

How to Meet the Market Rules
and Social Goals for Housing?

Local Government and Housing in Poland

Ryszard Uchman

Jerzy Adamski

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INTRODUCTION

Poland started its transformation process towards a market economy in 1990. This process was initiated during deep crises which were affecting the Polish economy. In 1990, the GDP decreased by 11.6% compared to that of 1989, investment outlays dropped by 10.1%, real wages fell by 20%, and the average annual rate of inflation reached almost 560%. Economic revival and reversal of downturns finally began in 1992 and considerable economic growth was reported inbetween the years 1995–97 (Table 3.1).

Table 3.1
Basic Macroeconomic Indicators

Indicator	1995	1996	1997	1998	1999	2000
Population [millions]	38.6	38.6	38.7	38.7	38.7	38.6
GDP [USD billions]	126.6	142.8	143.1	157.5	154.1	158.8
GDP growth [%]	6.9	5.9	6.8	4.8	4.1	4.0
GDP per capita [USD]	3,281	3,698	3,702	4,073	3,986	4,108
Consumer price index (1990 = 100)	556.7	667.5	767.0	857.5	920.1	1,013.0
Unemployment rate [%]	14.9	13.2	10.3	10.4	13.1	15.1
Investment outlays index (the previous year = 100):	117.1	119.2	122.2	115.3	107.0	103.1
• in total						
• capital investments for housing construction	92.7	96.8	117.7	113.3	116.4	—

SOURCE: Polish Agency for Foreign Investment.

In 1990, the population in Poland amounted to 38.2 million people and the existing housing stock was about 11,022,100 dwellings. For every 1,000 residents in 1990, there were 288.7 flats and average usable area per person was 17.5 m². The deficit of houses was estimated at 1.4 million dwellings. However, in the first phase of transformation (between 1990–1995) the level of GDP growth, growth in real wages, and the level of inflation, badly affected the housing construction dynamics. In 1995, the number of dwellings completed (67,100) was equal to half the completed housing construction in 1991. The number of completed dwellings for a population of 1,000 dropped, from 3.6 in 1990, to 1.7 in 1995.

Taking into consideration the results of housing construction during that period, one may come to the conclusion that housing construction has not had an adequate share in the growth of the Polish economy. In 2000, the population was 38.6 million and the housing stock increased up to 11.8 million dwellings. There were 306.5 housing units (333.1 in urban areas) per 1,000 inhabitants; improvement in housing situation was very minimal. In fact, the housing deficit was at the same approximate level as it had been in 1990.

The present housing problems consist of, first of all, the shortage of appropriate housing and, secondly, the bad conditions of the existing stock. About 7.5 million dwellings currently require repairs and around 700 thousand dwellings should be replaced in the nearest 5–10 years. Positive changes involve developments in social rental housing and dynamic development in private construction of houses. These positive changes and their results have played a significant role in the implementation of new housing policy, decentralization of housing policy to the local governments level and the introduction a number of programs, instruments and new institutions.

1. HOUSING AND NATIONAL HOUSING POLICY DURING THE TRANSITION

1.1 National Housing Policy Objectives and Legislative Changes

The introduction of a market economy to Poland at the beginning of the 1990s entailed changing the functions of all the national economic sectors and required the creation of completely new principles for the housing policy. The resulting market economy principles have effected the field of housing, first of all, by:

- 1) Introduction of market interest rates for credits;
- 2) Introduction of market principles for housing stock management based on economic calculations;

- 3) Increase in housing construction costs and building site prices;
- 4) Necessity of changes in the system concerning housing construction financing and in the role of the state and public finance in this field:
 - More efficient management of housing stock (a general withdrawal of direct subsidies, replacing them with housing allowances);
 - Changing the system of construction financing (new principles and mechanisms for enjoying credits, new forms and principles for collecting the financial means for housing construction);
 - More efficient and effective social rental housing construction (with moderate rents);
 - Settling ownership relations to enable the function of mortgage credits and the housing market.

The institutional and legal solutions introduced in 1990 have created the basis for determining the solutions necessary for the functioning of a housing market in Poland. The system changes that have taken place have subjected housing policy to the market laws. Some solutions, typically implemented by democratic countries, have been resituated. During the period discussed¹;

- The state monopoly over the process of construction, financing and housing usage was liquidated and the primary power to prepare and realize independent housing policies was given to the *gminas* (local governments); state budgetary subsidies were gradually substituted by local governments funding sources and private capital;
- The official monopoly of housing cooperatives was lifted, thus creating a basis for many systems of attainment of a dwelling;
- Limitations in the area of establishing separate ownership for housing units were lifted; dwellings became investment goods and the rules for management of common areas in residential houses were defined (condominium legislation);
- A reform of rental prices has begun, making it possible for a communal owner (municipalities) to set rental prices.

The changes required definition of the new housing policy. This was formulated in an era, during the beginning of the 1990s, of acute economic crisis in Poland. In such a difficult situation, the consideration of the new housing policy was a long-term process and the main issue was to define the status of housing, either as a market product or a social commodity. The transformation influenced the housing sector by following economic changes:

- Introduction of market interest rates on loans;
- Increase in housing construction costs;

- Introduction of housing stock management on market terms to economize rent prices, changes in the construction and housing economy financing system while limiting the financial involvement of the State.

During 1995–1997, the successive amendments to the principles of housing policy were accepted in order to improve conditions for development of housing construction and management (administration) of existing housing stock. The implementation of the new housing policy began with the introduction of a range of legal regulations. The basic legal Acts directly regulating housing issues were:

- On Settlement of Credit Relations (1989);
- On Housing Ownership (1994);
- On Lease of Dwellings and Housing Allowances (1994);
- On Amendment of the Act for Cooperative Law (1994);
- On Some Forms of Support for Housing Construction (1995);
- On Terms of Transfer of Enterprise Housing Owned by State Enterprises (1994);
- On Debentures and Mortgage Banks (1997).

The following legal Acts are also indirectly related to the housing sector:

- On Territorial Self Governments (1990)—a part of the state property was transferred to the ownership of municipalities, including rental housing stock;
- On Individual Income Tax (1991)—which introduced tax instruments for stimulation of investments in housing construction (building and renovation tax exemptions).

The first serious problems that appeared after the introduction of new principles resulted from the adjustment of market interest rates both for new and old credits (taken up in the previous period). Since January 1990, variable rates of interest had been introduced. These depended on inflation, which was very high in the time. This caused a rapid increase in the indebtedness for both housing cooperatives and individual borrowers. The cooperative housing stock had been completed, thanks to the credits taken up in the past period included over 2.6 million dwellings. About 35 percent of the urban population inhabited these dwellings and would unexpectedly face serious financial problems (at the beginning of 1990, the interest rates for housing credit were 115 percent). Thus, there was an instituted redemption for these interests by the state budget. Throughout 1990–1994, the principles of this redemption were modified several times to adapt to the current economic situation (level of inflation) and real possibilities of servicing the existing debts of housing cooperatives and their inhabitants.

The Act on Housing Ownership restored and unified the principles of separate ownership of dwellings and co-ownership of real estate, defined owners' rights and obligations,

as well as the terms for common property management. It also set the foundations for condominiums.

The Act on Lease of Dwellings and Housing Allowances eliminated the centrally determined rental prices and introduced the principle of regulating rents by communes (local governments) under guidelines defined by the Act. The Act also regulated various issues related to renting: terms for establishing rental prices, eviction, allocation of council housing and payment of housing allowances. The rents, in both communal and private rental stock, are now set by the municipalities themselves (in respect, however, to the central ceiling). The principle that rents should wholly cover maintenance costs of buildings has been adopted; but so-called regulated rents are obligatory until 2004. The maximum rent ceiling (regulated rent) applied to local government housing stock (as well as restituted rental stock until 2004) is set at a level of three percent of an apartment replacement value (costs of construction for a particular flat in current prices) annually. Within its territory, the local government may modify a rental policy and social aid. Considering the increase in the tenants' burden by growing housing expenditures, a system of housing allowances has been established.

In light of *the Housing Cooperative Act*, cooperative property received the status of private property and cooperative flats could be purchased by legal persons, while individuals became entitled to own more than one flat.

The Act on Some Forms of Support for Housing Construction, passed in 1995, has constituted the foundations for the launch of a new system of savings connected with possibility of taking a credit with interest rates lower than that of the market. For this purpose, the special Housing Saving Banks were established. The German *Bausparkasse* model was planned to be introduced too. However, it still hasn't come into operation. Saving in this bank allows acquisition of taxation reductions (income tax) or special premiums from state budget. The Act on Some Forms of Support for Housing Construction has also established conditions for development of rental housing with moderate rents, i.e. for low-income persons and households, constructed by the Social Housing Associations (TBS). It established the National Housing Fund that provides qualified loans for the purpose of new rental housing construction to the Associations.

As a result of the *Act on Terms of Transfer of Enterprise Housing Owned by State Enterprises*, companies gained the right to transfer housing estates to local governments and/or housing cooperatives.

The Act on Territorial Self Government supported one of the key goals of the new housing policy: the decision-making capacity was shifted from the central authority to the local governments. Under the Act, a part of the state-owned property, including housing resources owned by the State, was transferred to the ownership of local governments (communes). Pursuant to the provisions of the Act, the commune was responsible for catering to the needs of the local community, including the demand for housing. *Gminas* (communes) represent the lowest level of territorial self government;

2,489 *gminas* have been created, including 318 urban *gminas*, 567 urban–rural *gminas* in smaller towns, and 1,604 rural *gminas*. As of 1 January 1999, Poland’s local self-government system comprises voivodship governments, district (poviat) governments and *gmina* (commune) governments.

The legal Acts created a framework for changes in the housing sector. They provided the new institutions and tools to support the State and local government housing policies in a market economy environment. Special attention is deserved for following two programs:

- The housing allowance system;
- The social rental housing system.

1.1.1 Housing Allowances

The program for housing allowances addresses how to help the lowest income households with increasing housing costs (especially in connection with factual rent deregulation to the level of three percent of flat replacement value). The Act on Lease of Dwellings and Housing Allowances, adopted in July 1994, settled the general principles of lease of dwelling premises, the rights and obligations of tenants, the principles for price fixing and rental payment and the principles for granting assistance in the form of housing allowances. In order to protect the existing tenants against the effects of radical rental increases, the concept of “regulated rent” has been introduced. This is where the level of the rent cannot exceed 3% of the replacement value of the dwelling.

The regulated rent concerned the *gminas* housing stock, the state housing stock, restituted private rental housing stock (for running rental contract), and residential housing for non-profit purposes of specific legal persons². In other cases, free market rents were allowed to be introduced.

The *Gmina* Council establishes (in fact, by the Act, it is obliged to establish) differentiated rent prices, taking into consideration factors such as: location of the building (downtown, outskirts), position of the dwelling in the building (floor, exposure to the sun), technical facilities and installations that the dwelling is equipped with and the general technical condition of the building itself.

However, a considerable number of tenants, especially in urban areas, live in buildings which are privately owned. There, regulated rent was also enforced (restituted housing). This was a cause of conflict between tenants and owners. Extremely low rents did not ensure the necessary funds to cover the costs of maintenance and renovation. Also, in the communal housing stock, the increase in rent did not compensate for the growth in the maintenance costs. The average level of rent attained actually did not exceed 1.5% of the flat replacement value though higher increases were allowed by central legislation. This is partially due to local political populism and partially to the

duty to compensate the increase through housing allowances paid mainly from *gminas*' own budgets.

The basic principles of the present housing allowances system are, as follows:

- The *gminas* pay allowances to households that meet the conditions specified in the Act. Households with the statutorily defined level of income are eligible for an allowance, depending on the number of household members, irrespective of tenure
- Only persons living in dwellings to which they have legal title are entitled to a housing allowance, provided that the average monthly income, in the period of the last three months did not exceed 175% of the lowest retirement pension in a one-person household, and 125% in a multi-person household
- The amount of the allowance constitutes the difference between the real housing expenditures falling to the standard (allotted) usable area of the occupied dwelling (according to the size of household) and the amount of:
 - 1) 15% of the household income—in a one-person household;
 - 2) 12% of the household income—in a 2–4 person household;
 - 3) 10% of the household income—in a 5 persons or more household.
- The standard usable area (including admissible excess) is, as follows:
 - 1) for 1 person ($35 \text{ m}^2 + 30\%$)— 45.5 m^2 ;
 - 2) for 2 persons ($40 \text{ m}^2 + 30\%$)— 52.0 m^2 ;
 - 3) for 3 persons ($45 \text{ m}^2 + 30\%$)— 58.5 m^2 ;
 - 4) for 5 persons ($65 \text{ m}^2 + 30\%$)— 84.5 m^2 .
- The provision of housing allowances is obligatory for a commune if the household in question fulfills the criteria
- The housing allowance is paid to the building administrator (except the lump sum for fuel or when the applicant is an owner of a family house)
- Payment of the housing allowance is the task of *gminas*, which also receive subsidies from the state budget for that purpose. The subsidies now cover, on average, about 44% of total housing allowance expenses

Between 1995–2000, around 6–7% of the total number households received housing allowances.

1.1.2 The Social Housing Associations (TBS)

Rental housing construction, conducted by the non-profit Social Housing Associations, is a partial solution to the problems of the actual physical lack of housing in Poland. They allow for the creation of rental housing stock available to medium income households. The legal framework concerning the social housing construction was set in the

Act on Selected Forms of Support for Housing Construction (1995). The rents set for Social Housing Associations dwellings are subject to rent regulations, construction price is controlled by cost limit per square meter of floor area, the dwellings have to be fully equipped and meet the energy saving requirements with regards to heating and hot water.

Based on the provisions of the Act, the National Housing Fund (NHF) was established in 1995 to grant credits for construction of rental and cooperative housing. The interest on the credits is variable, equal to a half of the rediscount rate of bills of exchange in the National Bank of Poland. At present, credits from the National Housing Fund can cover up to 70% of an investment's costs. Moreover, 10% of the costs of the project may be covered by direct grants from the Fund, if the construction project has been realized in time and according to the conditions set in the contract between the Fund and the Association.

Apart from preferential credits from the Fund, the Act also foresees other sources of funding for coverage of the remaining costs of construction, a so-called participation. The provisions of the Act stipulate that an employer, seeking to obtain dwellings for his employees, as well as other persons interested in obtaining dwellings via a third person—employees (i.e. parents indicate children), may reach agreements with the Association on participation in the construction cost.

At the same time, the Act sets the conditions for establishing Social Housing Associations (TBS) as non-profit organizations, responsible for building and managing rental housing for persons with average incomes. The Social Housing Associations may be established as: limited liability companies, joint stock companies or cooperatives of legal persons. The main activity for these Associations is the construction of residential houses and their exploitation under the leasing principles. However, the Associations may also:

- Acquire residential buildings on the open market;
- Carry out renovations and the overhaul of buildings destined for rent, including renovation/adaptation of buildings for housing purposes;
- Carry out other activities connected with housing construction and its accompanying infrastructure (even construction of housing sold on the open market for market prices; in this case they cannot, however, use preferential credits from the Fund).

The potential surplus (profit) of the Associations may be used exclusively for the statutory activity. Thus, they are exempted from the corporate income tax. The rents in the housing stock of the Associations (the rent ceiling is equal to 4% of the flat replacement value in this case) are established based on the housing association's calculation and by the *Gmina* Council decision based on the territory in which the housing stock is situated. The sum of the rent for all the dwellings, exploited by the Association, should

be sufficient to cover all the maintenance and renovation costs of the buildings and repayment of the credit applied to their construction.

Apart from the rent, the lease agreement may stipulate that the tenant must make a deposit as security for payment of the lease rent outstanding on the day of leaving the dwelling, in the amount not exceeding 10% of the value of the dwelling. Only individuals are entitled to lease a dwelling from the housing stock of the Associations. Other criteria include:

- Tenants cannot have another dwelling in the given location (city)
- Income of their households may not exceed 130% of the average monthly salary in the given *voivodship* (region) by more than:
 - 20% in a single person household;
 - 80% in a two-person household;
 - an additional 40% per each additional person in a multi-person household.

The Act has been amended several times. The last important amendment concerned the widening of the scope of sources of financing the National Housing Fund. It created a possibility for the Fund to:

- Draw loans both from domestic and foreign banks and give state securities and guarantees on their repayment;
- Sell the receivables to mortgage banks under credit facilities granted by the Fund;
- Obtain state warranties for the issuance of bonds.

In 2002, the Fund was additionally supported by foreign loans. Rental housing provided by new category of investors and administrators (the Social Housing Associations), introduced by the Act, is now the most dynamically developing form of investment in the housing economy.

By May 15, 2001, the Minister of Regional Development and Construction and, presently, the President of the State Office for Housing and Urban Development, have signed 326 approvals in favor of agreements, statutes or articles determined by the Social Housing Associations. Among the existing 326 Associations, most (310) are limited liability companies; others are joint stock companies (10) and legal persons' cooperatives (6).

The accumulated number of dwellings credited by the National Housing Fund, up to the end of March 2001, is 23,000 dwellings (in 2000—10,000 dwellings). The number of dwellings completed during the period 1996–2000 reached almost 15,000 (in 1996, only 24 dwellings were completed). The system has expanded region-wide but there is a significant differentiation of the number of the Associations in particular voivodships (from 5 to 34).

The Associations have gained greater acceptance among self-government authorities and industrial circles, taking over the responsibility to meet the housing needs of local communities.

Table 3.2
Social Housing Construction in Poland—Examples

Location of TBS —Name of the City	Number of Dwellings/Surface [m ²]	Amount of Rent [in % of the Replacement Value]	Amount of Rent [PLN/m ²]
Słupsk	40/1,736	2.51	4.8
Kraków	44/2,550	3.0	6.2
Szczecin	80/4,314	3.6	6.2
Katowice	16/983	3.2	6.4
Radom	56/3,268	2.1	5.0
Wałbrzych	36/1,807	3.83	6.5

NOTE: Exchange rate USD 1 = PLN 4.09.

SOURCE: BGK–NHF data.

The expenditures that a *gmina* would bear, to finance the full costs of construction of municipal dwellings, could serve the construction of three times more rental dwellings, if the preferential credit from the National Housing Fund towards the Association is properly applied.

The Associations also allow *gminas* to conduct active shaping of the actual dwelling structure and support the filtration process (moving of households from *gminas* housing stock to the new Social Housing Association dwellings). For example, vacated dwellings can be used by the *gmina* as “social” dwellings (see below). The Association can also be a good administrator for residential houses, releasing the *gmina* of the necessity of managing them.

Box 3.1
Management of Housing Stock in Radom

The Radom TBS (Social Housing Association), in addition to its construction activities, manages Radom’s gmina housing and is apparently highly regarded as a management model. Most importantly concerning rent policy, however, good results in building management make it possible for the TBS to put pressure on those councilors who are the decision-makers responsible for approving higher regulated rent levels. The TBS has pushed for rent increases; this process forges an important link in combining policies for new construction, rehabilitation, and calls for improved subsidy policies. Radom also has an efficient housing allowance system, which is integrated with overall social assistance programs.

SOURCE: Local Government Rent Policy and Best Practice in Poland, report prepared for USAID (project 180-0034) by Sally R. Merrill and other - Urban Institute, Krakow Real Estate Institute, Housing Research Institute, 1998.

The Association, as an administrator of a residential housing stock, acts under the conditions of the current market competition. This has an influence on the reduction of costs and increase of the quality of the provided administration services. Taking into consideration the significant increase in the number of dwellings constructed in Poland in a short period of time, we ought to evaluate the effects of the program of rental housing as very positive.

1.1.3 Other Programs for Supporting the Housing Sector with Public Funds

Besides the two programs presented above, other programs supporting the housing sector have been introduced too. The following programs have been adopted during the first implementation phase of new state housing policy (1994–1998):

- *Thermal modernization support program* is a market-oriented instrument designed to improve energy properties for housing stock of all types. The essence of the system consists of co-financing credit, based on the market interest rate—in the form of its partial repayment—provided that the precisely defined conditions of realization of the project are met. The basic assumption of this program is to maximize both the technical and economic efficiency of the project. The Act concerning this was adopted by the Parliament in 1998. This program is currently in its implementation phase.
- *Tax relief from the personal income tax* is entitled to taxpayers on the grounds of the expenditures for satisfying their own housing needs. Firstly, the tax is reduced by construction expenditures or expenditures connected with a purchase of a newly constructed dwelling (also a plot of land for construction of a residential building). It is also reduced by regular savings kept in one bank account specified for running a housing fund and expenditures for renovation and modernization of buildings and dwelling premises (in accordance with limits defined in the Act). During the period of operation, there were many amendments. This should be completed sometime in 2002.

From the point of view of the local government housing policy, the following new programs are important:

- *The residential buildings renovation support program* was a necessary supplement to the above mentioned programs. The gradual balancing of rental prices to a realistic level increases the owners' ability to maintain the buildings. However, it will not allow for quick accumulation of larger funds necessary for carrying out larger overhauls. Without such actions, some part of the existing stock will be irreversibly lost. This program, a credit subsidized by the state, aims at covering the debt on renovation inherited from years past. The Act concerning

this was passed by the Parliament in April 2001, but the program has not yet been introduced.

- *Development program for technical infrastructure connected with housing construction* creates possibilities for *gminas* to draw preferential credits from the National Housing Fund for construction of the technical infrastructure accompanying all forms of housing construction. The removal of one of the basic barriers for new housing investments (the shortage of a sufficient quantity of infrastructure-fitted land for construction purposes) will significantly contribute to reduction of the costs of housing construction. This was the result of previous programs amendments.
- *Own apartment program*—The Act on Subsidies to Credits Granted for Own Dwellings was adopted by the Parliament in April 2001. The “own apartment” program was addressed to households in the average and higher income range. The state assistance involves partial financing of interest on long-term loans. The amount of credit cannot exceed 70% of the cost of purchase or construction of the house. Subsidies will only be applied when the annual income of borrower’s household does not exceed given maximum of PLN 109,000 (USD 26,650). The Act specifies three income brackets and corresponding levels of state support in the form of interest subsidies on credits (10%, 25% or 50% of interest). Assistance in repayment of interests is available for credits financing maximum of 50 m² of the dwelling space. Due to the state budget’s large deficit in 2001, this program has not yet been introduced.

1.1.4 Privatization of the Housing Stock

Privatization of housing resources was one of the most vital processes related to the housing policy, the development of housing, and the management of housing stock. *Gmina* and company housing was already offered for sale before the beginning of the transformation process. This trend increased after 1990, but the terms of sale varied and were regulated by different regulations. For example, the Acts concerning state enterprises in general, have different provisions regulating housing resources of the State Treasury, the Polish State Railways, the Military Housing Agency, etc. The priority right of purchase was offered to sitting tenants who were also entitled to a discount. Discounts varied from 50% to 80% of the apartment’s market value and various criteria were applied.

Similar terms were applied to *gminas*. There was no central regulation on privatization prices, scale of privatization, or the right to buy for sitting tenants. The rate of price discount was not generally influenced by the size of *gmina* or the location of the apartment. The Act on Housing Ownership, enforced in 1995, introduced condominiums and supported the privatization of municipal and company resources. In 2000, there were about 25,000 condominiums in Poland comprising 671.3 thousand apartments.

The privatization process produced various results. Due to the preferential terms of purchase, some apartments were bought by persons in the low income bracket who now find it difficult to cover the utility costs set by the condominium board. The poor physical condition of many buildings and flats has also had an adverse impact on the management of condominium resources. On the other hand, those former tenants who had become apartment owners are now more likely to introduce effective and rational management methods.

The privatization of housing stock and the establishment of condominiums created a demand for professional real estate administrators. Licenses for real estate administrators (physical persons) were introduced under the 1997 Act on Real Estate Management in view of that demand and to regulate the administrators' responsibility and the owners' safety. Around 11,000 licenses had been issued by the President of the State Office for Housing and Urban Development by the end of 2001. At present, *gminas'* resources are also managed by licensed administrators (physical persons or firms with licensed administrators on staff).

1.1.5 The Main Effects of the National Housing Policy

The radical changes caused by the process of market transformations, an acute economic crisis, on one hand, and a deep recession on the housing market and poor housing conditions, on the other, necessitated new efficient solutions. To what extent have the implemented measures been effective, if at all? The scope of the housing construction between 1991–2000, including the new investor structure, is shown in Table A3.9 of Appendix II.

The changes in financing housing construction significantly altered its structure as well as the scope. The scope of cooperative housing construction, predominant in the previous years and which had received massive financial support from the State, significantly decreased. Municipal construction also witnessed a drop, even though local governments had become responsible for satisfying the citizens' housing needs. Local governments' status in regards to the provision of housing resources was altered by the dynamically growing Social Housing Associations (TBS). These are mainly private investors that have a growing share of the housing market and, together with the housing cooperatives, were responsible for erecting 90% of new apartments in 2000.

The impact of new changes in the investor structure and the privatization of municipal and company housing resources have led to changes in the volume of existing housing resources. This, along with changes in their ownership structure, technical condition and furnishing standards, has all lead to an improvement in housing conditions in Poland. Changes in the volume and structure of housing resources are shown in Tables 3.3 and 3.4.

Table 3.3
Existing Housing Stock by Tenure

Tenure	1994	1996	1998	1999	2000*
Dwelling number total in thousands within (by %)	11,433.9	11,547.1	11,667.7	11,173.3	11,844.8
• cooperatives (including “ownership” cooperatives)	27.7	27.7	28.5	28.5	28.6
• <i>gminas</i> (municipalities)	17.8	14.6	13.3	12.4	11.5
• State (state companies)	11.0	7.9	5.8	5.2	4.6
• private	47.8	49.7	52.4	53.9	55.3

* Housing stock in 2000, amounts to 11,844.8 thousand dwellings: 7,953.2 in urban and 3,891.6 in rural areas.

SOURCE: Central Statistical Office, Housing Economy (1994–2000).

Between 1994 and 2000, the share of privately owned apartments (including “ownership” housing cooperative apartments and condominiums) increased from 63% to 74%. From the point of view of housing resource management, as well as for the role played by the State and local governments in the effective management, this was a crucial change.

The housing deficit in Poland continues to be high and the level is estimated at 1.3–1.5 million apartments. Around 600,000–700,000 apartments are in poor physical condition and require replacement.

As for housing conditions in Poland, some progress can be noted between 1990 and 2000. Still, the changes are not significant. Only minor improvements have been made and housing conditions in Poland still rank far behind those of most European countries.

Table 3.4
Housing Stock Age Structure in 2001 [%]

	Period of Construction				
	Before 1945	1945–1970	1971–1978	1979–1988	After 1989
Total of dwellings	27.1	28.7	17.3	16.9	10.0
Urban areas	24.7	26.1	19.1	18.6	11.5
Rural areas	31.7	34.1	13.5	13.6	7.1

SOURCE: Central Statistical Office, Housing Economy 2000.

Table 3.5
Selected Indices of the Housing Situation

Specification	1990	1995	2000
Number of apartments per 1,000 residents	288.7	297.6	306.5
Including: urban areas	308.5	320.9	331.1
Persons per 1 apartment	3.40	3.29	3.20
Including: urban areas	3.15	3.03	2.92
Rooms per 1 apartment	3.41	3.45	3.48
Including: urban areas	3.31	3.35	3.37
Including: urban areas within <i>gminas</i> resources	—	2.83	2.78
Average usable area per apartment	59.6	60.5	61.5
Including: urban areas	54.3	55.2	56.2
Including: urban areas within <i>gminas</i> resources	—	45.8	45.9
Average usable area per person	17.5	18.4	19.2
Including: urban areas	17.2	18.2	19.3

SOURCE: Central Statistical Office—Statistical Yearbook 2001 and previous year.

1.2 The Housing Market and Housing Finance

The solutions and instruments introduced at the beginning of the transformation period as part of the state housing policy were designed to limit state involvement in housing subsidies and to offer assistance to selected social groups. A set of financial instruments was developed to support new housing projects. Such financing tools included the housing deductions from income tax introduced in 1992 and contract loans related to the housing saving scheme. Preferential loans, with low interest rates, were introduced to support the construction of social housing.

In the first two instances, the State offered indirect support to the scheme. The central budget directly supported the development of TBS and subsidizing housing allowances of the *gminas*. However, it should be pointed out, that the State offered assistance to finance and purchase liabilities in housing resources erected before the transformation period (in the 1980s and earlier). Direct and indirect costs imposed a substantial burden on the central budget. In particular, at the initial phase of development, which was not directly reflected in the achieved results.

This applies, in particular, to the state's direct spending which, throughout the entire period of 1991–2000, was only channeled in part to support new housing projects.

This situation was altered by the indirect spending related to housing tax relief which, on the other hand, prevented central authorities from conducting an active housing policy. In view of the amount of funding devoted to housing projects from the total budget expenditures, and in relation to GDP, it could be concluded that housing construction has not received adequate state assistance to address its needs and economic possibilities. The structure of central budget spending on housing is shown in Table A3.10 in Appendix II.

The limited and declining involvement of public resources for financing of housing construction has led to a search for other finance resources. Such resources included bank loans but mostly came from the consumers' own savings. A imposing barrier in housing construction development was the late development of mortgage banks and mortgage loan system in Poland. Specialized mortgage banks appeared only two years ago and only three such banks now operate in Poland.

Table 3.6
Financing of Housing Investment Outlays [%]

Sources	1994	1996	1998	1999	2000
Private funds	54.8	62.0	62.2	59.5	56.4
Bank Credits	9.5	9.8	10.3	14.0	16.0
Public funds (including tax relief)	35.7	28.2	27.5	26.5	27.6

SOURCE: State Office for Housing and Urban Development.

Expensive and relatively unavailable bank loans, limited resources, and the typically low average income posed a serious barrier to housing development and the rational management of housing resources. Despite a greater share of private housing projects, these problems seriously affected the amount of housing construction, as did the low rental prices which failed to cover actual maintenance costs.

As a consequence, despite the introduction of new policy plans and the launch of new programs and instruments, in practice, the housing policy has not been effectively and conscientiously realized. The division of responsibilities between the State and local governments, where the latter had very limited means for catering to the local demand and did not receive adequate state assistance, could not have generated fully satisfactory results.

1.3 Distribution of Housing Policy Tasks between the State and Local Governments

At the onset of the transformation process, Poland was divided into 49 voivodships and 2,483 *gminas*. This formed the backbone of the local governmental system. This two-tier division of self-government was in place until the end of the 1998, at which point the administrative reform was introduced. As of January 1, 1999, a three-tier system was introduced, comprising 16 *voivodships* divided into 373 districts (*poviats*) and 2,489 *gminas*.

The role of public administration in Poland's housing sector is defined by Article 7 of the Constitution, which outlines "*the policy of public authorities will cater to the citizens' demand for housing; public authorities will, in particular, counteract homelessness, support social housing projects and the citizens' efforts to purchase private housing.*" The provisions are also addressed in the 1990 Act on Territorial Self Government's Article 7, sections 1 and 2, which state that the *gmina* is responsible for catering the collective needs of the self-governing community.

Gminas' tasks include the payment of housing allowances and management and administration of own housing resources. The *gmina* caters to the housing needs of local residents by providing lower income residents with flats in buildings owned by the *gmina* and by enabling the residents to purchase *gmina* property for the construction of single-family housing and flat blocks under convenient terms. Under the provisions stipulated by the Act on Lease of Dwellings and Housing Allowances, the *gmina* has an obligation to provide council housing to persons in the lowest income brackets.

"*Social*" apartments (those owned by *gminas*) form a special category of municipal housing. "Social" apartments are mostly apartments with low assessment value, resulting from poor physical standards. They are designed for families in difficult financial situations; allocated only for a predefined temporary period of time. Rents for such dwellings are set by the *Gmina* Council and they are usually lower than the rents in other *gmina* housing (around 1/2 of the basic rate). A definition of "social" housing is provided in the Act.

In regards to the local rent price policy, *gmina* authorities were assigned a specific role. Under the provisions of the Act on Lease of Dwellings and Housing Allowances, *gminas* have the right, and obligation, to set official rental prices and to grant housing allowances. Official rental prices apply to apartments under the *gmina's* housing resources, the State, companies, and, until the end of 2004, apartments in private housing resources that were occupied in the past. The rental prices set by the *gmina*, in the above resources, significantly affect resource management, including the maintenance and overhaul of flats and buildings.

Housing allowances, granted by the *gmina*, are designed to protect households from becoming excessively burdened with housing costs. *Gminas* paid out a total of 9,087,000

housing allowances in 2000; allowances were acquired by 7.6% of Polish households. Recent legal amendments have extended the availability of housing allowances (enabling persons with higher incomes to also apply for the allowances). This will increase the number of households taking advantage of this assistance and should contribute to encouragement of the *gmina* rental policy and the management of its housing resources.

Gmina budgets³ were seriously burdened in respect to benefit payments, especially considering that the value of central subsidies allocated for the purpose continued to decrease. In 1995, state subsidies accounted for 55.9% of the total sum of housing allowances paid. In 1997, state involvement was reduced to 50.2% and then, in 1999, to 39.9%. The shortage of funds in the *gmina* budget and the obligation to pay housing allowances could prove to be obstacles for setting the rent prices at a level that could hinder the rational management of the *gminas'* housing resources, including overhauls.

The *gmina* is also under an obligation to maintain own housing resources, make decisions on the sale (privatization) of apartments and terms of sale. The former privatization of municipal resources and the establishment of condominiums, with various degrees of *gmina* involvement, significantly influence the method used to manage those resources. *Gminas* have found a different method of managing local resources and improving their technical condition by supporting condominiums. Many municipalities have already initiated such methods (see the two different case studies, concerning restructuring of the municipal housing management and maintenance, in the following chapter).

Gminas have the following scope of authority in regards to new construction projects:

- Developing municipal apartments;
- Establishing or participating in the establishment of the Social Housing Associations and, as part of this scheme, constructing rental apartments;
- Constructing “social” apartments or adapting the existing resources for this purpose;
- Creating favorable conditions for other investors’ housing development by promoting the availability of land plots via media connections and facilitating administrative procedures for investors;
- Shaping land management policy, including the real estate tax rate which is partially defined by the *gmina*, to attract investors from outside the *gmina*.

In view of this, the decentralization of the housing policy has provided local governments with a substantial degree of authority, enabling them to introduce independent strategies to cater to local housing needs. Over the past decade, the system has been able to provide effective solutions to housing problems not only encountered at the local level.

The past decade was also fraught with a serious obstacles which detracted from the effectiveness of the local governmental role:

- Tasks imposed on local governments were out of proportion to their access to financial resources and central budget subsidies;
- Local governmental officials often lacked the required knowledge, skills, and experience regarding the available housing policy instruments and new programs;
- Progress made in the state housing policy, accompanied by changes in legal regulations and procedures, impeded the shaping of housing policy at the local level;
- Political disputes, also observed at the local governmental level, have contributed to the lack of well-designed housing programs and strategies.

2. EFFICIENCY AND EFFECTIVENESS OF LOCAL GOVERNMENT HOUSING POLICIES

The following statistics have been generated from general statistical sources of the Central Statistical Office, special surveys realized by the Housing Research Institute and the Local Government and Housing Survey (LGHS) conducted especially for this project.

The LGHS was carried out in selected cities throughout Poland in December 2001. The survey questionnaire was addressed to presidents and mayors of cities. According to the assumptions, the group surveyed in Poland comprised of cities with populations exceeding 20,000 inhabitants.

The total number of cities in Poland, at the end of 2000, totaled 880. Of these, 651 cities had a population under 20,000 and 229 cities had a population equal or higher than 20,000. However, of the 229 cities, their population represented 80% of the urban population and 82% of the municipal housing stock was located in these cities.

Table 3.7

Basic Information Included on the Local Government Housing Survey

The size of <i>Gmina</i> (by Population)	The Number of Cities as of 31.12.2000	Relative Frequency [%]	The Number of Questionnaires Received	Relative Frequency [%]	The Share of Questionnaires in Relation to the Number of Cities [%]
20,000–49,999	137	60	19	33.9	13.9
50,000—99,999	50	22	18	32.1	36.0
100,000–199,999	23	10	7	12.5	30.4
200,000 and over	19	8	12	21.4	63.2
Total	229	100	56	100.0	24.5

Almost 25% of the city groups included responded to the questionnaire. The total number of the population in the city which responded to the questionnaire amounted to 7.7 million, so in the surveyed cities lives 40% of the population out of the total population living in this group of cities.

The structure of the cities which responded to the survey differs from the actual overlying city structure itself. The cities which were best represented were cities with a population over 200 thousand and the greatest difference in the representation was in the bracket from 20–49,999 thousand inhabitants.

The majority of questions in the survey were of a qualitative character. However, a section of the survey concerned quantitative aspects. Therefore, due to differences in the actual structure within the group surveyed, weighting was applied to the quantitative results for the particular group of the cities. According to the methodology applied (for weighing the quantitative results), the weights were accepted on the basis of the actual number of the cities in a given group.⁴

Table 3.8
The Weighted Ratios Adjusting the Results
for the Given Number of Population

The Size of <i>Gmina</i> (Number of Population)	The Weighted Ratio
20,000–49,999	1.763
50,000–99,999	0.679
100,000–199,999	0.803
200,000 and more	0.387

In the following sections weighted averages “per municipality” are thus presented. The data, regarding the share of the *gmina* housing on total housing stock in the surveyed cities, turned out to be unreliable. Therefore, after rejecting the extreme values, it may be concluded that the share ranged in the surveyed cities from 3.5% to 45%.

The total number of rental dwellings in the surveyed group of cities was represented by 409 thousand dwellings, consisting of an average of 2.7 chambers with the average living space of 44 square meters. In principle, such a living space defines the average one-bedroom apartment in Poland. Both the average number of the rooms in the apartment, as well as the usable floor space, does not significantly differ in the cities of different sizes. The differentiating feature is the average number of apartments held in the *gmina* stock.

Table 3.9
The *Gmina* Stock for the Surveyed Cities

The Size of <i>Gmina</i>	The Average Number of <i>Gmina</i> Apartments	The Average Usable Floor Space/m ²	The Number of Rooms
20,000–49,999	1,208	44.7	2.7
50,000–99,999	3,240	43.7	2.6
100,000–199,999	8,079	42.5	2.5
200,000 and more	22,617	44.3	2.8
Weighted average	7,307	44.0	2.7

SOURCE: LGHS.

2.1 Local Housing Policy Strategies and Objectives

Half of the cities surveyed adopted housing policy strategies approved by the Council. One fourth of the cities are waiting for the adoption of a strategy and another fourth of the cities have no housing policy strategy at all (this represents more than the half of the small cities with up to 50 thousand inhabitants).

The definition of the purposes of the housing policy suffers similar proportions. Around 70% of the cities claim that such goals were clearly defined. However, over 20% of the cities have not formulated such goals. These are the smallest cities, which have not worked out a housing strategy yet.

Among the major goals of housing policies (ranked according to importance), very often general *cliché* phrases appear, such as: “improving housing conditions”, “satisfying the housing needs of the local communities”, “creating better conditions for construction development”, “the development/intensification of housing construction”, “improving citizens’ standards of living”. The goal which is at the top of the list, and often articulated, is “the development of social housing”. This is understood to mean the construction of new, and the adaptation of existing, “social” housing apartments for families living in poverty. It is obvious that the cities which have adopted a housing strategy, have defined more precisely the goals of housing policy. Synthetically, the goals of housing policy may be formulated as:

- Satisfying housing needs, especially in the area of “social” housing;
- Halting the degradation of the existing stock as well as improving effectiveness;
- Growth in rental housing construction conducted by the Social Housing Associations.

Table 3.10
The Adoption of a Strategy/Housing Policy [Number of Cities]

The Size of <i>Gmina</i>	Adopted Strategy	Have a Strategy, But It Has Not Been Accepted	Does Not Have a Strategy
20,000–49,999	7	2	10
50,000–99,999	11	4	3
100,000–199,999	3	3	1
200,000 and more	7	5	—
Total	28	14	14

SOURCE: LGHS.

In principle, there are no goals relating to complex revitalization of the urban area (only two cases). Moreover, the revitalization of stock as a goal of housing policy is rarely mentioned. The hierarchy of fixed social goals offered by ourselves, to the respondents, is listed in Table 3.11.

Prioritizing the goals within the groups of cities does not differ. What is very significant is the lack of conviction toward privatizing stock as an essential social goal, as well as the neglect towards the problem of social segregation.

The lack of clear definition, in regards to the goals of housing policy, does not mean that activities that aim to remedy the situation have not been taken. Among the municipalities, programs which were carried out, very often involving concrete activities, tasks, or undertakings have been stated. These include items, such as, support for new housing construction conducted by the Social Housing Associations, programs for the construction of cheap *gmina* dwellings, programs for the improvement of technical conditions and standards for *gmina* flats, programs for privatization of stock and services related to the management of stock, preparation and development of land, programs for implementing change to the stock in order to obtain “social” dwellings, programs for ensuring dwellings for persons brought up in the care of the State (i.e. state homes, orphanages).

According to the opinion of respondents, among the programs which were the most effective in fulfilling the goals, the most frequently cited were:

- Programs for the development of “social” apartments in regards to the new and old stock (swapping, as well as reclassification, of existing dwellings as “social” apartments);
- Programs for the construction of rental housing by the Social Housing Associations, co-financed by means obtained from the National Housing Fund;
- Modernization, thermo-modernization and repair to the existing *gmina* stock;

- Creation of system of housing allowances;
- Preparation and development of the land for housing construction.

Among the “interesting” activities to be noted, for example, are credits granted by the *gmina* for the repairs of buildings belonging to condominiums.

Table 3.11
Ranking of Goals in Local Government Housing Policies

Goal	Average Priority Mark the Highest—1; the Lowest—9
Higher affordability of housing for middle and low income households	2.6
Improvement of housing conditions, higher quality of housing	3.67
To provide housing for homeless people	4.54
To meet shortage of housing for disabled, handicapped people	4.75
To meet shortage of housing for elderly people	4.79
Higher labor mobility	5.04
Support for home-ownership and private housing construction	5.15
Introduction and/or improvement of tenant participation on housing management	5.62
Maintenance or creation of social mix preventing social segregation	6.34

SOURCE: LGHS.

2.2 Local Government Housing

2.2.1 Overview

Political transformations in Poland revolutionized the structure of housing resource ownership. The greatest changes concerned changes in municipal (*gminas*) housing resources, the legal structure for utilizing cooperative housing and the transfer of ownership rights in company housing. The number of apartments owned by *gminas* (municipalities) fell by 657,000 in the period between 1992–2000 (by about a third).

On the other hand, as the result of the Act on Housing Ownership, condominiums were established. This term refers to an apartment block, where a part or all the apartments constitute separate properties owned by individuals as confirmed by an entry in the Mortgage Register. The number of apartments, represented as the property of individuals in buildings co-owned by the *gmina*, increased nearly three-fold. At present, they stand for nearly 5% of housing resources in Poland, while the share of municipal housing resources fell to 11.6%.

Table 3.12
Housing Stock Ownership between 1992–2000

Specification	1995	1996	1997	1998	1999	2000
Inhabited apartments [thousands]	11,491	11,547	11,613	11,688	11,763	11,845
• housing cooperatives	3,188	3,205	3,263	3,329	3,351	3,387
• <i>gminas</i>	1,733	1,692	1,630	1,555	1,459	1,371
• condominiums*	302	359	427	485	542	558
Share of <i>gmina</i> apartments [%]	15.1	14.7	14.0	13.3	12.4	11.5
Share of condominium apartments in the buildings co-owned by <i>gminas</i> [%]	2.6	3.1	3.7	4.1	4.6	4.6

* Apartments owned by individuals in buildings co-owned by *gminas* (without company co-owned buildings).

SOURCE: Central Statistical Office—Statistical Yearbook 2001 and previous years.

Table 3.13
Apartments in Urban Areas, as of 31 December 2000

Size of <i>Gmina</i>	Number of Apartments [Thousands]	Share in Urban Housing Resources [%]
Under 10,000	651.2	8.2
10,000–19,999	809.0	10.1
20,000–49,999	1,316.7	16.6
50,000–99,999	1,088.9	13.7
100,000–199,999	1,018.4	12.8
200,000 and higher	3,068.9	38.6

SOURCE: Central Statistical Office—Housing Economy 2000.

Out of a total of 11,845,000 apartments in Poland, around 7,953,000 are located in urban areas; the vast majority (82%) are in cities with populations above 20,000. *Gmina* housing is situated mainly in urban areas. Out of a total of 1,371,000 of municipal apartments in Poland, 1,227,000 (around 93%) were situated in urban areas. Only 94,000 flats were located in rural areas. The total usable area for municipal apartments in 2000 reached 63.2 million m² (including 58.6 million m² in urban areas).

Gmina housing represents a 16% share of the total number of apartments in urban areas, while housing from cooperative resources makes up a 42% share. *Gmina* apartments are located in 187,885 buildings: 102,987 buildings constitute the sole property of the *gminas* (54.8%) and 84,898 buildings are only co-owned by the *gminas*. The situation varies in regards to the location of housing resources and to whether they are in urban or rural areas. The internal ownership structure, in relation to the number of apartments, for 2000 is presented in Table 3.14.

Table 3.14
Buildings, and Apartments within Buildings,
Owned and Co-owned by *Gminas* in 2000

Specification	Urban Areas	Rural Areas
<i>Number of Buildings</i>		
Owned by <i>gminas</i>	75,458	27,529
Co-owned by <i>gminas</i>	78,930	5,968
Total	154,388	33,497
Share of buildings owned by <i>gminas</i> [%]	48.9	82.2
<i>Number of Apartments</i>		
In buildings owned by <i>gminas</i>	514,788	514,788
In buildings co-owned by <i>gminas</i>	762,190	762,190
Total	1,276,978	94,526
Share of <i>gmina</i> flats in buildings owned exclusively by <i>gminas</i> (in %)	40.3	81.3

SOURCE: Central Statistical Office—Housing Economy 2000.

There are also buildings under “obligatory *gmina* management”. This mainly includes buildings with undetermined legal and ownership status. In 2000, there were

9,000 such buildings with a total of 77,000 apartments. As a result of restitution of property to former owners, the volume of this type of housing has been reduced over the past few years (for instance, there were 11,800 buildings with 101,000 apartments under obligatory *gmina* management in 1997).

“Social” apartments form a special category of municipal housing; they are designed for the lowest income households with the highest social need. The “social” housing stock for 1995–2000 is, as indicated in Table 3.15.

A section of *gmina* housing resources remains uninhabited, including the following types of housing (as classified in accordance with state statistics): apartments not allocated in new buildings, apartments undergoing capital overhauls, apartments uninhabited as the result of court or executive proceedings in progress, apartments uninhabited due to poor technical conditions and apartments temporarily in use for non-residential purposes such as offices, studios, and doctors’ offices. The number of uninhabited apartments in *gminas* resources for the period between 1995–2000 are shown in Table 3.16.

The volume of uninhabited resources is low due to the housing deficit in Poland. *Gminas* also possess utility premises. As of 31 December 2000, there were 95,336 utility premises with a total area of 7.6 million m² in buildings owned or co-owned by *gminas*. This is including 41,783 *gminas* premises in buildings owned solely by *gminas* and 38,215 premises in buildings co-owned by *gminas*. Thus, *gminas* owned a total of around 80,000 utility premises with a usable area of 6.5 million m².

Table 3.15
Share of “Social” Housing in *Gmina* Resources

Specification	1995	1996	1997	1998	1999	2000
<i>Gmina</i> housing [thousand]	1,733	1,692	1,630	1,555	1,459	1,371
• including: “social” apartments	16.4	18.5	19.9	22.6	23.9	29.6
Share of social housing [%]	0.9	1.1	1.2	1.5	1.6	2.2

SOURCE: Central Statistical Office—Housing Economy 2000 and previous years.

Table 3.16
Uninhabited *Gmina* Housing Stock

Specification	1995	1996	1997	1998	1999	2000
Uninhabited flats [thousands]	16.8	17.0	16.4	16.8	17.6	18.4
Share of uninhabited flats [%]	0.9	1.0	1.0	1.1	1.2	1.3

SOURCE: Central Statistical Office—Housing Economy 2000 and previous years.

The remaining utility premises (around 15,000) are owned by individuals and are situated in buildings co-owned by the *gminas* and/or individuals. The right to own utility premises is of paramount importance at the *gmina* level for sustaining municipal housing policies. Most the revenue generated from utility premises management is channeled to finance municipal housing, in particular, for the overhaul and modernization of existing resources.

The main problems with *gmina* resources concern low qualitative standards, lack of basic furnishing and installations and poor technical conditions resulting from the age of houses and inadequate expenditures provided to refurbish and modernize the resources. In apartments situated in urban areas, the level of basic facilities provided is presented in Table 3.17.

Table 3.17
The Level of Provisions by Basic Facilities [% of Total Apartments]

Specification	1990	2000
Water supply	95.3	97.6
Toilet	86.0	90.3
Bathroom	83.5	88.3
Gas	71.8	76.7
Central heating	74.4	80.8

SOURCE: Central Statistical Office—Statistical Yearbook 2001 and previous years.

The figures mentioned above have been calculated reflecting the urban average, including private resources and improvement in indices resulting mainly from the construction of new apartments. However, the standard of municipal resources is generally lower than the average. Nearly 190,000 apartments in Polish cities do not have access to water works and around 800,000 apartments do not have toilets or bathrooms (the shortages in facilities' standards apply in a large part to *gmina* resources).

According to estimates, of the total 1.9 million apartments in buildings owned or co-owned by *gmina*, 47% are located in buildings erected before 1945 and another 47% in buildings erected between 1945 and 1970. Only 6% of those apartments are located in buildings erected after 1970. Thus, it can be said that 94% of *gmina* resources date back to over 30 years ago.

The geographic location of municipal housing resources in Poland is determined by the degree of urbanization in the various regions, as well as by historical factors. The voivodships, with the highest share of municipal apartments (19% and more) in urban

housing resources, are situated in the north-west and south-west. They comprise of Zachodniopomorskie, Pomorskie, Lubuskie, Dolnośląskie and Opolskie voivodships, where real estate was nationalized after World War II. A high number of municipal apartments (more than 100,000) can be found in highly urbanized voivodships, including Mazowieckie, Śląskie and Łódzkie. The total share of municipal apartments in urban areas of five voivodships does not exceed 10%, it reaches the level of 10%–20% in seven voivodships, and exceeds 20% in four voivodships (refer to the Figure A3.1 and Table A3.1 in Appendix I).

The majority of municipal apartments are situated in urban areas, but in seven voivodships more than 10% of municipal resources are utilized in rural areas. These are poorly urbanized regions in the eastern part of Poland (the Warmińsko–Mazurskie, Podlaskie, Lubelskie and Podkarpackie voivodships) as well as regions with well-developed farming sectors (the Kujawsko–Pomorskie, Wielkopolskie voivodships). The only exception is the Świętokrzyskie voivodship, which has the lowest number of municipal apartments, with 20% situated in urban areas.

2.2.2 Transfer of Company Flats to *Gminas*

In the past, companies had managed vast housing resources in Poland. In 1992, companies administered 1,480,000 apartments. Changes in the housing economy prompted companies to significantly reduce the volume of their housing resources by:

- Sale to sitting tenants;
- Transfer to *gmina* ownership;
- Transfer to housing cooperative ownership;
- Sale to private investors.

As a consequence of these changes, the number of company apartments fell to 542,000 in 2000. From the local governments' point of view, the process of this transfer was crucial. In the period between 1995–2000, *gminas* took over around 131,000 apartments once managed by companies.

Table 3.18

Transfer of Company Apartments into the Ownership of *Gminas* [Thousands]

Specification	1995	1996	1997	1998	1999	2000
Company apartments	1,083	911	822	683	617	542
Company apartments transferred to <i>gminas</i>	14.8	24.6	37.9	29.6	14.5	9.9

SOURCE: Central Statistical Office—Housing Economy 2000 and previous year.

The transfer gave rise a number of problems related to the following issues:

- Poor technical conditions and lack of economic profitability for the transferred resources;
- Incomplete documentation relating to the transferred resources;
- The fact that transferred resources were co-owned by individuals (former sitting tenants);
- The need to administer resources situated outside the operating area of the managing company;
- Problems relating to the establishment and provision of power and media, in many cases previously supplied by companies.

In practice, *gminas* and housing cooperatives absorbed the new resources relatively quickly. Problems relating to rental prices accompanied the transfer of company resources to the ownership of private owners. This issue continues to be the subject of many court disputes.

2.2.3 Municipal Housing Resources and Condominiums

The Act on Housing Ownership, put into effect in 1994, established condominiums in houses with at least two separate homeowners. This procedure was also applied to municipal resources in buildings where tenants had acquired ownership rights to their apartments.

A condominium comprises a group of owners whose apartments constitute the given real estate; it may maintain rights and obligations, it may sue and be sued. The share of an owner, of a separate apartment, to the common areas of building corresponds to the relationship between the apartment's usable area (including the area of its accompanying premises) and the total usable area of all apartments (including accompanying premises).

Under the provisions of the Act, the real estate management method applied is defined by the co-owners through a notaries' deed. If the method of real estate management has not been defined in this mode, the provisions of the Civil Code can be applied in condominiums comprising up to seven apartments: a condominium board (with one or more members) should be appointed in this case.

Condominium members are under the obligation to cover the costs of real estate management, which include:

- 1) Cost of overhaul and maintenance;
- 2) Charges related to power, heat, gas, and water works for the common area as well as collective charges, such as, TV satellites and elevators;
- 3) Insurance, taxes and other public and legal fees, unless covered directly by individual owners;

- 4) Cost of cleaning services;
- 5) Remuneration for board members or administrators.

As a member of a condominium, with ownership rights to some flats in a building, the *gmina* is under obligation to cover management costs proportionally to its apartments' share of the total floor area. The *gmina* pays management costs in advance and charges rent to those tenants using their apartments. The number of condominiums established with the participation of *gminas* and the number of apartments in buildings which are part of condominiums (apartments owned by the *gmina* and individuals) is presented in Table 3.19.

Table 3.19
Total Number of Apartments in Condominium Buildings
(Co-owned by *Gminas* and Individuals)

Specification	1995	1996	1997	1998	1999	2000
Total number of buildings	201,802	206,009	205,476	200,209	194,301	187,885
Number of condominium buildings	64,253	69,348	76,733	81,258	84,979	84,898
Share of condominiums with majority participation by individual home-owners [%]	13.9	17.9	21.9	27.0	31.9	36.4
Total number of apartments in condominium buildings [thousands]	1,161.1	1,232.1	1,304.8	1,341.0	1,369.9	1,337.8
• apartments owned by <i>gminas</i> [thousands]	858.7	873.1	878.1	855.9	828.3	779.8
• apartments owned by individual homeowners [thousands]	302.4	359.0	426.7	485.1	541.6	558.0

SOURCE: Central Statistical Office—Housing Economy 2000 and previous year.

Of the 187,000 buildings owned or co-owned by *gminas*, 45% are condominium buildings that should be managed in accordance with the Act on Housing Ownership. Individual owners hold the deciding vote, in regards to management issues, for more than a third of condominium buildings.

Change in ownership of *gmina* housing stock has had a great influence on the management of housing resources and maintenance finance. As it was stated above, in over one-third of the housing condominiums co-owned by *gminas* and individual homeowners, the majority vote belongs to the individual homeowners.

2.2.4 Management of Municipal Housing Resources

The period of political transformations in Poland also brought changes regarding the methods of managing municipal housing resources. The following changes were introduced:

- Transformation of resource managing entities (privatization, restructuring);
- Establishment of condominiums since 1994.

Prior to the establishment of condominiums, municipal housing resources were managed by *gmina* authorities (Housing Departments), state enterprises (operating as separate entities under the budgetary law) or separate municipal companies.

Box 3.2

Management of Housing Stock in Ostrów Wielkopolski

This gmina has adopted an interesting approach to the privatization of rental housing management. In 1994, the city established the City Unit of Housing Economy, a housing management company. The housing resources of the gmina were the city's initial contribution to the company and the company is both the owner and administrator of these resources. Ostrów plans to maintain gmina housing only for lower income households, while the gmina believes that the most appropriate housing solution for higher income households is to purchase, or build, a housing unit within the market, without city government assistance. Overall, this is an important step towards the rationalization of city budgets, increased use of households own resources, and, ultimately, toward privatization of some portion of the communal stock.

SOURCE: Local Government Rent Policy and Best Practice in Poland, report prepared for USAID (project 180-0034) by Sally R. Merrill and other—Urban Institute, Krakow Real Estate Institute, Housing Research Institute, 1998.

Following the establishment of condominiums, municipalities—or former entities managing resources on behalf of the municipalities—would call meetings for condominium members to appoint board members and to assign maintenance and administration tasks to hitherto managing entities, should the need arise. In view of *gmina* members' fear of getting involved in professional maintenance and administrative tasks, few condominiums have been able to address those issues independently so far.

The establishment of condominiums in buildings co-owned by the *gmina* and individuals necessitated the introduction of completely new real estate administration methods. A clear distinction should, however, be made between the definition of management in the legal sense (where the owner can transfer his rights to another entity under an agreement) and management itself, defined as the provision of real estate maintenance and administration services. The various forms of municipal resource

management and administration in Poland, including *gmina* resources in condominium buildings, are presented in Tables A3.12 and A3.13 in Appendix II. The *gmina* participation in administrative tasks has been significantly limited over the past few years. *Gminas* continue to administer around 170,000 apartment buildings.

Box 3.3

Restructuring Municipal Resource Management in Sopot

The town of Sopot has a population of 43,500. Until 1990, the commune's housing economy had been supervised by the Municipal Service Company (also responsible for upkeep and waste disposal). They employed 355 persons, including management (88), housing resource maintenance (126), an overhaul department (46), and waste disposal (95). In 1991, the department responsible for housing resource management became a separate entity, operating under the name of the Municipal Housing Resources Board (ZBM). Repair crews were privatized. ZBM managed 1,156 buildings with 6,958 flats and 431 utility premises. They employed a staff of 112 persons. The ZBM operated for three years, but failed to bring the desired results. The town authorities had to pay an extra PLN 3 for every PLN 1 of the rent. The share of city budget funds in the ZBM's budget continued to increase from 18% in 1993 to 25% in 1994 to 35% in 1995. The ZBM employees wages grew rapidly. In light of these facts, the City Council decided to shut down the ZBM and appoint private building administration selected for tenders in 1994. Three privately owned companies were created from the former ZBM structures, employing at least 50% of ZBM's former staff. The companies participated in the tender and were granted an order. The restructuring scheme improved the rent collection rate from 75% to 86% and modified the structure of housing maintenance expenses (repair expenses increased from 30% in 1995 to 46% in 1998 and salaries decreased from 14% in 1995 to 10% in 1998). Ownership supervision continued to be the domain of local authorities. The new management structure also brought the following results:

- *Less full-time employees*
- *Detailed agreement for housing management, administration and maintenance*
- *Administrator remunerated on the basis of economic efficiency (increase in the rent collection rates)*
- *Maintenance costs remained low (PLN 2.09 per m² (USD 0,51) before privatization, PLN 1.56 per m² (USD 0.38) after privatization)*
- *Repair expenditure increased and the technical condition of buildings and flats improved*
- *The private building administrator market in Sopot expanded*

SOURCE: Restructuring of Municipal Real Estate Management, M. Tértelis, Local Government Partnership Program / USAID, Municipium, Warsaw 2000.

The structure of managing *gmina* housing stock seems rather complicated due to the emergence of the condominiums, of which *gmina* is an owner of only a number of apartments in a block. The condominium takes over the management of the property in

a legal sense. However, the activities related to day-to-day maintenance (use, administration, upkeep, maintenance works and so on) are still performed by the municipality.

On the other hand, the gradual processes of privatizing a sector of the services related to the *gmina* stock management are taking place. This is the emergence of separate, self-financing companies with the stake held by the *gmina* or physical persons (for example, former employees), who receive orders to perform the operational activities.

Up to now, the managers of *gmina* housing stock were required to have a professional license to perform such activities. As a result of the training and certification process, private companies have been created and are run by physical persons, who manage the property. Yet in practice, such situations may occur in which one city's different legal and organizational forms of managing the *gmina* stock co-exist side by side. However, the dominant form is the budgetary agency (non-self financing and operating within the annual budget), as well as private companies with the *gmina* participation.

Box 3.4

Restructuring of Municipal Resource Management in Krakow

The city of Krakow has a population of 760,000. In 1996, municipal authorities administered 2,626 buildings with 46,589 flats and 3,501 utility premises. A large number of flats were situated in buildings co-owned by the commune and by individuals (condominiums). At the beginning of the 1990s, four State-owned housing companies were responsible for the management of the commune's housing resources. Total employment in those companies amounted to 1,993 persons including 603 office employees, 488 maintenance technicians, 718 janitors, 61 service workers and 123 other employees. In 1995, 17 commercial partnerships were created using the organizational structure of those companies and the experience of their employees. These became responsible for the maintenance of the housing resources and rendering of related services (repair, transport and construction). City authorities were released from the obligation to directly administer and to maintain municipal resources, as well as from the need to employ full-time workers, so they could focus on strategic planning. The efficiency of housing resource management was improved. For example, ADREM, one of the newly created companies which administered 24,919 flats, reported 8,300 m² of flat area per one administration employee, while the national average hit about 5,200 m². The average cost of resource maintenance was approximately 45% below the national average. This solution generated positive results for city authorities, including an annual savings of PLN 9 million (USD 2.2 million) in respect of personnel costs, lower maintenance costs, improved management of vacant flats, a decrease in rent arrears from 4.7% to 3%, and higher precision in expenditure planning.

Krakow's condominiums relegate 95% of resource management tasks to the third parties, such as the above mentioned companies, or private administrators. The city supports the repair of condominium buildings by granting loans from its own resources.

SOURCE: Restructuring of Municipal Real Estate Management, M. Tertelis, Local Government Partnership Program/USAID, Municipum, Warsaw 2000.

Table 3.20
Those Who Manage/Administer the *Gmina* Housing Stock
[% of Total Number of Municipalities in the Survey]

Size of <i>Gmina</i>	Administration by <i>Gmina</i> Itself	Administration by the Budgetary Agency	Administration by <i>Gmina</i> Company	Administration by Private Company
20,000–49,999	—	26	63	5
50,000–99,999	6	28	50	28
100,000–199,999	14	57	43	14
200,000 and more	—	58	58	17
Total	4	37	61	16

SOURCE: LGHS.

The technical conditions and standard of the municipal housing resources requires massive spending on overhaul and modernization. The number of modernized buildings and scale of overhaul works are presented in Tables 3.21 and 3.22.

While a total number of 50,609 municipal buildings capital and other overhauls have been completed in 2000, it should be mentioned that around 28% of municipal resources were overhauled, in varying degrees, in 2000. Overhaul works were conducted in a total of 50,490 buildings, including woodwork replacement in nearly 40% of overhauls, roof repairs in 25%, partial or total replacement of installations and roof repairs in 36%.

Table 3.21
Modernization of Municipal Buildings Owned or Co-owned by *Gminas*
and Managed by *Gminas* [Number of Buildings Equipped with New Installations]

Specification	1993	1996	1997	1998	1999	2000
Total number of buildings being modernized including:	4,724	3,198	3,365	2,924	2,967	2,396
• water supply modernization	2,214	1,056	1,004	916	699	634
• sewerage modernization	1,044	1,248	1,377	1,239	1,401	1,085
• central heating modernization	367	339	398	420	390	371
• gas supply modernization	874	295	498	287	423	270

SOURCE: Central Statistical Office—Housing Economy 2000 and previous year.

Table 3.22
Overhaul Works Completed in Municipal Buildings Owned or Co-owned
by *Gminas* and Managed by *Gminas* [Number of Buildings]

Specification	1993	1996	1997	1998	1999	2000
<i>Capital overhauls*</i>						
• buildings	1,016	376	273	156	108	119
• apartments	12,082	6,726	3,363	1,300	1,139	1,353
<i>Other overhauls</i>						
• buildings	22,702	27,610	44,308	45,862	49,651	50,490

* A capital overhaul is defined as an overhaul conducted to reinstate the real estate's initial technical and usable value; the table accounts for buildings where at least 60% of structural and installation elements have been replaced or thoroughly repaired.

SOURCE: Central Statistical Office—Housing Economy 2000 and previous year.

2.2.5 Local Government Housing Spending/Revenues, Rent Policy

The following Table 3.23 shows the total expenditures incurred by *gminas* on housing management and intangible *gmina* services.

Table 3.23
Local Government Housing Expenditures

	1994	1995	1996	1997	1998	1999	2000
Expenditures on housing management as well as intangible services [millions of PLN]	992.3	1,075.7	309.0	1,854.1	2,221.6	245.8	2,667.7
Growth indicator	100.0	108.4	131.9	168.8	223.9	247.7	268.8

SOURCE: State Office for Housing and Urban Development.

The following table shows the structure and division of local government housing expenditures (for different categories of size of *gmina*) according to analysis carried out by the Housing Research Institute within the framework of systematic monitoring.

Table 3.24
The Share of Housing Expenditures
in the Monitored Local Government Budgets in 1999 [%]

Size of <i>Gmina</i>	Management/ Maintenance Subsidies to Municipal Housing	Housing Allowances	New Municipal Housing Construction
Below 25,000	1.3	4.7	0.8
25,000–100,000	0.4	5.3	2.0
Over 100,000	0.8	2.0	0.6

SOURCE: J. Kornilowicz—Housing monitoring for year 1999.

The tendencies characterizing the unit costs of maintaining the *gmina* stock in the period between 1991–2000, estimated on the basis of yearly monitoring in the cities selected, are demonstrated in Table A3.2 in Appendix I. The data regarding the unit costs in housing cooperative stock were included for comparison. The conclusion may be drawn that there are lower dynamics in growth for unit costs related to the maintenance of *gmina* stock between the years 1991–2000. We then apply the very synthetic division of the total costs related to the maintenance of *gmina* housing stock (excluding central heating and hot water) into:

- Costs of day-to-day operation including administrative costs, water and sewage systems, waste disposal, keeping order, taxes and others;
- Costs related to the technical maintenance including repairs, maintenance, refurbishing and modernization.

The conclusion may be drawn that the highest growth in unit costs, for *gmina* housing stock, was observed in the group of costs related to day-to-day operation. This is the result of price hikes in *gmina* services (water works, sewage and waste disposal). The growth indicator of costs expressed in current prices for the years 2000/1991 is shown in Table 3.25.

In spite of the fact that the costs of central heating operation grew by 5.6 times, the final charges related to central heating born by the tenants grew by almost 16 times. This was the result of the rise of energy prices as well as withdrawal of the state subsidies toward central heating expenses. The most actual housing policy goal should now be focused on thermo-modernization activities (improvement in insulation).

The Housing Research Institute's systematic monitoring of housing activities, carried out by sampling research methods applied within the selected cities, allows for synthetic presentation of the sources covering the maintenance costs of *gmina* housing stock. The main sources are:

- Profit from business premises leases;

- Revenues from tenants (rent covers the administrative costs, cleaning, maintenance and repairs as well as charges for water consumption and sewage and waste disposal, lifts and joint aerials);
- *Gmina* subsidies as well as housing allowances financed partially from the state budget.

Table 3.25

The Dynamics of Growth in Municipal Unit Housing Costs

Costs	Growth Rate (1991 = 100)
Total maintenance costs (excluding: central heating and hot water)	848
Costs of day-to-day operation	952
Costs of technical maintenance	694
Costs of central heating	564

The data presented in Table A3.7 in Appendix I undoubtedly shows the radical transformation of the structure of resources serving to cover the costs of maintaining the stock. The share of charges incurred by tenants grew twofold (from 38% in 1991 to 79% in 2000) simultaneous to a considerable decrease (3.5 times) of budgetary subsidies (from *gmina* or state budgets).

Box 3.5

Rent Policy in Selected Polish Cities

Gdynia and Szczecin—Both of these gminas have aggressive rent policies. They are the only two gminas with average rents higher than two percent of the current replacement flat value. Gdynia and Szczecin have shown that it is possible to overcome the political and social opposition to rent increases by carefully involving all housing market stakeholders (council members, tenants, gmina management companies, and gmina officials) in discussing proposals for increasing rents toward market levels. Importantly, these gminas have also made rent increases part of comprehensive, long-term plans for the housing sector.

Gminas act under a wide variety of schemes and approaches to varying the structure of rents as also required under the 1994 Act. Most have not made any major changes, and have relied on various schemes. Krakow, in contrast, has initiated the process of establishing rent price variations through application of a market-based methodology (the so-called hedonic technique). For most large gminas that are adopting to a market-based rental structure, this technique could be very helpful with that portion of the stock that the gminas continue to own and/or for which they continue to set rent policies for.

SOURCE: Local Government Rent Policy and Best Practice in Poland, report prepared for USAID (project 180-0034) by Sally R. Merrill and other—Urban Institute, Krakow Real Estate Institute, Housing Research Institute, 1998.

Still, the most important source for covering maintenance costs for *gmina* stock is the revenues from the business premises. Therefore, the *gminas*' ability to initiate repair and regeneration projects on wider scale is determined, to a large extent, by the size of the business premise stock in their possession and, naturally, revenues from these premises.

The *gminas* in Poland are obliged by law to apply rent differentiation depending on the location of the building, the technical conditions, the level of installations coverage and the location of the apartment in the building. The principles applied by the *gminas* regarding rent setting allow for other detailed criteria, such as, insulation, exposure to traffic and so on.

For "social" dwellings the rental price shall not exceed half of the lowest rent price for usual *gmina* apartment and for the dwellings with areas exceeding 80 square meters, the *gminas* may apply market rents. Also, in relation to the new tenants, the *gminas* apply the free market rents.

It can be estimated that, in mid-2001, the share of municipal apartments with the regulated rent was 98.6%, ranging from 97.9% for the biggest and smallest cities' group to 99.5% in the group of cities with the population from 50 to 99 thousand and those with a population from 100–199 thousand inhabitants. The average share of dwellings, where free market rents were applied, on total municipal housing stock (in those cities participating in the LGHS) was 1.4%.

In the majority of cities (71%) under the LGHS, rents had not covered all the maintenance costs (excluding the costs of modernization and reconstruction). However, the situation differed depending on the size of the city. The smaller the size of the city, the higher the level of costs covered by the rent.

Table 3.26

Does Income from Rent Cover the Maintenance Costs of Municipal Housing?
[% of the total municipalities]

Size of <i>Gmina</i>	Rents Cover Maintenance Costs	Rents Do Not Cover Maintenance Costs
20,000–49,999	32	68
50,000–99,999	28	72
100,000–199,999	14	86
200,000 and more	8	92
Weighted average	23	77

SOURCE: LGHS.

In 1991, the rent in municipal housing accounted for PLN 0.16/m²/month. Whereas in 2000, the average rent was equal to PLN 2.82/m²/month. Taking into account other charges resulting from the tenants use of the *gmina* dwelling, it may be concluded that the housing expenditures (excluding the central heating and hot water) grew eighteen times between 1991–2000 (as expressed in current prices). Whereas, in real prices, the housing expenditures increased about three times (see Table A3.6 in Appendix I).

Table 3.27
Average Monthly Housing Expenses Expressed in PLN per Person (2000)

Expenses	Households of Blue-collar Employees	Households of White-collar Employees
<i>1. Households in total</i>		
The total housing expenses, including:	91.03	142.89
• rent	20.12	32.43
• cold water charges	8.17	11.22
• total energy charges	47.04	67.75
within:		
• electrical energy and gas	24.23	31.44
• central heating and hot water	17.66	31.22
• fuel	5.15	5.09
Share of the total housing expenses within the household budget [%]	18.3	16.5
<i>2. In one-person households</i>		
The total housing expenses, including:	222.54	378.47
• rent	69.37	130.23
Share of total housing expenses in household budget [%]	20.9	21.4

NOTE: Exchange rate USD 1 = PLN 4.35.

SOURCE: Central Statistical Office—Statistical Yearbook 2001.

According to the results of a household budget survey in 2000, the average monthly expenses per person, related to the use of a dwelling and energy consumption, amounted to a total of PLN 107.21 per person/month (USD 24.6), including:

- Rent—PLN 19.49 (USD 4.48);
- Cold water charges—PLN 8.17 (USD 1.88);

- Total energy charges—PLN 58.19 (USD 13.37)
including: Electrical energy and gas—PLN 29.14
Central heating and hot water—PLN 17.40
Fuel—PLN 11.66.

2.2.6 Housing Allowances

Table 3.28 shows the average housing allowances according to the research conducted by the Housing Research Institute in the cities with various population sizes (representing jointly 10% of the municipal stock in Poland).

Table 3.28
The Average Value of Housing Allowance
[PLN per Month]

Cities	Average Amount of Allowance		Growth Indicator 1999 = 100
	1999	2000	
Over 25,000 inhabitants	109	121	111
25,000–100,000 inhabitants	123	120	98
Over 100,000 inhabitants	131	152	116
Total	127	140	110

Note: Exchange rates 1999: USD 1 = PLN 3.97; 2000: USD 1 = PLN 4.35.

SOURCE: J. Kornilowicz—collective study project relating to housing monitoring between the years 1990–2000.

The largest housing allowances were paid out in big cities. This results from the higher rents charged in such cities. The share of the housing allowances paid, in comparison to the total number of dwellings, has grown from 6.0% to 7.6% in 1999. In 2000, about 18% of households living in *gminas* housing stock received a housing allowance. The payment of allowance also depends on the size of the city, for instance:

- In cities with less than 25,000 inhabitants, 28% of households living in *gmina* housing receive an allowance;
- In the cities with 25,000–100,000 inhabitants, 34.8% of households living in *gmina* housing receive an allowance;
- In the cities with more than 100,000 inhabitants, 14.1% of households living in *gmina* housing receive an allowance.

2.2.7 Vacancies, Rent and Utility Charges' Arrears, Evictions

The share of uninhabited *gmina* flats was between 0.9% to 1.3% of total *gmina* housing stock during the period from 1990 to 2000. This low number results from a general housing deficit in Poland. However, this situation makes proper management of the stock impossible (in particular, during the emergency situations, such as, floods, collapses of buildings, fires, and so on). The average number of voids according to the LGHS was, as follows:

Table 3.29
The Average Number of Voids in the Cities Surveyed⁵

The size of <i>Gmina</i>	The Average Number of Voids
20,000–49,999	0.4
50,000–99,999	1.1
100,000–199,999	26.3
200,000 and more	71.9
Weighted average	19.2

SOURCE: LGHS.

By comparing the average number of voids within the cities surveyed to the average adjusted number of *gmina* dwellings, we determine a share of voids on the level of 0.3% of the total *gmina* housing stock. Therefore, the average rent loss through voids represented only 0.13% of the total annual rent roll in 2000; whereas, the lowest level was present in the group of cities with populations ranging from 50 to 99 thousand (0.02%), and the highest level was in the group of cities with the population ranging from 100 to 199 thousand inhabitants (0.46%).

The number of tenants with some kind of charge arrears is exhibited in Table 3.30.

The share of tenants with charge arrears amounted to:

- 34% for cooperative housing stock;
- 35% for *gmina* owned or managed stock;
- 21% for stock belonging to the State (companies);
- 26% for stock belonging to condominiums.

The number of tenants with charge arrears in dwellings owned by *gminas* in 2000 amounted to 551.2 thousand. Around one-third of the total number of arrears were long-term (three months or more).

Table 3.30
The Number of Tenants in Arrears with Rent and/or Charges Resulting
from the Use of a Dwelling [Thousands]

Tenure	1997	1998	1999	2000
Housing cooperatives	1,170	1,118	1,126	1,165
Housing owned or managed by <i>gminas</i>	714	733	688	682
State (company) housing	194	144	142	140
Condominium home-ownership	27	47	90	174

SOURCE: Central Statistical Office—Housing Economy 2000 and previous year.

Table 3.31
The Total Share of Tenants with Some Kind of Arrear in *Gmina* Housing
[% from Total Number of Municipal Dwellings]

	1997	1998	1999	2000
The total share of tenants with arrears	37.7	38.9	38.3	40.2
Including: over three-month arrears	14.6	15.2	15.6	16.7

SOURCE: Central Statistical Office—Housing Economy 2000 and previous year.

According to the LGHS, the average rent loss through rent arrears accounted for 11.6% of the gross rent roll in 2000 (for cities with populations higher than 20,000 inhabitants). However, it varies from city to city.

About 90% of the cases concerning evictions heard in court were dealt with the charge arrears for dwelling use. Regulations regarding evictions have been subject to quite frequent amendment and the tangible results of drawn-out eviction proceedings were fairly modest. This is illustrated by the data in Table 3.33.

In order to improve the efficiency of rent collection and collection of charges for central heating or hot water consumption, the managers of the *gmina* housing stock in all LGHS cities apply standard methods. These include:

- Reminders, demand for payment, direct enforcement in the tenant's apartment;
- Spreading the overdue rent payment over time and allowing repayment by installments as well as the redemption of the interest;
- Improving apartments in return for the repayment of rent arrears;
- Housing allowances;
- Court orders, enforcement by the debt collector, evictions;
- Re-location to a flat of a lower standard.

Table 3.32
Rent Arrears in the Cities Surveyed [% of Gross Rent Roll]

Size of <i>Gmina</i>	The Arrears in 2000 [%]*	The Arrears Anticipated in the Year 2001 [%]
20,000–49,999	9.3	10.3
50,000–99,999	13.3	14.0
100,000–199,999	13.6	15.8
200,000 and more	15.1	16.6
Weighted average	11.6	—

* Including arrears from previous years.

SOURCE: LGHS.

Table 3.33
The Eviction Activities Against the Tenants in Dwellings
Owned or Under the Management of *Gminas*

	1997	1998	1999	2000
The number of pending court proceedings	13,727	15,724	16,386	15,389
The number of eviction verdicts given by the court	6,205	6,841	7,672	6,932
The number of enforced evictions	1,642	2,397	3,076	3,364
of these: those resulting from the charge arrears	1,476	2,162	2,746	3,109

SOURCE: Central Statistical Office—Housing Economy 2000 and previous year.

In order to better utilize the uninhabited buildings, some *gminas* offer potential tenants the option to refurbish the flat at their expense. Their rent is then adequately adjusted in accordance with cost of refurbishment. However, in practice, the overall problem of uninhabited buildings is marginal and generally neglected.

2.2.8 Allocation of Municipal Housing

An extremely long waiting period for allocation of a *gmina* flat, which could be as long as six or even more years within big cities, is also a reflection of stock turnover. Due to the shortage of the new *gmina* flats, only 2% of the stock is rented out annually. In principle, the *gminas* do not have any preferences for newly wed couples with children,

even though a family situation is one of the many criteria used in making selection of a new tenant. The basic criterion is the number of inhabitants per square meter of their current dwelling and, sometimes, substandard living conditions or the unstable, and dangerous, structure of the building.

Table 3.34
Allocations of Dwellings Belonging to *Gmina* Stock (2000)

Size of <i>Gmina</i>	The Average Waiting Period in Months*	The Number of Annual Re-lets** (2000)
20,000–49,999	57	2.0
50,000–99,999	55	2.1
100,000–199,999	52	3.4
200,000 and more	69	1.7
Weighted average	58	2.2

* For a household including two adults and one child (just born) where only one adult person earns the average national salary.

** In % from total *gmina* having stock.

SOURCE: LGHS.

Table 3.35
The Structure of the Newly Concluded Tenancy Agreements [%]

Size of <i>Gmina</i>	"Social" Dwellings	Other
20,000–49,999	34.8	64.9
50,000–99,999	18.9	71.3
100,000–199,999	18.3	74.0
200,000 and more	34.8	64.8
Weighted average	25.4	69.9

SOURCE: LGHS.

For the majority, representing 93% of the cities surveyed, a waiting list was in place. However, as little as 23% of the cities applied a clearly defined scoring system for the evaluation of housing needs and, in the big cities, this share was even lower, amounting to 16%.

Almost 60% of the cities, with the biggest cities occupying a dominant position of 83%, declared that they apply the differentiated policy of flat allocation which takes into

account various groups of tenants. However, the given examples for such differentiation, are the allocation of flats for persons brought up in the orphanages and persons released from prison (as prescribed by law).

The *gminas* also maintain a small margin of dwellings as reserve, in preparation for unexpected social needs (emergency situations). Within the group of allocated *gmina* flats (or to be more correct within the framework of the tenancy agreements), a considerable share goes to “social” dwellings (25%).

3. CONCLUSIONS AND RECOMMENDATIONS

- 1) The changes observed in Polish housing policy, during the period of economic transition between 1990–2000, had the following results:
 - The state direct involvement in financing housing construction and housing economy became significantly limited;
 - Local governments began to play a vital role in the housing sector;
 - The importance of economic efficiency in housing and housing resource management increased.

The state housing policy created grounds for new institutions (the National Housing Fund, the Housing Savings Banks, the Social Housing Associations) and new tools aimed at supporting housing development. These included rent prices regulated at the local level, housing allowances, preferential housing loans and tax relief within the income tax system.

- 2) In view of the above changes, local governments became responsible for catering to local community housing needs via the application of tools and measures introduced by the national and local housing policies. Such initiatives were launched in respect to the local rent policy, aiming at rational management of municipal housing resources, local governments’ active involvement in the development of social housing projects addressed to low-income households, creation of favorable grounds for housing developers through the application of suitable land policies and indirect land development opportunities.
- 3) The effectiveness of housing resource management was improved by privatizing the *gminas*’ (municipality) resources, having been administered by local governments since 1990.
- 4) In order to meet the housing demands of the local community, including social aspects, local governments were placed under the obligation to subsidize housing

costs and pay housing allowances in accordance with statutory provisions. Local authorities also became responsible for providing council housing to tenants from the lowest income bracket as well as to the homeless (“social” housing).

- 5) Local governments did not receive any direct, or indirect, financial support from the central budget at the required level to solve the housing problems. In particular, these included the related obligation to create satisfactory groundwork for the development of housing and the local governments’ direct involvement in various programs (housing subsidies, the Social Housing Associations, council housing, development of municipal infrastructure). As a result, many programs were implemented inefficiently and some were even suspended (such as repairs and upgrade support programs for housing resources or the case that concerned the establishment of the Busparkasse type housing banks).
- 6) Due to ineffective methods of municipal housing resource management in the past, the process of privatizing municipal resources and creating condominiums was obstructed by financial problems related to the upkeep and upgrading of community resources. The solutions introduced frequently prevented condominiums from raising the required funds to repair and upgrade their resources by taking out bank loans on satisfactory terms or acquiring the financial support of local authorities. Thus, the anticipated improvement in housing resource management can not be observed in practice.
- 7) According to the results of research and polls conducted in connection with this project over the past few years, Polish municipalities began to focus on developing own housing policies and strategies. This enable them to correctly identify the hierarchy of housing needs and formulate the objectives, methods and tools required to meet those goals. The above stated particularly applies to medium-size and large cities, 40-50% of which have developed such strategies and programs. Nevertheless, there are very few comprehensive programs and the shortage of suitable tools and procedures obstructs their implementation. This insufficiency results from the persistent lack of awareness of the need for system action, the commune’s inability to develop such programs, and the shortage of funds. Another major obstacle is the lack of stability in the development and implementation process of state housing policy. It should also be noted that local authorities with a high share of municipal resources are more actively involved in the creation and implementation of local housing strategies.
- 8) The changes observed in the Polish economy between 1996 and 1998 brought relatively high economic growth. This, however, was not accompanied by an adequate

support for public funding, including state funding, for housing programs. The crisis, which surfaced in 2001, including a deficit in the public finance sector, has led to the suspension of several new housing programs. The future of numerous programs continues to remain uncertain. The former applies to the “own apartment” program, new housing saving scheme as well as programs on upgrading of the existing housing resources. The latter concerns the development of social housing, housing subsidies, development of municipal infrastructure and meeting the housing needs of tenants from the lowest income group.

- 9) The present situation poses a new challenge for local governments that now face the need to develop and implement effective housing policies and also need to initiate new measures to establish partner relationships within the local community.
- 10) The state authorities should be responsible for verifying and defining the hierarchy of the formerly developed housing programs. They should also provide the required financial support for these programs from the central budget or other state-aided sources as well as providing local governments with new options for generating such resources (such as privatization programs).

Following are the main recommendations for both the national and local housing policies:

1) *National Housing Policy*

The income structure of the Polish society, where a definite majority are low- and medium income households, doesn't seem to be a favourable phenomenon to solve the present housing deficit by solely market forces. Hence, apart from activities aimed at stimulation of demand from the households that can aspire to own their dwelling, one should promote the development of the rental housing, which is the only way of meeting the housing needs of most society at present.

One solution should be the continuation of the programme of social housing construction realized by the Social Housing Associations (TBS). Besides that, housing cooperatives, prepared to investment activities and exploitation of housing stock, should have wider access to the funds of the National Housing Fund for construction of rental flats. The rules and regulations for allocation of funds should consider the experiences and effectiveness of entities applying for preferential credits; the housing cooperatives may be such entities.

High deficit in “social” housing for the poorest groups of population should force the State to increase support for construction and financing of new “social” housing.

Extending access to housing allowances is necessary now. With simultaneous growth in rental prices, it should create appropriate conditions for active rent policy, favourable for revitalisation of communal and private housing stock.

A number of reasons (legal, organizational, and financial) contribute to the bad condition in the field of housing stock maintenance. It concerns especially *gminas* housing stock. The long time of postponement in renovation works resulted in general overhauls which are costly for tenants. They can only be carried out if special funds are allocated for this purpose. Significant support from the state budget is necessary in that situation. Support should be both of direct and indirect types: direct support in a form of interest subsidies and indirect in a form of tax relief.

The high level of deficit in the field of communal infrastructure has negative impact on the living condition of the population and constitutes one of the basic barriers to housing construction as well as to rehabilitation and modernization of existing housing stock. The level of local government investments does not correspond to the demand in this respect. The most of cost of investment projects are mainly financed by *gminas* own funds. To move that barrier the financial support, at attractive conditions, should be applied within the framework of the state housing policy.

The crucial element in realisation of housing policy at the local level is the stability, at least in the medium-term, of state housing policy.

2) *Local Housing Policy*

The actions of communes within the scope of housing should be based on strategic plans, whose objectives should be approved by the Local Councils. A good opportunity may be a duty of preparation of long-term strategy on housing stock management, imposed on communes in 2002.

Privatization of communal housing stock should be realised in a well-thought out and selective manner, enabling the communes to realize their assignments within the scope of satisfying housing needs of local society.

When restructuring the management of communal housing stock, the market rules and competition should be taken into account. According to certain opinions, the commune should not participate in management of real properties forming the condominiums.

The current budget enterprises, managing the commune-owned housing, are not effective and competent entities because they are dependent and restricted by the regulations of the Budgetary Act. In addition to this, they are not a subject to competition pressure, hence, it may be advisable to convert them into independent economic entities. Based on existing experience, the creation of multilevel managing structures is not advisable.

The information received from the Polish local authorities indicate that waiting lists and explicit systems of living standard evaluation are applied only partially and that, in principle, no real preferences for the group of needy population (young married couples with children, disabled persons, elderly, etc.) are determined. When housing strategy and plan of housing stock management is prepared, it is necessary to take into consideration legible and socially acceptable clarification of the rules and regulations determining the access to municipal flats at moderate rents.

The communes should search for new solutions in the field of “social” housing, aimed at increasing the number of “social” flats (by extension of buildings, loft adaptation, redemption of flats for debts, etc.). It should be remembered, however, that creation of “social” housing stock should not lead to the creation of so called social ghettos.

3) *Revitalisation of Urban Areas*

Low standard of municipal housing stock requires acceleration of the pending works on the Act pertaining to housing stock revitalisation (setting legal conditions for public–private partnership in this field).

The problem of revitalisation of urban areas, including communal housing stock, requires both legislative activity of the State and practical activity of the communes. Communes should be inspired by the best practices of some Polish cities within this scope and the experience coming from countries of the European Union. This concerns mainly planning and financial strategy of such undertakings.

In connection with expected accession of Poland to the European Union, it is important to identify, adopt, and use the experience of the European Union countries within the scope of urban planning, housing finance, housing stock management and revitalisation of housing resources. Local government should be prepared to take advantage of the European Union funds in this area of activity.

ENDNOTES

- 1 This period can be divided into two phases (1989–1993)—firstly, in which principal system changes were made, secondly, a phase (1994–1997) already concentrated on the investment process in construction, managing of the existing housing stock and creation condition for its development.
- 2 New regulations introduced in 2001 (Act on the Tenants Rights and the Municipal Housing Stock) changed the principles of the increase of rental levels—the term “regulated rent” is actually not used, but the tempo of the rent level increases are regulated.
- 3 Revenues and expenditures of the *gminas*’ budgets (only urban area) in Poland in 2000 were the following:
 - a) *revenues*—own revenues 48%, appropriated allocations (from the state budget and funds) 20%, general subsidies from the state budget (31%, mainly for educational tasks).
 - in own revenues: share in the income tax (personal and income tax)—36% of own revenues, real estate tax (23% of own revenue), revenue from property and services (19% of own revenues), agricultural tax and tax on means of transport and treasury fee (22%).
 - b) *expenditures*—municipal transport (8.7%), municipal economy (13%), education (38%), housing economy and intangible municipal services (5.3%), social welfare (11%).
- 4 The level of correctness of the questionnaires returned, differed. The respondents raised doubts about the way goals were prioritised and the statistical data, regarding the city’s whole housing stock, seemed patchy. Therefore, the share of *gmina* stock was overestimated. In the cases which raised doubts, the data was corrected.
- 5 The percentage of uninhabited dwellings does not exceed 1.2% of total *gmina*’s stock.

APPENDIX I

Table A3.1
Geographic Location of Municipal Housing in Poland in 2000

Voivodship	Total Number of Flats in Urban Areas in 2000	Total Number of Municipal Flats	Number of Municipal Flats in Urban Areas	Share of Municipal Flats in Urban Areas within the Total Number of Flats in Urban Areas [%]	Share of Municipal Flats in Rural Areas within the Total Number of Municipal Flats [%]	Total Number of Council Flats in 2000	Share of Council Flats within Total Number of Municipal Apartments [%]
Dolnośląskie	702.3	226.5	208.1	29.6	8.1	3.5	1.5
Zachodniopomorskie	380.9	93.8	88.1	23.1	6.1	1.3	1.4
Lubuskie	210.1	49.9	46.3	22.0	7.2	1.0	2.0
Opolskie	184.0	43.0	38.9	21.1	9.5	0.9	2.1
Pomorskie	480.1	96.2	91.2	19.0	5.2	1.3	1.4
Łódzkie	643.4	127.0	121.5	18.9	4.3	3.7	2.9
Śląskie	1,319.6	231.7	226.3	17.1	2.3	4.4	1.9
Warmińsko–Mazurskie	269.5	48.8	41.8	15.5	14.3	1.4	2.9
Mazowieckie	1,177.4	178.3	170.1	14.4	4.6	3.9	2.2
Kujawsko–Pomorskie	429.2	67.1	59.4	13.8	11.5	1.4	2.1
Wołkopskie	613.9	78.8	68.1	11.1	13.6	1.1	1.4
Małopolskie	527.4	56.7	53.6	10.2	5.5	0.8	1.4
Podlaskie	232.7	21.9	19.6	8.4	10.5	0.3	1.4
Podkarpackie	257.5	20.5	18.2	7.1	11.2	0.9	4.4
Lubelskie	328.3	20.9	17.5	5.3	16.3	1.1	5.3
Świętokrzyskie	196.9	9.8	7.7	3.9	21.4	2.6	26.5

SOURCE: Central Statistical Office—Housing Economy 2000.

Figure A3.1
 Geographic Location of Municipal Housing in Urban Areas
 within Poland during 2000

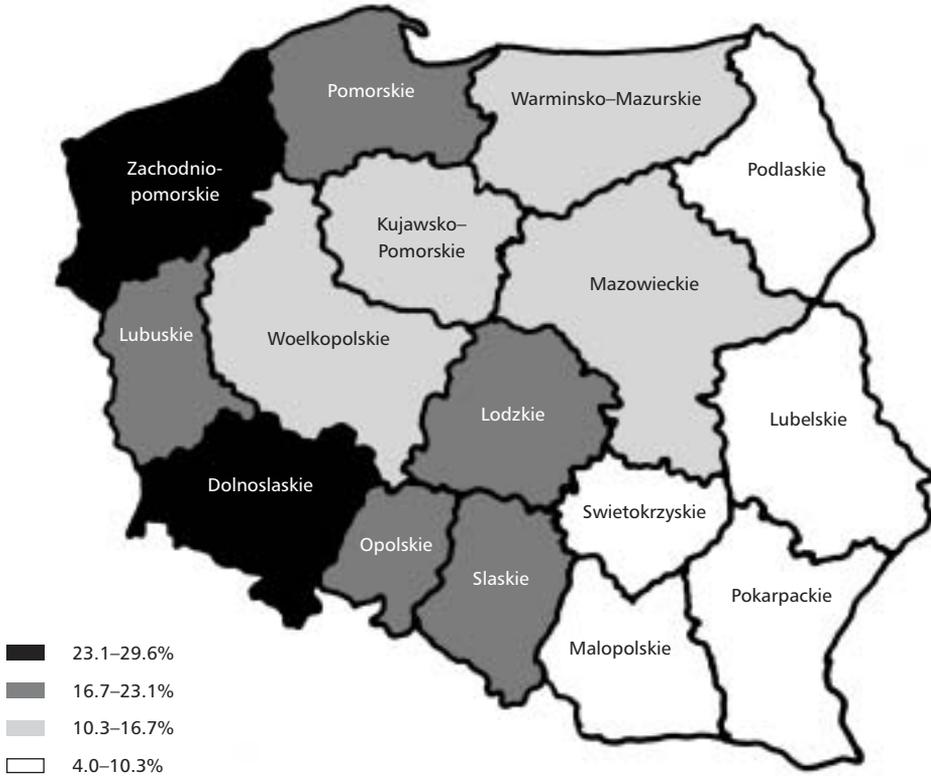


Table A3.2
Total Unit Costs in Relation to *Gminas'* Housing Stock Maintenance,
as Expressed in PLN/m²/month

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Costs in PLN/m ² /month	0.42	0.69	0.82	1.03	1.53	1.77	2.27	2.84	3.29	3.56
The cost growth indicator (1991 = 100) in current prices	100	164	195	245	364	421	540	676	783	848
Inflation indicator (1991 = 100)	100	143	193	256	327	392	450	503	540	595
Costs in PLN/m ² /month, base prices in 1991	0.42	0.48	0.42	0.40	0.47	0.45	0.50	0.56	0.61	0.60
The costs growth indicator (1991=100) in base prices	100	114	100	96	111	107	120	134	145	142

NOTE: Exchange rates 1 USD to PLN, in the years 1991–2000: 1991—1.095; 1992—1.565; 1993—1.815; 1994—2.273; 1995—2.424; 1996—2.697; 1997—3.281; 1998—3.493; 1999—3.968; 2000—4.346. For the years between 1991–1992, the exchange rate is taken from 31st December for the coming years' annual average exchange rate.

SOURCE: J. Kornilowicz—collective study work regarding housing monitoring, 1990–2000.

Table A3.3
Total Unit Costs of Maintaining the Cooperative Housing Stock,
as Expressed in PLN/m²/month (Exclusive of Central Heating and Hot Water)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Costs in PLN per m ²	0.37	0.59	0.69	0.97	1.20	1.61	1.97	2.59	3.09	3.69
Cost growth indicator (1991 = 100) in current prices	100	159	186	262	325	436	532	700	835	997

Note: Exchange rates 1 USD to PLN, between 1991–2000: 1991—1.095; 1992—1.565; 1993—1.815; 1994—2.273; 1995—2.424; 1996—2.697; 1997—3.281; 1998—3.493; 1999—3.968; 2000—4.346. For the years between 1991–1992, the exchange rate is taken from 31st December for the coming years' annual average exchange rate.

Source: J. Kornilowicz—collective study work regarding housing monitoring, 1990–2000.

Table A3.4

Unit Costs for Day-to-day Operation, as well as *Gminas'* Housing Stock Technical Maintenance, in PLN/m²/month (Exclusive of Central Heating and Hot Water)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Day to day operational costs [PLN/m ² /month]	0.25	0.43	0.53	0.69	1.04	1.21	1.49	1.72	2.17	2.38
The cost growth indicator (1991=100) in current prices	100	172	212	275	415	481	596	716	868	952
Inflation indicator (1991=100)	100	143	193	256	327	392	450	503	540	595
Technical maintenance costs [PLN/m ² /month] in current price	0,17	0.26	0.29	0.34	0.49	0.56	0.78	1.05	1.12	1.18
The costs growth indicator (1991=100) in current prices	100	153	171	200	289	329	459	648	659	694

NOTE: Exchange rates 1 USD to PLN, in the years 1991–2000: 1991—1.095; 1992—1.565; 1993—1.815; 1994—2.273; 1995—2.424; 1996—2.697; 1997—3.281; 1998—3.493; 1999—3.968; 2000—4.346. For the years between 1991–1992, the exchange rate is taken from 31st December for the coming years' annual average exchange rate.

SOURCE: J. Kornilowicz—collective study work regarding housing monitoring, 1990–2000.

Table A3.5

Unit Costs and Charges for Central Heating and the Amount Covered by *Gmina* Housing Stock Tenants

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	1991 = 100
Costs of central heating expressed [PLN/m ² /month]	0.48	0.73	0.90	1.12	1.60	1.85	2.25	2.56	2.68	2.71	564
Charges for hot water expressed [PLN/m ² /month]	0.17	0.46	0.70	1.05	1.54	1.74	2.16	2.43	2.68	2.71	1,594
Amount covered by tenants' charges [%]	35	63	78	94	96	94	96	95	100	100	—

NOTE: Exchange rates 1 USD to PLN for the years between 1991–2000: 1991—1.095; 1992—1.565; 1993—1.815; 1994—2.273; 1995—2.424; 1996—2.697; 1997—3.281; 1998—3.493; 1999—3.968; 2000—4.346. For the years between 1991–1992, the exchange rate is taken from 31st December for the coming years' annual average exchange rate.

SOURCE: J. Kornilowicz—collective study work regarding housing monitoring, 1990–2000.

Table A3.6
 Unit Revenues from Dwellings Belonging to *Gmina* Housing Stock,
 as Expressed in PLN/m²/month
 (Excluding Costs of Central Heating and Hot Water)

	1991	1992	1993	1994	1995
Revenues expressed [PLN/m ² /month]	0.16	0.27	0.3	0.33	0.98
Revenue growth indicator (1991 = 100) in current prices	100	169	188	206	613
Inflation index (1991=100)	100	143	193	256	327
Revenues expressed [PLN/m ² /month], base prices for 1991	0.160	0.189	0.155	0.129	0.300
The revenues growth indicator (1991 = 100) in base prices	100	118	97	81	187
Gross average monthly salary published as for the national economy expressed [PLN]	—	293.5	399.5	532.8	702.6

	1996	1997	1998	1999	2000
Revenues expressed [PLN/m ² /month]	1.21	1.59	2.02	2.46	2.82
Revenue growth indicator (1991 = 100) in current prices	756	994	1,263	1,538	1,763
Inflation index (1991=100)	392	450	503	540	595
Revenues expressed [PLN/m ² /month], base prices for 1991	0.309	0.353	0.401	0.455	0.474
The revenues growth indicator (1991 = 100) in base prices	193	221	251	285	296
Gross average monthly salary published as for the national economy expressed [PLN]	873.0	1,061.9	1,239.4	1,706.7	1,923.8

NOTE: Exchange rates 1 USD to PLN for the years between 1991–2000: 1991—1.095; 1992—1.565; 1993—1.815; 1994—2.273; 1995—2.424; 1996—2.697; 1997—3.281; 1998—3.493; 1999—3.968; 2000—4.346. For the years between 1991-1992, the exchange rate is taken from 31st December for the coming years' annual average exchange rate.

SOURCE: J. Kornilowicz—collective study work regarding housing monitoring, 1990–2000.

Table A3.7
Structure of Resources Covering the Total Dwelling Maintenance Costs
for *Gminas*' Stock [%]

The share of the cost coverage	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Revenues from dwellings (exclusive of central heating and hot water)	38	39	37	32	64	68	70	71	75	79
Surplus of revenues from business premises	33	32	29	24	20	20	17	14	12	13
Subsidies from communes and housing allowances	29	29	34	44	16	12	13	15	13	8

SOURCE: J. Kornitowicz—collective study work regarding the housing monitoring for years 1990–2000.

Table A3.8
General Indicators

	1990	1991	1992	1993	1994	1995
The rate of inflation [%] (previous year = 100)	685.8	170.3	143.0	135.3	132.2	127.8
Average costs [PLN/m ² of new constructed dwelling] in the third quarter of the year	160	354	530	730	810	920
Index on average cost [PLN/m ² of new constructed dwelling] (previous year=100)	682.0	221.3	149.7	137.7	111.0	113.6
The number of m ² of dwelling/average salary	0.64	0.50	0.55	0.55	0.66	0.76

	1996	1997	1998	1999	2000
The rate of inflation [%] (previous year = 100)	119.9	114.9	111.8	107.3	110.1
Average costs [PLN/m ² of new constructed dwelling] in the third quarter of the year	1,170	1,450	1,900	2,200	2,300
Index on average cost [PLN/m ² of new constructed dwelling] (previous year=100)	127.2	123.9	131.0	115.8	104.5
The number of m ² of dwelling/average salary	0.75	0.73	0.65	0.78	0.84

NOTE: Exchange rates 1 USD to PLN, between the years 1991–2000: 1991—0.095; 1992—1.565; 1993—1.815; 1994—2.273; 1995—2.424; 1996—2.697; 1997—3.281; 1998—3.493; 1999—3.968; 2000—4.346. For the years between 1991–1992, the exchange rate is taken from 31st December for the coming years' annual average exchange rate.

SOURCE: Central Statistical Office—Statistical Yearbook 2001 and previous years.

APPENDIX II

Table A3.9
Housing Construction during 1991–2000

Items	1991	1992	1993	1994	1995
Dwellings completed in thousands, within [%] by	136.8	133.0	94.4	76.1	67.1
• cooperatives	61.1	63.4	52.9	41.7	40.0
• gminas (municipal)	1.9	2.7	4.9	4.7	4.9
• companies	7.8	6.2	6.3	5.0	3.7
• rental or for sale	—	—	0.5	1.9	4.2
• social housing associations	—	—	—	—	—
• private individuals	29.2	27.7	35.4	46.7	47.2
Dwellings completed per					
• 1,000 population	3.6	3.5	2.5	2.0	1.7
• 1,000 marriages contracted	587	612	455	366	324
Average usable floor space/dwelling completed [m ²]	75.0	75.0	81.1	88.5	89.6
Dwellings in thousands					
• started	105.8	—	—	—	90.6
• under construction	464.9	—	—	—	537.7

Items	1996	1997	1998	1999	2000
Dwellings completed in thousands, within [%] by	62.1	73.7	80.6	82.0	87.7
• cooperatives	39.6	38.1	34.8	33.5	24.4
• gminas (municipal)	4.8	5.0	4.2	3.3	2.0
• companies	2.6	1.9	1.7	1.2	1.2
• rental or for sale	4.3	6.9	11.2	17.3	20.7
• social housing associations	0.2	0.4	1.7	4.1	4.4
• private individuals	48.5	47.7	46.4	40.6	39.7
Dwellings completed per					
• 1,000 population	1.6	1.9	2.1	2.1	2.3
• 1,000 marriages contracted	305	360	385	374	416
Average usable floor space/dwelling completed [m ²]	92.1	93.3	93.4	87.8	89.7
Dwellings in thousands					
• started	98.6	97.8	93.9	135.6	125.8
• under construction	576.6	602.9	618.8	672.3	710.5

SOURCE: On the basis of the Statistical Yearbook of the Republic of Poland 2001 and previous years—Central Statistical Office.

Table A3.10
 State Budget Expenditures for Housing Purposes
 —Level, Structure, and Its Relationships

Items	1991	1992	1993	1994	1995
Total housing spending					
• [million PLN]	1,227	2,350	1,923	2,760	2,817
• [%] (previous year = 100)	100.0	191.5	81.8	143.5	102.1
Share in total spending					
• spending created for new housing demand	17.0	22.0	23.0	25.0	6.0
• other spending	83.0	78.0	77.0	75.0	74.0
Relations of housing spending to [%]					
• state budget expenditure	5.1	6.1	3.8	4.0	3.1
• gross domestic product	1.5	2.0	1.2	1.3	1.0

Items	1996	1997	1998	1999	2000
Total housing spending					
• [million PLN]	3,398	3,392	3,297	3,103	2,590
• [%] (previous year = 100)	120.6	99.8	97.2	94.1	83.5
Share in total spending					
• spending created for new housing demand	29.0	35.0	36.0	36.0	48.0
• other spending	71.0	65.0	64.0	664.0	52.0
Relations of housing spending to [%]					
• state budget expenditure	3.1	2.7	2.4	1.5	1.7
• gross domestic product	0.9	0.8	0.6	0.3	0.4

NOTE: Exchange rates 1 USD to PLN, between the years 1991–2000: 1991—1.095; 1992—1.565; 1993—1.815; 1994—2.273; 1995—2.424; 1996—2.697; 1997—3.281; 1998—3.493; 1999—3.968; 2000—4.346 For the years between 1991–1992, the exchange rate is taken from 31st December for the coming years' annual average exchange rate.

SOURCE: On the basis of State Office for Housing and Urban Development.

Table A3.11
Housing Allowances Paid to Tenants and Subsidies from the State Budget

	1995	1996	1997	1998	1999	2000
Number of paid allowances [thousands]	6,652.3	7,576.4	7,786.3	8,640.1	8,747.8	9,086.9
Total spending on housing allowances [million PLN]	410.9	512.2	646	914.2	1,044.4	1,264.4
Share of state budget subsidies for financing total of housing allowances payments [%]	55.9	51.8	50.2	49.9	39.9	43.5
Average amount of monthly housing allowances [PLN] within housing stock of:	61.79	67.66	83.26	106.10	119.5	131.4
• gmina (municipal)	57.48	62.05	76.82	99.86	116.34	137.3
• cooperative	63.98	71.42	88.64	111.07	123.15	140.5
• company	65.92	72.08	87.55	117.20	131.28	131.4
• other	52.04	57.26	68.76	91.66	104.71	

NOTE: Exchange rates 1 USD to PLN, between the years 1991–2000: 1991—1.095; 1992—1.565; 1993—1.815; 1994—2.273; 1995—2.424; 1996—2.697; 1997—3.281; 1998—3.493; 1999—3.968; 2000—4.346 For the years between 1991–1992, the exchange rate is taken from 31st December for the coming years' annual average exchange rate.

SOURCE: On the basis of State Office for Housing and Urban Development.

Table A3.12
Buildings which Constitute the Sole Property of the Municipality,
in View of the Method of Management and Administration

Specification	1995	1996	1997	1998	1999	2000
Managed by the municipality	135,454	136,661	128,743	118,951	109,322	102,987
Managed by other entities	2,095	—	—	—	—	—
Administered by the municipality	135,762	134,300	125,789	116,464	105,902	97,039
Administered by an individual	165	526	1,466	180	1,170	952
Administered by other entities	1,622	1,835	1,488	2,307	2,251	4,996
Share of buildings administrated by the <i>gmina</i> [%]	100	98.2	97.7	97.9	96.	94.2

SOURCE: Central Statistical Office—Housing Economy 2000 and previous years.

Table A3.13
Buildings Co-owned by the *Gminas* (Condominiums),
in View of the Method of Management and Administration

Specification	1995	1996	1997	1998	1999	2000
Total number of condominium buildings	64,253	69,348	76,733	81,258	84,979	84,898
Managed by the <i>gmina</i>	61,297	67,779	71,932	74,527	77,845	72,205
Managed by other entities	2,956	1,569	4,801	6,731	7,134	12,693
Administered by the <i>gmina</i>	61,649	66,023	72,437	76,559	78,715	72,713
Administered by an individual	950	1,285	2,036	1,835	3,380	4,210
Administered by other entities	1,654	2,040	2,260	2,864	2,884	7,975
Share of buildings administrated by the <i>gmina</i> [%]	95.9	95.2	94.4	94.2	92.6	85.6

SOURCE: Central Statistical Office—Housing Economy 2000 and previous years.

