieve their goals in Real Estate Development. The organisations that were interviewed were selected on pragmatic grounds (housing associations were asked in the survey if they wanted to be approached for an interview) and by difference in size of the organisation, organizational structure and location in the Netherlands. The names of people and organisations involved in this research are made anonymous. This paper presents the results of both the survey<sup>i</sup> and the interviews<sup>1-14</sup>.

The first chapter sets out the historical development of Real Estate Development by housing associations as found in literature as well as from the interviews. This chapter is divided in four parts: the changing role of housing associations, learning the 'new' profession of Real Estate Development by housing associations, changing laws and organisational structures (as most visible and recognizable organisational aspect). The second chapter gives insight in the future development portfolio of housing associations. This chapter addresses the main worries about Real Estate Development by housing associations as well. The third chapter describes the strengths and worries housing associations themselves see in their own organisations. The last chapter concludes this paper and gives insight in future developments of housing associations, as well as aspects for future research.

### **1) Historical development of Real Estate Development by housing associations**

Housing associations gained more independence as a result of governmental policy in the early 90's of the last century to privatize governmental bound activities. This 'privatization' was endorsed by the balancing and grossing in 1995: housing associations became financially independent instead of being bound to a complex system of subsidies and governmental loans (Koolma, 2008). This balancing and grossing had big implications for the sector of social housing and completely changed the functioning of housing associations .

#### ***Changing role***

With the balancing and grossing housing associations gained independence, but still had a special position in the Dutch market as 'in-between' organisations in the triangle between state, market and community. Housing associations are organisations that are governed by private law and have been appointed a set of public tasks in the central government's Public Housing policy by virtue of the Housing Act (Koolma, 2008). These tasks are laid out in the 'Besluit Beheer Sociale Huursector' (BBSH, an amendment to the Housing Act) which describes the handling of housing associations (BBSH, 1993, adjusted in 1998 and 2002). Next to this amendment, two sector institutions were founded: Centraal Fonds Volkshuisvesting (CFV) and Waarborgfonds Sociale Woningbouw (WSW). The CFV is a national supervisory authority to control the financial conditions of housing associations as well as their achievements. The WSW is a fund founded as sectorial back-up to guarantee loans supplied by the capital market to housing associations, which leads to the possibility for housing associations to loan money with less interest than the 'normal' market.

The BBSH offered, and still offers, much 'freedom' in interpretation of the tasks and functioning of housing associations (Conijn, 2005). Housing associations used this freedom to change from managers of their (social) housing stock to entrepreneurs in real estate (Gruis, 2007). They set out their own policy to perform as entrepreneurial housing association or, as nowadays housing associations or often labelled, as 'social entrepreneur' (De Jong, 2007). This has led to a great diversity among housing associations. There are housing associations that are ideologically bound to their original social responsibility, others consider themselves to be Real Estate entrepreneurs and some organisations just want to control and maintain their housing stock without further considerations. Some focus on real estate while other take on the whole scala of 'liveability' and 'well-being' of people in neighbourhoods. There is an ongoing discussion in The Netherlands about the functioning, positioning and performance of housing associations. Examples of this discussion are the report People, Desires, Living (VROM, 2000), reports of the committee Sas (2005), Committee De Boer (2005), RIGO (Conijn, 2005) and the most recent arrangement Meijerink (2008). These reports are all written by committees of politicians, researchers, experts and 'people in the work field' with the purpose of defining the actual goals, tasks, activities and functioning of housing associations as 'social entrepreneurs'. It is still an ongoing discussion with no clear answers or solutions to the unclear status of housing associations.

This paper will not go too deeply into this discussion. For this paper it is sufficient to state that as a result of the movement by and development of housing associations, they broadened their task in Real Estate Development to more than only building social housing. Housing associations started to build more

than just dwellings, they are also building schools, space for entrepreneurs and healthcare related real estate. They are working closely and in cooperation with other organisations, such as the municipality, schools, social organisations and other developers in area-development, with health and well-care organisations to realize facilities for the aging population and with all kind of social organisations for the broader goals of 'liveability' and 'social well-being' in neighbourhoods.

This has led to a growing and varying portfolio, as housing association Proven puts it in one of the interviews<sup>8</sup>: 'we couldn't only be building social dwellings, we saw that there was more needed in the little villages in order to maintain an acceptable standard of health care and schooling'. Other organisations possessed an old stock, mostly when the organisation had a background as municipal housing association<sup>7</sup> or when merging one of those organisations<sup>9</sup>, which led to an increased pressure to (re)develop real estate. Housing associations became more active in the field of commercial Real Estate Development as well, mostly by building dwellings for sale at the private market. In 1997 31% of the housing associations developed commercial real estate, by 2005 this number was increased to 65% (Dreimuller, 2008, based on annual reports of Aedes (Dutch sector organisation of housing associations) 1997-2005).

*Box 1 Anja Boder, director business unit Klimop Real Estate Development<sup>1</sup>:*

We were not really active in Real Estate Development till we were confronted with a big restructuring project. This was an integral area development project replacing part of our existing stock with new dwellings and building real estate on adjacent locations. We noticed it was a different kind of work than we ever did before, we had no experience in these kind of projects but knew we had to learn fast to be able to achieve our goals for this area. Before this, projects were done with a focus on architecture, there was no real mention about financial consequences or feasibility. Now we had to cooperate with a lot of different parties and we had to make investment decisions instead of purely technical choices. Our line of work had changed: instead of building solitary dwellings, we felt responsible for development of the whole area: dwellings, social real estate and the social and physical structure as well. This meant we had to think differently about real estate development. It was not only to realize our goals in number of dwellings, but it became a mean to realize our goals as a social entrepreneur.

This development is confirmed in the interviews held with the housing associations for my research. Almost all the interviews started with (when asked about the history of Real Estate Development by the housing association) the same opening: 'we used to be a maintaining, controlling organisation with little or no Real Estate Development at all, but we 'woke up' and started to perform as an entrepreneur and started to be active in the field of Real Estate Development'. Some immediately took action to enlarge their development portfolio and development capacities (Askola and 2 other housing associations in 1997 with Saen<sup>10</sup>), others waited (Lekker Wonen changed their vision in 2004<sup>3</sup>) or needed some experience (Klimop in 2000<sup>1</sup>, see box 1) or a merger (De Huisvester in 1999 en 2002<sup>13</sup>).

### ***Learning the profession of Real Estate Development***

Housing associations are not only developing and investing in more and different real estate, the way they manage and structure the development process has also changed. From being a principal for an architect in order to build a presubscribed amount of social housing at a location appointed by the municipality the corporation works in, they have become more and more real estate developers with a commercial and risk-reducing thrive in order to obtain strategic locations and develop profitable real estate (Westra, 2005). The dynamics of Real Estate Development is not completely new to most, but needs a different approach compared to building real estate without risks. This shift of focus to a new way of passing the stages of strategic planning and designing has not yet been fully developed within housing associations, as Van der Moolen has explained (Van der Moolen in Bijsterveld, 2007).

This 'learning process' is confirmed in the interviews, also see Box 2. Most organisations explain in the interviews, some more explicit than others, they had to learn to think and act as a development organisation instead of a managing and controlling one. Even more than only saying they had to learn this, some even literally payed for this lessons<sup>1,6,8,9,15</sup>.

Housing associations started at different levels of experience with building real estate in general. Most had incorporated building new real estate in the same process as maintenance and major repairs<sup>1,2,8,14</sup> or had a small division specialized in new real estate<sup>3,9,12</sup>. Others had no experience at all<sup>5,7,9</sup>. It is best explained using the process of Real Estate Development as guideline. Miles (2001) defines eight stages within the real estate development process:

- 1) Inception of an Idea

- 2) Refinement of the Idea (quickscan)
- 3) Feasibility
- 4) Contract Negotiation (preliminary design)
- 5) Formal Commitment (designing phase and tendering)
- 6) Construction
- 7) Completion and Formal Opening (surrender and transaction to owner)
- 8) Property, Asset and Portfolio Management

*Box 2 Mr. J. Dekker, director, Askola<sup>10</sup>:*

'13 years ago we did not have enough Real Estate Development – knowhow to be able to achieve our ambition in Real Estate Development. In order to develop this knowledge and to employ experienced personnel we organised a separate entity, Saen Real Estate Development BV, outside our organisation in cooperation with two other housing associations struggling with the same questions. Saen functions as a private party on the market, we are shareholders as well as principles for projects. Three other housing associations joined in after a couple of years and gave Saen enough 'body' to become a fully professional developer. Problems arose as well though, as Saen was at arms length of our own organisation which caused friction in communication, development goals and opportunities and controlling the development process as principle. At the surrender of projects we were often confronted with dwellings that didn't match our quality standards or demands. Now we have our own department of Real Estate Development within the main organisation again and Saen is one of the parties to cooperate with. Through Saen we learned how to function as a real estate developer and are now able to do it ourselves, within our own organisation which has the advantage that you are able to control the process better.'

Phase 1, 2 and 3 are the phases where the biggest changes have taken place in the process of Real Estate Development by housing associations. As they built mainly on 'direction' of the municipality, housing associations were not triggered and judged on (financial) feasibility

(Hakfoort, 2002). Locations were provided and financial and spatial parameters were mostly set by governmental or municipal rulings. Feasibility, complex projects with more than dwellings alone and competition for locations are activities that need competences and skills that were hardly developed within housing associations<sup>6,10,12</sup>. They are 'learning' these competences, but they learned it the 'hard way', resulting in projects with (big) losses<sup>1,2,6</sup> (as recently is shown (different media, 2009) in its most dramatic form with the redevelopment by Woonbron of the old cruiseship SS Rotterdam to an living- and business centre, resulting in a loss of an estimated 80 million euro)) or even catastrophic consequences for the whole organisation (SGBB, Kleine Meerij and Soomland (different media, 2009) are having financial difficulties as a result of misjudgements, miscalculation and inexperience in Real Estate Development).

Housing associations developed<sup>1,2,6,12</sup> or are developing standards<sup>13</sup> to be able to make better judgments and decisions in these important first phases. Recognition of this importance is also resulting in a structured consultation of different responsible departments within the organisation (finance, daily exploitation, strategic policy and Real Estate Development) at the beginning of the process<sup>3,9,10,12,14</sup>, as well as the development of risk assessing tools<sup>1,3,13</sup>, strategic planning<sup>10,14</sup> and financial calculation methods<sup>7,8,12,13</sup>. Housing associations do not all 'learn' this by themselves as solitary organisations, some are actively cooperating with other housing associations<sup>2,4,6,8,10</sup> or with and from established commercial developers<sup>1,5,6,11,14</sup>.

Housing associations focussed mostly on phase 4 and 5, the actual designing and building process, to keep this within the set standards and budgets<sup>1,3,7,9,14</sup>. The 'new' way of development changed this process as well as the increasing complexity in projects (Hieminga, 2006) asks for more attention and development of controlling the project, within the set goals of quality, time and finances. The survey held<sup>i</sup> shows that 53% of the housing associations worry about project control, in the interviews organisations explained that they are not able to realize the goals they set in the beginning of the project<sup>1,2,6,12</sup>.

Phase 6 is relatively unchanged compared to the traditional building and does not seem to be subdued to big concerns or problems. Phase 7, however, does causes problems. These problems arise mainly when the built real estate is surrendered between the developing party or department and the main managing organisation<sup>2,6,10</sup>. These problems are explained by the involved housing associations as problems that have been risen during the development process and climax at the surrender. This is mostly an organisational problem during the whole process of tuning and gearing the managerial aspects of phase 8 into the development process. Housing associations are struggling how to specify technical standards (in order to maintain the real estate for a long period of time within the housing association) in the beginning of the Real Estate Development process<sup>7,13,14</sup>.

### **Changing law**

Another aspect came up in the movement and changing roles of housing associations: the so-called 'level playing field' discussion about the advantages for housing associations in certain activities they perform. European rulings for governmental support to private organizations state that financial support is only allowed for 'services of general economical importance' (Art. 86. ad 2 of the EU-treaty in Kuypers, 2008). Since 2002 the European Committee (EC) questioned the expanded activities of housing associations and the arrangements made during the balancing and grossing of 1995. In 2005 the EC ruled the possibilities for housing associations to finance investments at a lower interest rate, through the guaranteed loans by the WSW, as governmental support but not applicable for commercial Real Estate Development (Kuypers, 2008). The activities of housing associations had to be divided in 'social' and 'commercial' activities in order to create a transparent 'level playing field'.

This has led to big discussions in the sector about the distinguish between activities, but nothing fundamentally changed till 2007. The Dutch Society of institutional investors in Real Estate (IVBN) even filed a complain at the European Court (IVBN, 2007). This discussion is still not finished. With the introduction of an arrangement between the Dutch Tax Authorities and housing associations, the so-called 'Vaststellingsovereenkomst' (VSO, Belco, 2007), this discussion seem to be given some relief. This VSO obliged housing associations to choose between different ways of organizing their administrative

*Box 3 Bert van den Brink, director A&K Wonen Real Estate Development BV<sup>12</sup>:*

'The upcoming change of legislation was one of the main reasons the form a separate company for our Real Estate Development activities. At the same time we grabbed the opportunity of this change to professionalize our Real Estate Development department as well. The unclarity and changes in legislation and financial ruling with the VSO also caused a lot of friction and uncertainty. We spent a lot of energy, which at the end seemed a bit wasted, to set up separate systems for financial control and financial and juristic arrangements between the 'mother-organisation' and the development company had to be made. For the personal, for example, it was an uncertain time whether their contracts with the original organisation would be replaced or not with contracts with the separate entity (they are now still employee of the 'mother', but

and financial systems in order to make their activities transparent an distinguish social and commercial activities. Commercial activities could be identified and be levied with corporation taxes as well, which was not possible before. By the end of 2007, however, this VSO was cancelled and replaced, under large protests by the whole sector, by a general ruling that all housing associations had to subdued to corporation taxes for all activities (De Jager, 2007). A new arrangement was made, the VSO 2, but this is still under discussion.

This discussion and development have led to organisational changes within housing associations for their activities in Real Estate Development. Because of the expected distinguishment between social and commercial activities, some organisations established separate entities to perform their activities (one of the possible ways of organizing the separate financial system as required by the VSO), as shown by the example in box 3<sup>12</sup>. A lot of other housing associations doubted about a organisational change to set up an independent development company as well, but did not adjust their existing organisation<sup>1,2,3</sup>.

### **Organizational structures**

The developments as shown have had big implications for the organisation (most visible in their structure) of Real Estate Development by housing associations. They are searching how to implement working on a 'new and enlarged' portfolio and the other demands of the profession of Real Estate Development. Earlier research showed that separate departments specifically for Real Estate Development were hardly seen in the organisational structure of housing associations (Straub, 2001). The developments since 1995 is most visibly reflected by movements within the organisation by forming separate departments, business units or even a separate (daughter)company for Real Estate Development<sup>1,3,7,12,13</sup> or with starting co operational organisations for Real Estate Development with other housing associations<sup>2,8,10</sup>. These movements are not only to establish a new organizational set-up (most visible in structure), but also to adjust the organisation and bring it back to the original set-up or breaking connections in interorganisational structures<sup>2,4,12</sup>. Real Estate Development is even an important reason for merger between organisations (Koolma, 2008).

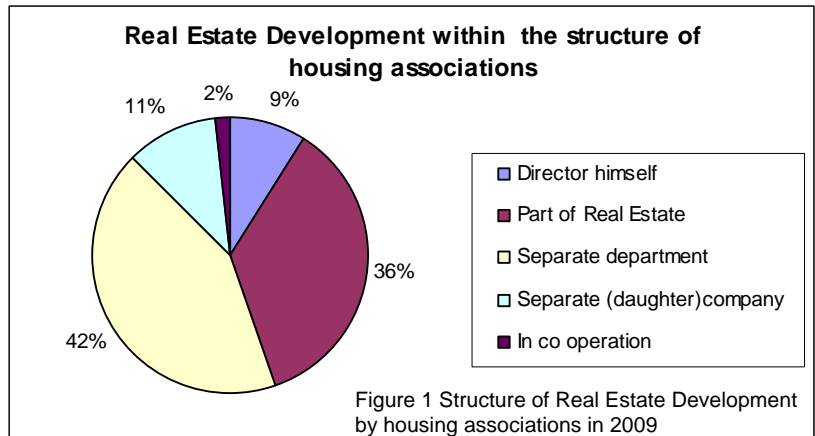
Structure itself is not crucial in the actual performance in Real Estate Development (it is all organizational aspects together<sup>1,3,9,13</sup>), but it gives an indication on how housing associations are acting.

The current structure of Real Estate Development by housing associations can be divided in four different categories (Van der Kuij, 2006):

1. Part of department 'Technique' or 'Real Estate'.
2. A separate department.
3. A separate entity, (daughter) company.
4. A separate entity in cooperation between two or more housing associations.

A fifth category can be added for small organisations: the director himself performs the activities for Real Estate Development. These structures, however, are (surprisingly) not erected in order to achieve the most optimal result but resulted mostly from historical development of the association (as shown before), merges or other strategical reasons (Grootkarzijn, 2007).

The categories of Van der Kuij were used to make an inventory of the current organisational structures of Real Estate Development by housing associations. In the survey housing associations were asked to choose their current organisational structure, see figure 1 Structure. The survey showed a clear relation with the size of the housing association (measured in dwellings currently in stock) and the organisational structure, see table 1 Structure. The bigger the organisation, the more independent the department of Real Estate Development gets. For the cooperation between housing associations, nothing can be concluded as only one organisations in the survey had this structure.



A remark to this independence of the (daughter)company or cooperation can be made as shown in earlier research (Grootkarzijn, 2007) as well as from the interviews. Housing associations do not seem to distinguish Real Estate Development and Project management in Real Estate very well. In Real Estate Development the party developing real estate is also responsible for the (financial) risks during the development process. Project management is the activity to guide the process of investments in building new real estate. As for most separate (daughter)companies, the 'mother' is still the developer: making the investment decisions, deciding the program and hire the contractor. The (daughter)company is, in that case, nothing more than a specialized Project management company and not an independent Real Estate Developer.

Structure	Total	%	Average size
Director himself	5	9%	1430
Part of Real Estate	20	36%	6833
Separate department	24	43%	12819
Separate (daughter)company	6	11%	19750
In co operation	1	2%	4000

Table 1 Structure in relation to size

This chapter has shown the recent development of housing associations as developer of real estate. A lot of movement and development has happened since the balancing and grossing, until they have become the organisations as they are now. In order to see how and where housing associations have to develop themselves further to realize their ambition we have to look at their development portfolio and internal organisation more closely.

## 2) Portfolio and ambition

As stated in the introduction housing associations, as a business sector, have a big ambition in Real Estate Development. In 2007 Aedes made an engagement to build 160.000 dwellings in the period between 2007 and 2010 (Aedes, 2007) in order to decrease the housing shortage in the Netherlands. This ambition means housing associations have to increase their productivity in Real Estate Development to 40.000 dwellings per year. In 2003 all housing associations together built around 19.000 dwellings, in 2006 the production increased to over 32.000 dwellings. However, in 2007, this increase in production flattened out and the same number of dwellings were built, around 32.000 (Aedes, 2009). There is no

official record yet over 2008, but the Central Bureau of Statistics (CBS) of the Netherlands shows a number of just over 32.000 dwellings built by housing associations in 2008 (CBS, 2009). In order to see if there is a relation between the organisation of Real Estate Development by housing associations and their development portfolio, and to see whether housing associations are able to increase their productivity in the next five years the survey contained a question about the future development portfolio. With this it is also possible to look for correlations between size of the organisation, organisational structure and strengths and worrisome aspects of the housing association in Real Estate Development.

The results of the survey give a promising portfolio and ambition by housing associations for their development portfolio till 2013. These results are presented in Table 2 Portfolio. The average portfolio of the housing associations involved in the survey is almost 1.100 dwellings, a percentage of 10.6% of their

<i>Portfolio of housing associations</i>	Survey	Sector*	Total
Housing Associations	56	455	-
Average size	10.270	5.275	2,4 mil.
Average development portfolio (houses)	1.095	560	254.880
Average % development portfolio vs current stock	10,62%	-	-

\* Number of housing associations at 31-12-2007, in april 2009 an estimates number of 427

Table 2 Development portfolio in relation to size

current stock. The percentage refers to the amount of new dwellings the housing associations are planning to produce in comparison to their current size, it does not say anything about the amount of dwellings added to the current stock. There is no relation between size of the organisation and development portfolio. This confirms earlier research (Van Bortel, 2008). The eight organisations classified by the CFV as 'housing associations with a shrinking stock' (CFV, 2008) surprisingly have the relatively largest development portfolio: 17.5%, that's 70% more than the average development portfolio of all housing associations. No other relations between development portfolio and size or organizational structure were found.

If the percentage is extrapolated to the whole sector of housing associations, total of 455 housing associations and a stock of 2.4 million dwellings, it means that there is a total development portfolio of something more than 250.000 dwelling in the next 5 years. This should be more than enough to achieve the projected aim of 40.000 dwellings a year. The 'CFV', however, showed that housing associations have only realised 54% of their original plans in the past three years (Conijn, 2009). Koolma (2008) states that larger organisations seem to realize their ambitions better than smaller organisations, but does not quantify this. There was no confirmation of this in the interviews either.

This 'realization percentage' brings the planned number of production back to around 27.500 dwellings a year. This is even less than the production of the last two years. The effects of the economical crisis are not even taken into account in this production number. The WSW warns that 63% of the investments for 2009 – 2013 are directly related to sale of current stock (WSW, 2009). The sale of dwellings is very insecure at the moment so it's reasonable to predict that the production will drop (Bouwknennis, 2009). This is confirmed by the held survey as well: over 85% of the housing associations are worried to realize their ambition by 'Possibilities for financing' or the 'Market' in general.

Given these numbers and remarks about their actual realization of their portfolio, housing associations will not be able to build the amount of dwellings as planned in their ambition set in 2007. Either they have to enlarge their portfolio, change their ambition or have to change their organisation in order to realize their plans.

Housing associations do realize this at the aspect of having a shortage in development portfolio in comparison to their ambition. Over 40% of the housing associations have a bigger ambition than their current development portfolio (none of the housing association in the survey had too much projects or dwellings in their portfolio), see figure 2: Ambition. Interesting in the results of the survey is that mainly the

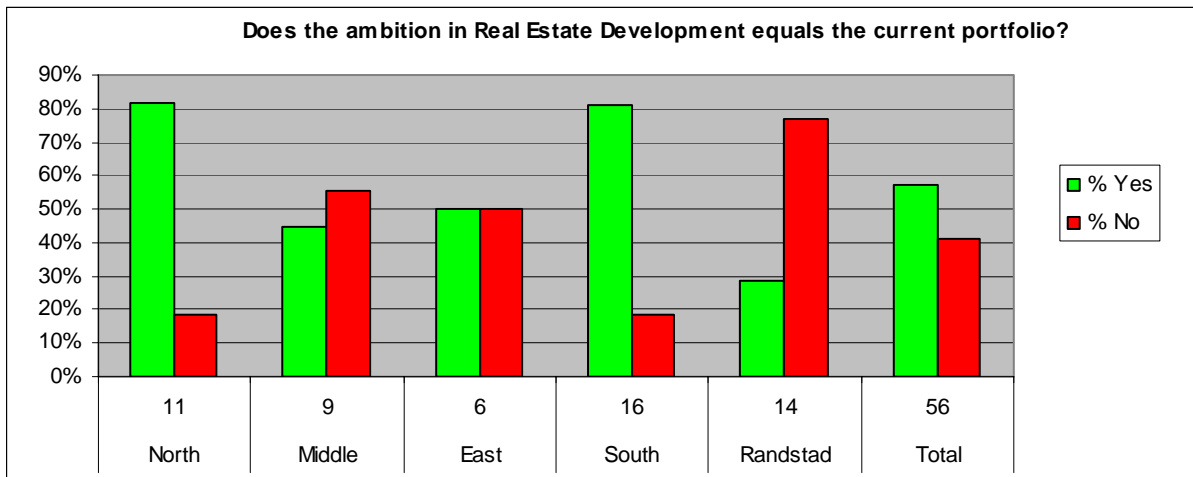


Figure 2 Ambition in relation to current portfolio

housing associations in the Randstad are having problems to fulfil their ambition (77%), and in less amount the housing associations in the middle (55%) and eastern (50%) part of the country. Main reason given by the housing associations in the Randstad is the lack of new locations to build at, out of 10 housing associations having a mismatch in their ambition and portfolio 70% gave this as the main reason. Housing associations in the south and north of the Netherlands have a matching development portfolio with their ambition.

There is an interesting detail in these results of the survey. If the survey was filled in by the director there were distinctively more organisations which stated that their ambition matched their portfolio (21 yes vs 5 no) then if the survey was filled in by another employee (mostly the manager Real Estate Development, 11 yes vs 19 no). This correlation is not correlated to part of the country where the housing association is located. It seems the 'Real Estate Developers' have a bigger ambition than the directors.

Besides having a portfolio that matches the ambition, it is interesting to see if housing associations think they are able to realize their portfolio. The housing associations were asked about the worries they have for realizing their ambition in Real Estate Development, see Figure 3: Worries about realizing their ambition.

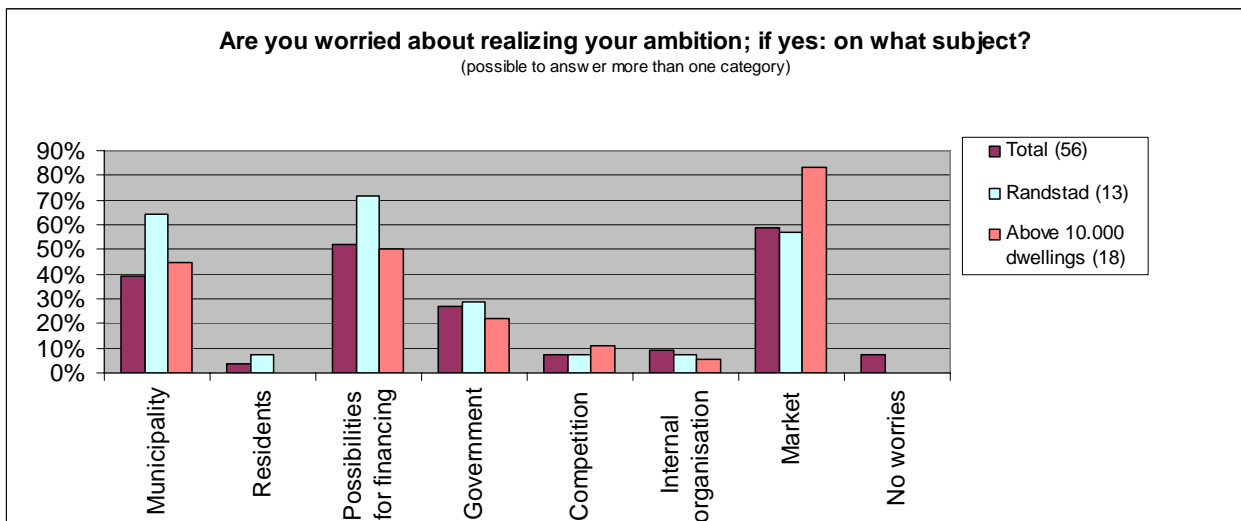


Figure 3 Worries about realizing their ambition



Only 4 out of 56 housing associations are not worried about the realization of their portfolio and ambition. The financial crisis is, of course, mentioned by almost all the organisations. Only 4 of the 52 organisations worrying do not mention 'Possibilities for financing' or 'Market'. But it's not only the financial crisis that makes housing associations worry about the financing possibilities. Over 60% sees the rising 'non-refundable investment', the difference between the market value of an investment and the 'social' investment of housing associations (as is limited because of the limited rent people can afford), as a worry for future investments in developing social dwellings. Main reason of this rising is the increase of the costs for acquiring locations (Bouwkennis, 2009). Some see even a bigger rise of this gap between market value and 'social' investment after the crisis and in to the future (Bijndendijk, 2009). Added to this are the changed rules for getting loans by the WSW, which basically comes down to limited possibilities to loan money with the WSW-fund as backup (Pijffers, 2009).

More detailed can be seen in the survey that mostly large organisations worry about the conditions on the real estate market, 83% where the average is 60%. This can be explained by the fact that larger organisations have a larger portfolio, with more risk full or market depended real estate (dwellings for sale instead of 'social' rental dwellings) or that they are more reliable on the sale of their current stock (Koolma, 2008 and Van Bortel, 2008).

The percentage of organisations worrying about the municipality, 39%, and government, 27%, confirms results in earlier research (Deloitte, 2006 and Van der Kuij, 2007). There is a big difference on the aspect of municipality between organisations within the Randstad and organisation in the rest of The Netherlands. There's no obvious explanation for this nor did this come up as a distinctive factor during the interviews.

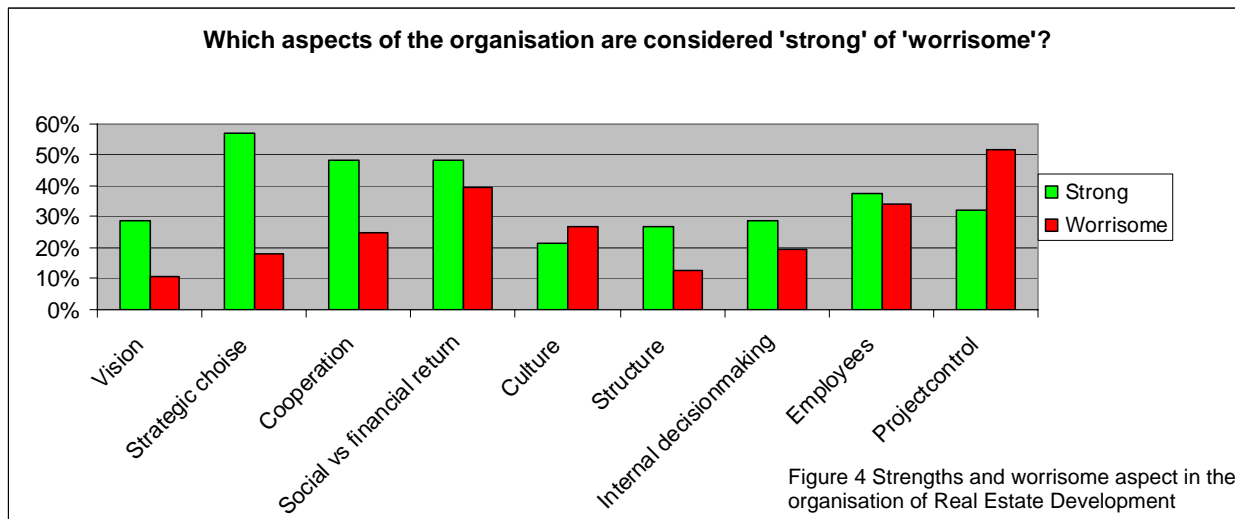
Not much organisations have, surprisingly, mentioned the residents (4%) and competition (7%) as a worry. Internal organisation scores low as well 9%, but when asked about worries or problems in their internal organisation almost all organisation do have worries in their own organisation, see chapter 3. This can probably be explained by the fact that their own influence on these three subjects is big so they are able to manage these aspects and therefore worry less. In the following chapter is shown that housing associations do worry about their internal organisation, but in comparison to the other possibilities in this question probably not as much as on the financial aspect or the municipality.

Almost all housing associations worry about realizing their ambitions. Biggest worries are not directly within control of the housing association, for instance the influence of the financial crisis, the municipality or the government. This leaves the internal organisation as aspect to realize their ambition.

### **3) Organisation aspects in relation to realizing their ambition**

Although the survey showed that not many organisations have big worries about their own organisation, on forehand there was reason to believe that housing associations do have risks or problems within their own organisation in Real Estate Development. Earlier research shows that one of the biggest risks in Real Estate Development by housing associations is within their own organisation is: culture, competences of personal and internal organisation of process and decision-making (Deloitte, 2006 and Van der Kuij, 2007).

This, combined with the history of Real Estate Development by housing associations as explained in chapter 1, was reason to ask housing associations about the 'strong' and 'worrisome' aspects of Real Estate Development within their organisation. The housing associations were asked to fill the 'strong' and 'worrisome' organizational aspects of their own organisation, at the field of real estate development. The different aspects to choose from are based on the organizational aspects of the 7-S model (Waterman, 1980). Figure 4: Strong and worrisome aspects, shows the results of the survey. A major conclusion can be given immediately: there are almost no (strong) correlations found between size, structure and strong or worrisome aspects.



Vision on real estate development is the way housing associations look at Real Estate Development by the housing associations, set priorities and describe their main goal with Real Estate Development. It is considered a strong point by 29% of the organisations (if the director filled in the survey it is 42%), while only 11% consider it a worrysome aspect. In a separate question in the survey housing associations were asked about a description for their 'vision' on Real Estate Development. They had to mark their most important reason for developing real estate from four categories: development mainly for their own stock, development mainly for the complete (housing) market, development mainly for the future of neighbourhoods or development mainly for their social partners. Answers given were too divers, lots of organisation answered multiple reasons or added their own opinion, to draw conclusions between vision and other questions in the survey. Organisation found it very hard to describe their vision on real estate development in the interviews as well. Most answers did not really give a clear focus in real estate development. Some organisations were clear that they were not in a position to choose their projects and locations, they would grab any opportunity given or created for them<sup>3,5,9,14</sup>. Some state they only developed real estate for their primary social tenants, but if given the opportunity they develop dwellings for commercial goals as well<sup>1,2,8,9</sup>. This was the same for housing associations that stated they were building for the overall development of areas and the liveability of these areas: commercial dwellings are needed in order to attract a diversity of people as well as to be able to finance the 'social' investment<sup>9,13,14</sup>. When persuading in the interviews on this subject, hardly any housing association could give a clear vision or 'standard' with which they could decide whether or not they would build a specific kind of real estate, as well as for the difference in 'social' or commercial real estate as for the difference in building dwellings or other (social) real estate. Some said they had to work on a vision in order to get a good and clear focus in their (future) real estate development portfolio<sup>1,10,11</sup>. This blurred and unclear vision might be one of the reasons their ambition in developing real estate is not set realistically and therefore not achieved.

The aspects of 'strategic choices' and 'social versus financial return' (in the beginning of the development process) have been mentioned in chapter 1 and strongly relate to this vision. Surprisingly, 57% of the housing associations filled out 'strategic choices' in Real Estate Development as a strong point within their organisation, 18% worries about these choices. In contradiction to this, information from the interviews tells us that housing associations do struggle with the first phases of the real estate development process, making choices and set parameters and goals for the further development process<sup>2,6,13</sup>. It seems that the choices made in the beginning of the development process are not considered vital for their actual results at the end of the process. This confirms the conclusion that not all housing associations are fully aware of the importance of the first phases of the development process.

The balance between social and financial return, an added complexity as housing associations are held responsible for getting social return as well and not only focus on optimizing financial results (Gruis, 2004), is more worrying: 48% considers this a strong point, 39% has worries. This is explained by the fact that at this moment there are no proven methods to measure the results of the 'social'

performances by housing association due to a lack of instruments and methods (Conijn, 2005). There are developments in introducing this methods, for example the 'Transparantiedriehoek' (Conijn, 2004) and 'Aedex-Real Estate index' (Vlak, 2007), where financial return is separated from proposed social return. Or methods introduced by the SEV (Deuten, 2007), for example the Social Return On Investment, where social return is translated in financial terms. This was an interesting subject during the interviews as well. Some considered the so-called 'non-refundable investment' as their main 'social' return and focussed on this as major balancing point in projects<sup>7,9,12</sup>, others are busy with finding a method to make this 'social' investment more comprehensible and a 'hard' aspect of decision making in projects<sup>1,6,10,13,14</sup>.

As explained in chapter 1, housing associations are working closely together with a lot of different parties in Real Estate Development. The survey shows that 48% of the housing associations considers 'cooperation' with other parties in real estate development a strong aspect, while 25% worries about these cooperation. Housing associations see themselves as natural partners of municipalities and healthcare or wellness organisations and work closely together in real estate development, smaller organisations mostly in good cooperation<sup>4,5,6,11</sup> while bigger organisations seems to have more disputes or different ideas about professional real estate development<sup>1,13,14</sup>. Cooperation with other developers is often called positive and a good mutual addition in each other line of work and experience<sup>3,5,6,10</sup>. This is in so called development teams during multiple phases of the process, when working with turn-key contracts they are not that positive. Than they experience a lot of (cultural) differences between the organisation, mainly related to a different focus: 'commercial developers have a horizon of five years, we have to maintain the developed real estate for at least forty till sixty years'<sup>1,6,10</sup>.

Culture is an interesting and hard to grab aspect within every organisation. For housing associations active in Real Estate Development it is often said that two cultures come together: the 'commercial' goal oriented task-culture of Real Estate Development and the more 'social' process oriented team-culture of the traditional housing associations. The survey shows that 21% of the housing associations considers culture as a strong aspect of their organisation, while 27% is worrisome. This is deepened in the interviews. A lot of organisations see a difference in the 'fast, goal-oriented and prestige-sensitive' employees in Real Estate Development and the 'conservative, social team-players' in the rest of the organisation<sup>1,2,3,7,13</sup>. This does not mean it is a problem, but deserves attention within the organisation. Especially the dynamics of Real Estate Development, 'something is happening within the project, we have to take immediate action and need information or decisions yesterday rather than next week'<sup>3</sup>, gives tension in a organisation which is focussed on the running business and long-term policy<sup>8,9,14</sup>. Some housing associations learnt that style of the manager or director of Real Estate Development within the organisation, is crucial. A style of leadership (in the department responsible for Real Estate Development) that is focussed on Real Estate Development itself, rather than on development as mean to realize the subordinate goals of the organisation does not work<sup>1,2,3,4,10</sup>. On the other hand it was said that it gives a healthy new stimulus if the management is thinking as a developer, it makes the organisation move and more responsible for their actions and results.<sup>3,8,6,12</sup>

The most visible organisational aspect of a organisation is structure and differs per organisation, as explained in chapter 1. A lot of organisation are changing their structure as a result of merges<sup>13</sup>, supposed improvements in efficiency<sup>12</sup>, to learn the 'trade'<sup>1,2,10</sup> or as a result of other developments in the sector or surroundings of the housing associations. Organisations do not seem to consider structure a specific strong point (27%) nor a worrisome one (11%), according to the result of the survey. This is almost the same on the strongly related subject of internal decision making and tuning in projects, strong 29% and worrisome 20%. In the interviews however, it seemed there were a lot of internal problems in this tuning, although the reasons differed. Some stated it had to do with the difference in competences of personal working in Real Estate Development compared to the rest of the organisation<sup>1,4,9</sup>, others blamed the difference in dynamics<sup>3,6</sup> or the missing of an internal process scheme for Real Estate Development<sup>10</sup>. Smaller organisations seem to have less problems, because everybody is 'closely together and we have short distance between different parts of our organisation'<sup>2,6,11</sup>. Bigger organisations do state it is difficult to keep 'the important informal contacts' if the personnel responsible for Real Estate Development is in a separate department<sup>1</sup>, company<sup>12</sup> or physically apart from the rest of the organisation<sup>3,13</sup>. One of the only correlations between organisational structure and worries is found here: 50% of the organisations with a

separate (daughter) company worry about their internal decision making and tuning, while the average is 20%.

Employees in Real Estate Development have gone through the changes of housing associations as well. The process, as explained in chapter 1, has changed to a development process instead of a realization process. This requires different skills and dividing of tasks: it is virtually impossible to combine the skills needed in the first phases of the real estate development process (mainly calculation, spatial, people and negotiation skills for feasibility, networking and 'seeing opportunities') with the skills needed in the real project management of projects (mainly technique based, time management and cost control) (Miles, 2001 and Nozeman, 2008). Housing associations do recognize this to some extent as they had to transform from the 'traditional' technique orientated real estate 'men' to more surrounding-sensitive, process orientated real estate developers.<sup>3,4,7,10,13,14</sup> And still some are not at ease, especially with the skills needed in the first phases of the development process compared to their current skills in house<sup>1,3,12</sup>.

The results of the survey show that 34% of the housing associations worries about their employees, luckily a slightly larger percentage considers their personnel as a strong aspect of their organisation (37%). The worries are both quantitative and qualitative, as was told in the interviews. The quantitative aspect has to do with a highly undercrowded market in the past years, with the crisis coming up this should not be a big problem for the future. The qualitative part, as was told in the interviews, is more worrisome. Finding the right people to be able to combine the 'hard' world of Real Estate Development with the 'social' work of a housing association is a big challenge<sup>1,2,4,12,14</sup>.

Most of the organisational aspect of project control (process, instruments and systems in order to control the project according to its original goals) has been explained in chapter 1, learning the profession. Organisations still worry about their project control, as shown in the survey by 53% of the housing associations<sup>1</sup> and they admit that they are struggling to keep projects within budget or time.

#### **4) Conclusion and Future developments**

This paper has shown the recent development of housing associations as developer of real estate. A lot of movement and development has happened since the balancing and grossing, until they have become the organisations as they are now. Almost all housing associations worry about realizing their ambitions. Biggest worries are not directly within control of the housing association, for instance the influence of the financial crisis, the municipality or the government. The analysis of their development portfolio, remarks about their actual realization of their portfolio and the upcoming crisis and ongoing developments in the sector show that housing associations will not be able to build the amount of dwellings as planned in their ambition set in 2007.

The conclusion can be drawn that housing associations either have to enlarge their portfolio, change their ambition or have to change their organisation in order to realize their plans. The survey showed that housing associations worry about different aspects of their organization. Almost no relations can be drawn between development portfolio, size, structure and worrisome aspects of the organisation, but all organisations have organisational aspects which they consider worrisome. The unclear vision might be one of the reasons their ambition in developing real estate is not achieved. Additionally it seems that the choices made in the beginning of the development process are not considered vital for their actual results at the end of the process. The portfolio of 42% of the organisations does not match the ambition of the same organization, mostly due to a shortage of available locations. This means housing associations have to redefine their ambition or enlarge their portfolio in creative ways. The aspect of 'projectcontrol' is most worrisome, 53% of the housing associations do not feel they are in control of the development process. This has to change in order to realize their ambition. Other aspects of the organisation are still 'moving' and developing, from the interviews we saw different focus on how to optimize the organisation.

These focus points were heard in the interviews as well. Organisations go on developing themselves in order to perform better in the future, as was recorded during the interviews. They do this with different focus, which can be divided in 4 different angles. Some organisations pay special attention to their vision on Real Estate Development, as integrated part of their overall vision<sup>10,11</sup>. With a (renewed) clear vision, they're expecting to be able to be more effective to use Real Estate Development in their functioning as a social entrepreneur.

Other organisations are redefining their ambition in Real Estate Development and focus on the actual portfolio they are already developing or wanting to develop in the next 5 years<sup>3,5,7</sup>. The economical crisis has put a bigger accent on this aspect, as shown in the survey by Haase in which 47% of the housing associations say they delayed projects and 24% even stopped projects because of the crisis<sup>ii</sup>.

Other organisations are focussing on improving the way they are developing Real Estate Development, in which they focus on their instruments and systems for project control<sup>1,8,12</sup>. The last angle is to optimize the organisational aspects of Real Estate Development within the ongoing business of the complete housing association<sup>13,14</sup>.

Figure 5 shows a conceptual model of the past developments (outer ring, numbers 1, 2,3,4) and future developments (inner ring, letter A,B,C,D). The past development housing associations has been explained in this paper. Future development will be subject of further research. The letters A, B,C,D suggest a certain path to follow. I do believe this is true and organisations have to start with a clear vision on real estate development (as part of an integral vision of the whole organisation) in order to act realistic and efficiently in real estate development. If the vision is clear, the ambition can be aimed at the actual core of goals the organisation wants to achieve. With this the organisation can form a fitting and realistic development portfolio. The next step is to focus in development on how to be able to realize and control the development portfolio, with a close step to set up or optimize the organisation in order to do so.

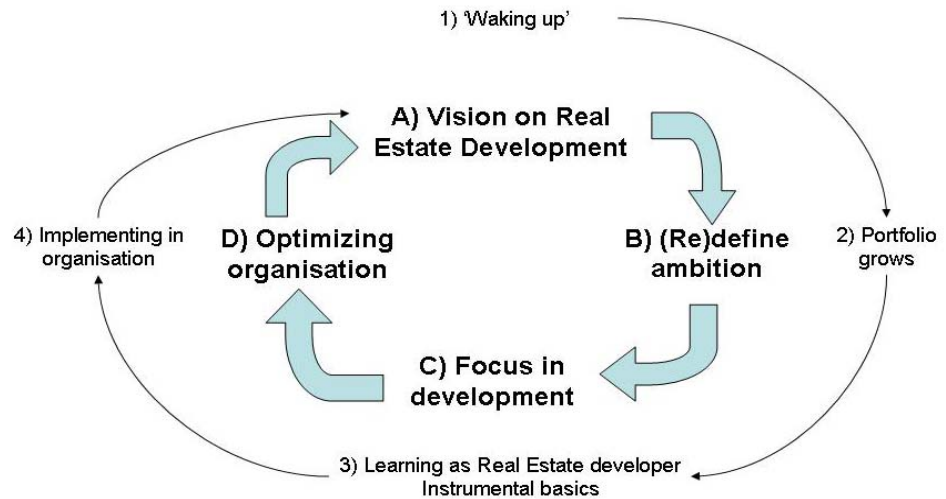


Figure 5 Conceptual development cycle of Real Estate Development by housing associations

As was shown in this paper housing associations are developing at different points of the 'inner circle'. Future research will be aimed to find a balance between these different aspects: The 'Fit for Use'.

**MOVE: Social entrepreneurship and Housing Management**

*This research, part of the PhD-research 'Housing associations and Real Estate Development: 'Fit for Use'?', is part of the research-group MOVE: Social entrepreneurship and Housing Management. Within this project developments in housing management are being studied in relation to changes in public governance and developments on the housing market. During the 1990s housing associations have transformed from task-oriented, government-driven organisations into independent, market-oriented organisations with public objectives. The term 'social entrepreneurship' has been introduced to identify the way in which housing associations should operate within their new position between state, market and society. Because the transformation of housing associations into independent organisations has taken place fairly recently (particularly in comparison to their long tradition as semi-government organisations), they are still looking for ways to reshape themselves into social entrepreneurs and to involve stakeholders in their decision-making processes. Furthermore, theorisation and empirical analysis of social entrepreneurship and stakeholder involvement in housing management is scarce. The research project contributes to solving these problems through several interrelated projects. The project is coordinated by dr.ir. V.H. Gruis. The project is part of Delft Centre for Sustainable Urban Areas and is conducted in cooperation with OTB Research Institute for Housing, Urban and Mobility Studies.*

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## Survey

- i. January – March 2009: All housing associations with more than 1.000 dwellings, response 55, survey by e-mail, R.S. van der Kuij for PhD-research TU Delft.
- ii. March – April: All housing associations, response 51, digital survey, R. Haase, HBO Vastgoed & Makelaardij Rotterdam.

## Interviews (All names of people and organisations have been made anonymous)

- 1) 23-12-2008, Ms. A. Boder, director business unit Real Estate Development, Klimop.
- 2) 7-1-2009, Mr. J. Adel, manager Real Estate Development, Anders Wonen.
- 3) 23-1-2009, Mr. E. ter Horst, adjunct-director Real Estate Development, Lekker Wonen.
- 4) 28-1-2009, Ms. A. van der Last, manager HRM, Havion.
- 5) 29-1-2009, Mr. D. Park, director, Woonstichting Wesselanderbroek.
- 6) 18-2-2009, Mr. K. aan de Korte, director, Welkom Thuis.
- 7) 18-2-2009, Mr. P. Janssen, manager Real Estate Development, Fijn.
- 8) 23-2-2009, Mr. J. Wessel, director, Het Westen.

- 9) 13-3-2009, Mr. L. Redeker, director secretary, Proven.
- 10) 25-3-2009, Mr. J. Dekker, director, Askola.
- 11) 5-4-2009, Mr. P. Zand, director, and Mr. R. Klooster, manager Real Estate Development, Mooie Wijken.
- 12) 15-4-2009, Mr. B. van den Brink, director, A&K Wonen Projectontwikkeling BV.
- 13) 21-4-2009, Mr. A. Overmeren, adjunct-director, De Huisvester Vastgoedontwikkeling.
- 14) April 2008 – jan 2009 Case-study at Warm, north of Holland.