



# Active land policy in small municipalities in the Netherlands: “We don’t do it, unless...”



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## ABSTRACT

Due to their active role in land development, Dutch municipalities have suffered considerably from the economic crisis. The financial and economic effects are particularly striking in small municipalities. We conducted an empirical analysis to highlight the magnitude of the financial effects both pre- and post-crisis and to determine the potential reasons for these differences in small Dutch municipalities. Aside from the main reasons, such as housing demand stagnation and declining land prices, some additional causes are specifically responsible for the struggles of small Dutch municipalities. These causes include a downward adjustment of housing building, optimistic acting of municipalities and political motives. Furthermore, several contextual causes have led to financial disappointments. Dutch land policy is an extreme example of active land policy as municipalities are heavily involved in the development of land, which seems to be partly inspired by reasons related to ideology, the institutional framework and enrichment strategies. The lessons from the Netherlands can be seen as an indicator for other countries who are conducting or experimenting with forms of active land policy.

## 1. Introduction

For many years, Dutch municipalities have benefitted financially from land development, due to active land policy. A large number of municipalities have acted as risk-taking entrepreneurs on the land market. This so-called ‘*active land policy*’ implies that municipalities acquire agricultural land and develop this land before reselling it to developers, businesses, or individuals (Louw et al., 2003; Needham, 1997). In contrast, in a facilitating land policy the municipality leaves the acquisition and exploitation of land to private parties. In the years before the economic crisis,<sup>1</sup> the profits of active land policy were a significant source of income and ensured that municipalities were leading in the land development process. In the years before the crisis, revenues were estimated at over 600 million euros per year (Dubbeling, 2014).

However, the active land policy entailed more risk than initially expected: the old profit maker turned into a substantial cause for losses. The crisis has had severe financial effects on several municipalities that are no longer able to sell their acquired land and thus have suffered considerable losses. Medium-sized municipalities are forced to take losses of amounts varying between 50 and 100 million euros. For instance, the municipality of Apeldoorn has losses up to 200 million euros due to their active role in land development (De Zeeuw, 2012). Overall,

municipalities suffered losses of approximately 2.6 billion euros in the period of 2010–2012. The total losses in the worst case scenario are claimed to add up to a total of 6 billion euros (Deloitte Real Estate, 2013).

Municipalities have several options to deal with the losses in land development, such as cutting down on the supply of services (health-care, sports facilities, playgrounds, etc.) or increasing the property tax (Dubbeling, 2014). To some extent, residents of municipalities suffer from the consequences of the losses of their municipalities. Surprisingly, there is relatively little academic literature available about the potential consequences of post-crisis land policy. Research focuses on recommendations for adjustments in the land policy of municipalities (see Box et al., 2001; Buitelaar, 2007; Chowdhury et al., 2011). In contrast, research into the causes for transition from active to facilitating land policy—which municipalities have all faced—is less examined. These dynamics may significantly affect the legitimacy of active land policy in small municipalities.

Moreover, research has mainly paid attention to medium and large sized municipalities with high absolute losses (e.g. De Zeeuw, 2012; Dubbeling, 2014). Research on small municipalities is rare. However, absolute small losses could lead to major financial problems for these small municipalities, due to their more vulnerable financial situation in general. Therefore, small municipalities with an active land policy are

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<sup>1</sup> We consider the fall of Lehman Brothers in 2008 as the start of the global financial crisis.

the main object of research in this study. In this paper, we specifically focus on small municipalities that are on a so-called ‘risk list’ of potential vulnerable municipalities in terms of financial management (Keers et al., 2014). Besides a qualitative research approach, we also present a quantitative subsection which considers the financial scope of land policy in the Netherlands in a wider context.

The aim of this paper is to investigate the underlying causes of the substantial losses caused by active land policy in small municipalities in the Netherlands and to explore to what extent these municipalities have revised their land policy since the crisis. This paper is particularly interested in the financial and economic effects of active land policy in small municipalities. The next section reflects on the wider context of land policy in the Netherlands, with special attention given to active land policy. Section 3 introduces the methods used in this study. In Section 4, the results will be presented. Finally, Section 5 provides some concluding remarks and a discussion.

## 2. Theoretical reflections on Dutch land policy

Planning in the Netherlands is considered to be sophisticated, implementation-oriented, and participative (Mielke, 2006). In the past, the efficiency and effectiveness of Dutch land management has been greatly admired (Dieterich, 1998). Dutch spatial planning has even been referred to as a planner’s paradise (Faludi and van der Valk, 1994). However, after the economic crisis, a lively discussion on land policy emerged in the Netherlands, as the problems of this system became obvious (Hong and Needham, 2007; Van der Krabben and Needham, 2008; Van Baardewijk, 2012). This literature overview sketches the context of land policy in the Netherlands. Furthermore, we discuss the dichotomy between active and facilitating land policy, shows the advantages and disadvantages of both, and relates active land policy to the changing role of municipalities in dynamic land policies.

### 2.1. The context of land policy in the Netherlands

Land policy in the Netherlands has a clear and unambiguous description and definition. In the Dutch context, land policy is not an objective or a goal on its own, but rather a method to achieve spatial-political ambitions of in particular municipalities. Therefore, land policy is conducive to spatial policy and is defined as what governments do and prescribe for dealing with and in land (Ministry of Housing, Spatial Planning and the Environment, 2001). In short, land policy is not leading but following spatial goals.

The starting point for pursuing active land policy in the Netherlands was after the Second World War (Ploegmakers et al., 2013). Housing demand increased due to urbanization, industrialization and the traces of the Second World War, which led to incentives for active land policy. The task for municipalities was to build a lot of low-cost houses in a short period of time, especially in the social housing segment (Faludi and van der Valk, 1994). The municipalities mainly bought agricultural land and prepared these lands for construction. Social housing was subsidized by the national government, because they wanted to keep low land prices. The land market was thus not interesting for commercial developers, which resulted in a monopoly position for municipalities. At the end of the 1980s, active land policy by municipalities was the standard (Needham et al., 1993; Priemus, 2002; Van der Krabben and Lambooy, 1993).

This situation changed when the housing demand decreased. Municipalities changed their focus to developing houses in the free housing sector (Priemus, 1997; Verhage, 2002), making the market also more interesting to commercial developers. As a result, municipalities and developers even collaborate on the land market (i.e. in different PPP-structures). This is very unique (Van Cammen et al., 2012). The collaboration of Dutch municipalities with the private sector, and their large degree of discretion in choosing active land policy is rooted in the

Dutch ‘polder model’, which is “a cooperative pact between capital, labor, and the state based on a corporatist tradition that has been part of Dutch society since the 17th century” (Schreuder, 2001, p. 244). The role of municipalities changed from leading actor to one of the leading actors (Groetelaers and Korthals Altes, 2004).

Subsequently, the housing market faced the consequences of the economic recession in the 1970s. The market stagnated and the demand for housing declined, resulting in large stocks of construction-ready land which was owned by municipalities. Losses were the result of interest rate loss; a similar situation to where municipalities ended up after the economic crisis of 2008. Municipalities became more aware of the risks inherent to active land policy, and therefore, several municipalities chose to change their attitude towards facilitating land policy (Wigmans, 2003).

### 2.2. Active land policy in the Netherlands

In principle, a municipality is able to pursue land policy in two ways. In active land policy the government (i.e. the municipality) acts as a market player that acquires land, develops it, and uses or sells it again. Active land policy involves the use of public power and instruments such as expropriation (although rarely used) or municipal pre-emption rights (Needham, 1997). Alternatively, in facilitating land policy, the municipality leaves the acquisition and exploitation of land to private parties. The municipality is then limited to its regulatory duties and creates frameworks for activities of the private sector (Wigmans, 2003). This land policy is more passive. Note that in the Netherlands there is no clear difference between facilitating or ‘real’ passive land policy, as is visible for instance in the German context (cf. Hartmann and Spit, 2015). Arguments vary for and against facilitating and active land policies, so municipalities are not obliged to pursue either more or less of either policy type (Hartmann and Spit, 2015; Hengstermann and Gerber, 2015). The degree of active or passive land policy depends on the institutional context but also on political objectives. For instance, active land policy could be a great source of income in the Netherlands, in the form of e.g. property taxes. In practice, however, a purely active or purely facilitating land policy has rarely been applied.

Municipalities have varying arguments to pursue an active land policy. The effectiveness of achieving planning goals is one of the main arguments for this policy (Wigmans, 2003). As Buitelaar et al. (2007) argue, active land policy is a way to influence spatial development. The planning system as laid out in the 2008 Dutch spatial planning act and housing act does not provide sufficient means for the local government to achieve their ambitions. The 2008 Dutch spatial planning act gives municipalities the opportunity to act as a risk-taking entrepreneur on the land market, which is quite unique and extraordinary in Europe and even worldwide. Every municipality in the Netherlands has its own formal land policy document, which explains what kind of land policy (i.e. active or facilitating) the municipality *in principle* pursues. However, a municipality is free to choose what kind of land policy they pursue in a specific situation. Sometimes, this will be a facilitating role, sometimes this will be an active role. In many cases, a specific municipal land development company is installed to represent the municipality as risk-taking private actor on the land market (see Section 2.3).

In many Dutch cases a more active strategy has been applied to implement policies and achieve political ambitions. In addition, active land policy makes it possible, through the sale of land, to recover the cost of public investments, such as investments in public spaces, social housing and infrastructure. Municipalities also have the ability to skim off the planning gain of land developments, so as to subsidize less profitable developments (Buitelaar, 2010; Van der Krabben and Jacobs, 2013). Finally, profits arising from land developments are an important source of revenue for municipalities. The financial profits in the development process can be collected by the municipality, instead of ‘leaking away’ to developers and housing associations (Buitelaar et al.,

2007). In sum, the main advantages of active land policy are the control and management of spatial development, and the overall financial benefits (i.e. value-capturing).

However, literature also identifies a number of disadvantages of active land policy. Current market conditions have made it clear that the acquisition of land bears substantial financial risks. Municipalities have several options to deal with the losses in land development, such as cutting down on the supply of services or increasing the property tax (Dubbeling, 2014). Another option is absorbing financial losses through reserves of the municipal land development company or equity of the municipality. Keers et al. (2014) have compiled – based on the various degrees of financial risks – an inventory of financial risk performance of Dutch municipalities that pursue active land policy. Additional relevant empirical literature about the financial risk performance of municipalities is rare.

In contrast, municipalities that have implemented a facilitating land policy experience these problems much less or not at all (Hartmann and Spit, 2015). Active land policy offers the opportunity to take control, but there are no guarantees that the land is actually purchased by external parties. Another issue is the conflicting interests of municipalities. The government, or in this case the municipality, is a player as well as a regulator of the market: it defines the program, but also earns money with land development. Lindblom (2001) defines the division of responsibilities between government and market on the basis of the following metaphor: “If the market is the dance, then the state provides the orchestra and the dance floor” (Lindblom, 2001, p. 102). When it comes to the land market, the government provides not only the orchestra, but also dances along. The problem of conflicting interests remains a debated topic among academics and policy makers, in which no single answer or solution is found (Wigmans, 2003).

### 2.3. Land policy and the role of development companies

Municipalities pursuing an active land policy often have an administrative unit in charge of the land development process, which is called ‘grondbedrijf’ (development company). The development company is an autonomous organizational unit owned by a municipality, which takes risks of urban area developments in at least the preparation, realization or management phases. The development company has private-law as well as public-law instruments in the Netherlands. Therefore, it is at the same time a private-law and a public-law development company. On the one hand, the development company operates as a public organization, while on the other hand it operates as a private company. This results in a duality of economic and political authority (Bozeman, 1987). Municipalities pursuing active land policy behave like real estate developers, while at the same time enacting political control as municipality (Meijer and Nijland, 2011). Nonetheless the development company does not act entirely without democratic control: the city council decides about the financial frame within which the development company operates (Denters et al., 2008). The scope of this mandate, and thus the democratic control, however, varies by each municipality depending on the institutional context that the municipality has embraced. In the case of active land policy, the position of the development company is rather similar to a “closely held private firm, professionally managed” (cf. Bozeman, 1987). These dynamics of land policy may affect the democratic legitimacy of active land policy in small municipalities. For instance, Buitelaar (2012) shows that many Dutch land use plans show similarities with private contracts. Also, Needham (2014) contents that a too close collaboration with market parties in active land policy challenges the legitimacy of land policy, because it shifts towards another form of legitimacy (cf. Schmidt, 2013). This implies that changes in the municipality’s type of land policy mirror changes in the economic and political dimensions of the development company.

**Table 1**  
The land account.  
Source: Buitelaar et al. (2014).

Costs	Revenues
Land assembly (price of unserved land)	Land (price of serviced land)
Servicing the land	Gap funding (e.g. subsidies)
Plan-making and process	
Infrastructural works outside the site	
Research	
Balance	

### 3. Methods and techniques

In this study, we explore the underlying causes of losses caused by active land policy in small municipalities in the Netherlands and explore whether and how these municipalities have revised their land policies since 2008. We use two types of empirical analyses. First, to sketch the wider context of land policy in the Netherlands and to highlight the magnitude of the financial effects, a large-scale quantitative dataset of land accounts was used to search in an exploratory and descriptive way for commonalities and differences in the financial effects of land development. However, virtually every land development has its own story and context. Therefore, to gain more specific insights into the details of land development of small municipalities where losses are suffered, in-depth interviews with key stakeholders and external experts have been used as well.

#### 3.1. Quantitative explorative analysis: dataset of Dutch land accounts

For the quantitative explorative analysis, we used a detailed dataset of publicly available land accounts (Table 1) in the Netherlands from 2008 to 2010, that is based on earlier empirical work by Buitelaar and Witte (2011). For a full elaboration on this dataset, we refer to Buitelaar et al. (2014). Because of the time-lag effect between planning processes and actual implementation of planning projects, these land accounts are likely to present an adequate reflection of pre-crisis land policy in the Netherlands. In addition, we have collected a dataset of publicly available land accounts from 2013 to 2016. These land accounts give a good representation of the post-crisis situation of land development in the Netherlands. After eliminating incomplete cases, the grand total of both the 2008–2010 dataset and the 2013–2016 dataset is 143 cases. From this, we selected the 41 small municipalities (number of inhabitants < 25,000) to compare the pre- and post-crisis situation of land development. Although it is impossible to deduct whether these small municipalities pursued an active or a facilitating land policy, it still serves as a good representation of the pre- and post-crisis differences in terms of magnitude of the financial effects of land development.

Along with the costs and revenues in Table 1, other variables are also included in the dataset. These variables are: number of inhabitants of the municipality, size of the plan area in hectares, percentage of land suitable for building, number of landowners per hectare, percentage of municipal land ownership, type of location (greenfield or brownfield) and geographical distribution over the Netherlands. We use these variables to get a clearer exploratory understanding of the commonalities and differences in financial effects of land development. The results of the descriptive analysis are presented in Section 4.1.

#### 3.2. Qualitative in-depth analysis: interviews

The qualitative analysis has focused on six randomly selected small municipalities in the Netherlands (Fig. 1), which are Leek, Oegstgeest, Brummen, Voorst, Haren and the merged municipality of Nuenen, Gerwen and Nederwetten (hereafter called ‘Nuenen’).

For the selection of the case study areas, we used the report of Keers



Fig. 1. Spatial distribution of the case study areas.

et al. (2014). They created an inventory of ‘risk municipalities’ largely based on calculations showing which municipalities have the highest potential to avert their losses on their citizens. This list consists of 79 municipalities that have the highest investments (book value) in land development relative to their equity and reserves (i.e. 80% or more). These are ranked according to this ratio, in combination with the growth of this ratio in the period 2008–2012. The equity here is the sum of general reserves, exploitation results in the past year, and its provisions. For example, the municipality of Leek has a book value amounting to 527% of its equity. This book value has grown 164% in the period 2008–2012. It is assumed that when the book value to equity ratio is higher, that the probability that losses will be averted on citizens is higher.

The first step that has taken place is to select municipalities with 20,000 inhabitants or less.<sup>2</sup> These were thirteen municipalities, and of these thirteen municipalities there were only seven municipalities that pursue an active land policy. Due to the small number of municipalities with 20,000 inhabitants or less that have had an active land policy, and to allow for more comparison between groups, we decided to increase the population measure to 25,000 inhabitants. This resulted in a selection of 25 municipalities of which fifteen pursue an active land policy. From these fifteen municipalities are randomly selected six small municipalities. In terms of geographical diversity these are a good representation of the broader group of fifteen, which is explainable since smaller-sized municipalities in terms of population tend not to be located in the core Randstad region, but rather in the more peripheral provinces (see Fig. 1).

The qualitative analysis is performed based on in-depth interviews with key stakeholders in the selected municipalities, as well as additional in-depth interviews with external experts on land policy in the Netherlands (see Table 2). For the interviews with the municipalities we selected the municipal officers that are primarily responsible for the land policy of these communities (usually one or two representatives per municipality). We conducted a total of ten key stakeholder interviews. The expert interviews serve as an additional and in-depth

<sup>2</sup> Small municipalities are normally defined as municipalities with a maximum population of 20,000 (CBS, 2015).

Table 2  
Overview of data collection: key stakeholders per municipality and expert interviews.

Municipality	Function	Employed (from-to)
Voorst	Senior officer in Economic Affairs and Land Policy	1970-ongoing
Voorst	Senior officer in Spatial Development	2004-ongoing
Nuenen	Alderman Economic Affairs	2009–2012 (first term) 2014-ongoing (current term)
Leek	Alderman Economic Affairs	2012-ongoing
Leek	Policy officer Spatial and Economic Development	2006-ongoing
Oegstgeest	Alderman Finances and Land Policy	2014-ongoing
Oegstgeest	Policy officer Real Estate and Land Policy	2010-ongoing
Haren	Alderman Land Policy	2014-ongoing
Haren	Project officer Land Policy	2001-ongoing
Brummen	Alderman Spatial Planning	2002–2010 (first/second term) 2014-ongoing

  

Expert	Function	Type of institution
Expert 1	Researcher in spatial planning	Governmental research institute
Expert 2	Assistant professor in land policy and economics	Academic institute
Expert 3	Full professor in land development	Private research institute
Expert 4	Senior researcher in land policy and economics	Governmental research institute
Expert 5	Assistant professor in land policy	Academic institute
Expert 6	Research group leader in land development	Private research institute
Expert 7	Junior researcher in international land policy	Academic institute
Expert 8	Consultant/researcher in land policy	Governmental research institute
Expert 9	Full professor in spatial planning	Academic institute

elaboration on the entire study. All experts are working for governmental, academic or private research institutes. They undertake research projects with regard to several aspects of spatial planning and municipal land policy, such as land development, economics and land policy instruments. Most of the experts have private affiliations next to their academic positions, and are therefore well-informed about the practice of Dutch land policy. For example, one of the academic experts is also working for one of the biggest housing developers of the Netherlands. We conducted a total of nine expert interviews. We used semi-structured interviews based on a topic list. A distinction was made in the interviewing between the period before and after the 2008 global financial crisis. This distinction is also used in discussing the results of our study in the next section.

#### 4. The dynamics of land policy

This section discusses the dynamics of land policy in the Netherlands. First, the results of the quantitative analysis highlight the main commonalities and differences in financial effects of land development for small municipalities in both the pre-crisis and post-crisis situation. Next, results of the qualitative analysis illustrate the shift in the Netherlands’ land policy over the past few years. Land policy in the period before the 2008 crisis is presented first, with the arguments for an active land policy. This is followed by a discussion of the unexpected causes of losses due to active land policy. Finally, a post-crisis description of small municipalities’ land policy is outlined to highlight the differences. This results in some critical reflections on the future of land policy.



**Table 3**  
Comparison of means for pre-crisis and post-crisis situation in small municipalities (n = 41).

	Pre-crisis (n = 23)	Post-crisis (n = 18)
Costs (in Euro per hectare)		
Land assembly	513,110	362,901
Servicing the land	350,693	419,520
Plan-making and process	133,088	173,977
Infrastructural works outside the site	26,547	19,076
Research	16,845	5362
Revenues (in Euro per hectare)		
Land revenues	1,164,314	1,231,813
Gap funding	14,499	14,013
Balance	21,290	140,002
Size of the plan area (in ha)	32.5	32.8
% of land suitable for building	60.9	59.6
Number of landowners (per ha)	0.88	0.86
% of municipal land ownership	51.3	53.8

#### 4.1. Quantitative analysis: pre- and post-crisis comparison of small municipalities

In Table 3, the pre- and post-crisis situation is compared among small municipalities (n = 41). It should be noted that due to the limited amount of cases in both situations, the conclusions should be treated with some caution as the picture is probably not complete nor representative of all small municipalities in the Netherlands. Yet, it gives an interesting indication of the differences. The most striking difference is the sharp decline in land assembly costs per hectare before and after the crisis. This could be explained by pointing at the residual valuation method<sup>3</sup> and arguing that post-crisis real estate prices dropped, which is also reflected in land prices. But on the other hand, one would then also expect land revenues to show an equal drop in land prices – and this is not the case; on the contrary, land revenues per hectare slightly increase in the post-crisis situation. We are hesitant to come up with alternative explanations, given the limited number of cases to base our conclusions on.

Other differences for the post-crisis situation are increasing land servicing and plan-making costs on the one hand, and decreasing costs for infrastructural works outside the site and costs for additional on-site research. Other indicators such as the average size of the plan area remained more or less stable. Finally, the balance suggests a more financially ‘healthy’ situation after the crisis, where the mean balance is much more positive than before. When looking at the most negative balances, the worst-case balance also improved from a project with over 1 million euro per hectare deficit to a project with ‘just’ close to 250,000 euro per hectare deficit. Once again, the number of cases should be kept in mind here. This reinforces the importance of context in analysing land developments.

#### 4.2. Qualitative analysis

##### 4.2.1. Active land policy before the 2008 crisis

The findings above confirm our earlier impressions and conclusions that every land development has its own story and context, which makes it interesting for us to look beyond the numbers and zoom in to specific factors that played a role in the land policies of small municipalities, both before and after the crisis. With regard to the land policy before the 2008 crisis, the interviewees put forward several arguments for pursuing an active land policy. Three aspects in particular have been repeatedly mentioned by the municipalities. Firstly, active land policy is an efficient way to achieve regional housing goals (5 out of 6

municipalities); secondly, an effective tool of land management (4 out of 6 municipalities) and thirdly, a traditional way of planning (3 out of 6 municipalities). These reasons are briefly explained below.

First, municipalities agreed with regional governmental bodies (i.e. provinces) on the large-scale realization of housing and industrial sites. Active land policy was seen as a very efficient approach to realize such projects. For instance, Leek was identified as one of the growth-municipalities in the Groningen-Assen region, i.e. a municipality where large-scale housing developments are desired. As a representative of Leek states: “We wanted to build a large amount of houses and that has led to an active land policy. The province has always been seen as the determining factor, they had made a prediction of the housing need in the near future”. Although there was a building request for housing from the regional governmental body, there was no formal obligation for a municipality to act as a risk-taking entrepreneur on the land market. As one of the experts explained: “Active land policy is not a must; it’s a wish, it is a choice.”

Second, active land policy was understood as the traditional way of planning in the Netherlands. As a representative of Oegstgeest states: “The active land policy has existed since the eighties and nineties, and ever since it was the standard way for municipalities to do it.” For example, in Brummen, a political willingness to implement an active land policy emerged because there was not any policy at all until 2002. The municipality did not want to “miss out” relative to other municipalities and decided to start with an active land policy. “It is a kind of cultural heritage in the Netherlands. If you compare with other countries, an active land policy is very common in a lot of municipalities”, as one of the experts stated.

Third, it enabled municipalities to manage land more effectively. Several representatives believe that the municipality has an important role in public housing. By purchasing land before the market did, the municipalities created a good position to take control of the land development.

Because the use of active land policy was widespread in the years before the 2008 crisis, many municipalities encountered financial drawbacks after the global financial collapse. The stagnation of demand for houses and declining land prices because of the crisis had a major impact on land development by municipalities. This is confirmed by all municipalities and experts. One of the representatives of the municipality of Brummen even argued that the losses did not result from active land policy, but could be better explained by the fall of Lehman Brothers: “I think this fall is the main reason for the losses, as opposed to blaming it on the active land policy.” One of the experts named the crisis as one of the basic causes, but this does not cancel out other causes as well. Aside from the crisis, there are three additional and quite unexpected reasons for losses due to active land policy. These, and some other context-specific causes, are discussed below.

##### 4.2.2. Causes of losses due to active land policy

A first unexpected cause that was frequently mentioned is the downward adjustment of housing programs of many municipalities. In 2007, the municipality of Voorst was given permission to build a maximum of 3.300 houses in the near future. However, in 2015, only 650 houses could be built because forecasts were revised downwards. A representative of Voorst explains: “When you expect that you can build 3.300 houses and the province indicates that these numbers are not realistic anymore at the moment (...) then you [as a municipality] have a problem. I think the higher level governmental authorities are to a large extent responsible.” Furthermore, in another municipality, the housing program was drastically revised from 7.000 houses before the crisis (including the building stock of another small municipality) to only 750 houses by 2030. The province recognized that this estimate was too optimistic and the municipalities involved have been partially compensated for the overestimate. Moreover, the municipality of Brummen has faced a downward adjustment of the housing program, from 1.800 to only 510 houses. A representative states: “We definitely suffered some financial

<sup>3</sup> The land value – the residual – is what results when the costs of development are deducted from its revenues (see Wyatt, 2013).

issues due to this downward adjustment.”

Second, the *optimistic and growth-oriented behaviour of municipalities* was mentioned several times. On the one hand, this could be due to municipalities basing housing programs on the forecasts of provinces and regions. On the other hand, those municipalities might be somewhat more reticent in the land they purchased. This was acknowledged by a respondent from Nuenen: “*The old policy was too ambitious, with many risks and too few suitable contracts, which were very shaky and were too soon drawn up and finalized.*” A representative of Haren believes that the policy was quite optimistic, although relatively this municipality did not suffer a lot of financial losses. However, the ambitious policy also leads to a lot of tension and risks, which can lead to tensions in the city council and wider society. In a similar vein, the experts reflected on the extent to which land policy was implemented in an optimistic or a realistic way. One of the experts noted: “*There was obviously very optimistic, especially in the period up to early 2000*”. Another expert was a little more cautious in drawing conclusions and suggested that at the time, it was quite logical behaviour, although municipalities have taken great risks.

A third unexpected reason is the *political motives of municipalities*. The city council in the Netherlands is re-elected every four years. The issue which arises from this, in combination with the fact that land development takes in general more than just four years, is the short-term vision of the members of the city council. The experts were asked whether political performance pressure or self-enrichment played a role in active land policy. One of the experts totally agrees: “*That definitely played a role. Active land policy was the motor behind the spatial development, the growth of your town or city.*” One of the stakeholders of a municipality argued that because of political motives, a certain farm was purchased at a price that was double that of the actual value of the farm. In this case, the regional importance of this particular land restructuring project had a decisive influence on the municipal board. Another expert pointed out: “*Agreements between municipalities and private parties [i.e. PPPs] are made to jointly develop something. Mostly, sharp agreements are made about how the profit is distributed. However, with respect to dealing with losses, hardly any agreements have been made.*” This shows an overlap between optimistic and growth-oriented behaviour and political motives of municipalities and shows that sometimes these agreements were not enough carefully drafted. When political ambitions are too high, this can result in growth-oriented and to some extent reckless behaviour.

There are also several causes which are context-specific for certain municipalities. Although these causes are not applicable to all small municipalities, some of these causes are no less significant. For instance, one of the municipalities bought land in a particular area, but they paid little attention to the nuisance and environmental contours of a surrounding grain trade. As a result, there is no option to build houses on this particular plot. This particular municipality had to write off over 1.5 million euros due to mismanagement. In another municipality, it appeared that the types of houses that were built did not match the actual demand from the region. As a result, these new build houses could not be sold to the market, because there was no demand. To solve this problem a part of the build housing program was transformed from full ownership apartments into social rental apartments. The earning from social housing are much less than the earning from full ownership housing, therefore the municipality had to take these losses. These examples clarify that each municipality has its own story and causes of losses due to active land policy.

To conclude, it is notable that, in looking back, none of the key stakeholders had a negative stance toward the pre-crisis active land policy. Despite the losses, the summarized idea that ‘*we created a decent spatial quality*’ seems to be more important. According to one of the experts, there is a positive side to the story. Active land policy has generated substantial financial gains for municipalities and has consequently delivered considerable spatial quality at land developments where they suffered losses.

#### 4.2.3. Changes in land policy after the 2008 crisis

The general trend observed after the 2008 crisis is a shift from an active to a facilitating land policy. This is partly attributed to the consequences and risks that municipalities have experienced. The ‘problem’ with project development is that it often has a long duration. The development of a particular project may take up to 10 or 20 years. This is related to the time-lag effect mentioned before. Projects that started before the crisis may still be in progress. This section will therefore also address the question of how municipalities deal with such projects. In addition, the introduction of the new Spatial Planning Act in 2008 had an important influence on opting for a facilitating land policy. This Act is about fewer rules, less central control where possible, and an implementation-oriented approach. Furthermore, the act gives municipalities better and more useful instruments for spatial planning.

In each of our case study areas, the municipality of interest has made the transition from an active land policy to a facilitating land policy. There is one municipality that conducts a ‘directing role’ in their land policy. For each project, the municipality determines what role they will have in the development. The municipality can initiate developments themselves, but can also participate in developments initiated by other initiators. It can thus be seen as facilitating land policy with an option to occasionally participate actively. A key stakeholder of the municipality of Voorst believes that the new Spatial Planning Act has its advantages in this respect: “*The publicly available land account (‘exploitatieplan’) does have its advantages, as it can function as pressure to get an anterior agreement.*” Two experts confirm that, due to the new Spatial Planning Act, municipalities have more capacity in directing developments than before.

Most interviewed municipalities are currently in the process of re-evaluating certain existing contracts they have with private developers. This re-evaluation process involves negotiating with the other stakeholders, reviewing contracts, and increasing cooperation between stakeholders. This can provide opportunities for municipalities that have experienced financial drawbacks due to pursuing an active land policy in the past. For example, one municipality revised its contracts with developers to build only 35 houses, instead of the originally planned 560 houses.

#### 4.2.4. The future of land policy

In general, it can be stated that all interviewed municipalities intend to continue the current facilitating land policy in the future. The representative of Oegstgeest states: “*For real active land policy in Oegstgeest, I think that, even if we still have potential, we should not do it anymore. We have unfortunately had bad experiences with it.*” This is supported by the municipality of Nuenen: “*As long as I am here, we will continue to have a facilitating land policy and we will absolutely no longer be active.*” On the other hand, abolishing the possibility of active land policy would be the extreme end of the discussion. One of the experts stated: “*I think this [abolishing active land policy] is an extreme solution that far exceeds its goal.*” Additionally, the same expert provided insights into difficult legal situations if active land policy were to be entirely abolished. Another expert argued that active land policy must retain its place in the repertoire of planning instruments, “*not as a profit machine, but as a directing tool, for which it was originally intended.*” In the opinion of one expert, it is a good effort but should not be used in general: “*It seems like a good idea to go to a system of ‘we don’t do it, unless...’.*”

## 5. Conclusion and discussion

Land policy in the Netherlands is from an international perspective exceptionally market-oriented. Unlike in many other countries, municipalities are act almost like real-estate developers. The consequences and dynamics of such an approach are analysed in this contribution. The aim of this paper has been to investigate the underlying causes of financial losses due to active land policy in small municipalities in the Netherlands and to explore to what extent these municipalities have

revised their land policy since the crisis. Moreover, research has mainly paid attention to medium and large sized municipalities with high absolute losses (e.g. De Zeeuw, 2012; Dubbeling, 2014). Small municipalities are a special case in this respect. In spite of the smaller absolute losses, these municipalities may very well face substantial relative losses. In academic literature, little attention has been paid to this possibility. However, this may be a valuable extension to the international academic debate on land development (see e.g. Hong and Needham, 2007; Van der Krabben and Jacobs, 2013). There are several countries with large numbers of small municipalities that are experimenting with active land policy, such as Germany and Switzerland (cf. Mielke, 2006; Hengstermann and Gerber, 2015; Hartmann and Spit, 2015).

We used two types of empirical analyses. A large-scale quantitative dataset of land accounts in the Netherlands explored the financial effects of land development for small municipalities both in the pre-crisis and post-crisis situation. To gain more specific insights into the details of land development of small municipalities where losses are suffered, in-depth interviews with key stakeholders and external experts were also used. We found that, aside from the main reasons for substantial losses, such as the stagnation of demand for houses and declining land prices, some additional and remarkable reasons are responsible for the struggles in Dutch land development. These causes include a downward adjustment of housing building, optimistic acting of municipalities, and political motives. Furthermore, several specific and contextual causes have led to financial disappointments on the part of the municipalities. Further research could investigate whether these causes are also observable for other municipalities.

Dutch land policy is an extreme example of active land policy as municipalities are heavily involved in the development of land, which seems to be partly inspired by reasons related to ideology, the institutional framework and enrichment strategies on part of the municipalities. First, our findings illustrates the pro-growth paradigm in the Dutch planning, in which municipalities just ‘want to build a lot of houses’ because it is ‘a kind of cultural heritage’, as one of the experts pointed out. This pro-growth ideology could be related to the post-WW2 planning tradition of government-led large-scale restructuring and rebuilding of the Dutch housing stock. Second, regarding the institutional framework, we observe a sort of ‘Calimero-effect’ in which small municipalities are not daring to ignore or counteract the growth ambitions of the higher-tier levels of provincial government, who are more or less pushing these municipalities to enlarge their housing stock. Also, inter-municipal competition is observable. Third, many municipalities especially before the crisis seem to be inspired by enrichment strategies. Since nothing appeared to be going wrong, the optimistic attitude before the economic collapse might have led to certain recklessness among these municipalities. At the same time, it was never just about profit-making, but also about re-using the same profit to balance less profitable land uses or to upgrade spatial quality. This is also in line with the rebuilding and rearranging culture and attitude.

In Dutch planning, the outcome of land-use planning legitimizes interventions in land-use (Needham, 2007; Buitelaar and Sorel, 2010). The Dutch approach “scores in terms of efficiency and effectiveness” (Hartmann and Spit, 2015). The results of this study helps to illustrate what that means and to understand the implications of dynamics in land policy, when it changes from active to passive land policy (but also vice versa). Before 2008, development companies in small Dutch municipalities have been much more market – driven, due to the shift towards facilitating land policy, a change of this role is ongoing. Development companies are becoming more public and less private. However, recent and ongoing development in Dutch land policy indicate that this trend towards facilitating land policy seems not to be permanent and fundamental. Increasingly, active land policy prevails again – in particular in larger municipalities. This trend needs to be further observed and reflected on in the academic realm.

Considering the future of land policy, it could be interesting to look

into the question of how municipalities will deal with, or have dealt with, the possibility that revenues from land development can run dry at any given time. Many municipalities have already shifted towards a more facilitating land policy, so the revenues from land development will likely be less than before, or even stop altogether. The question would then be how these municipalities deal with this shift. However, there are still some municipalities in the Netherlands that pursue an active land policy. This illustrates that active land policy does not belong to the past or that it should be eliminated altogether. The question would then be what is the ultimate goal of active land policy as a planning instrument. Based on our findings, land policy should not serve as an instrument for profit-making, but should be used to achieve or enhance spatial quality. Yet, in most situations it would be good to stop pursuing active land policy just for profit-making. In other words, ‘we don’t do it, unless...’.

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