



**Ogólnopolska Izba Gospodarcza
Towarzystw Budownictwa Społecznego**

UNECE SYMPOSIUM SOCIAL HOUSING

VIENNA 28 –30 November 2004

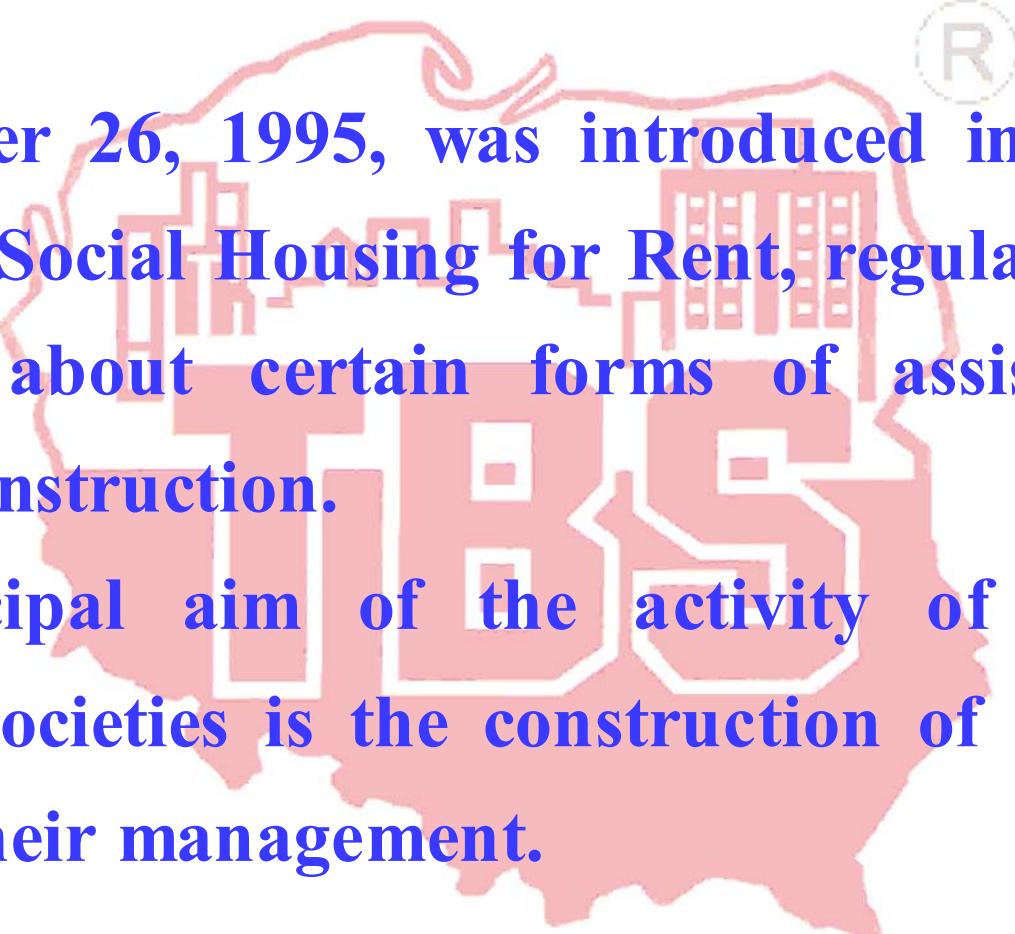
Zdzisław SŁABKOWICZ

Chairman

**Polish National Chamber of Commerce
Of Low-Cost Housing Societies**

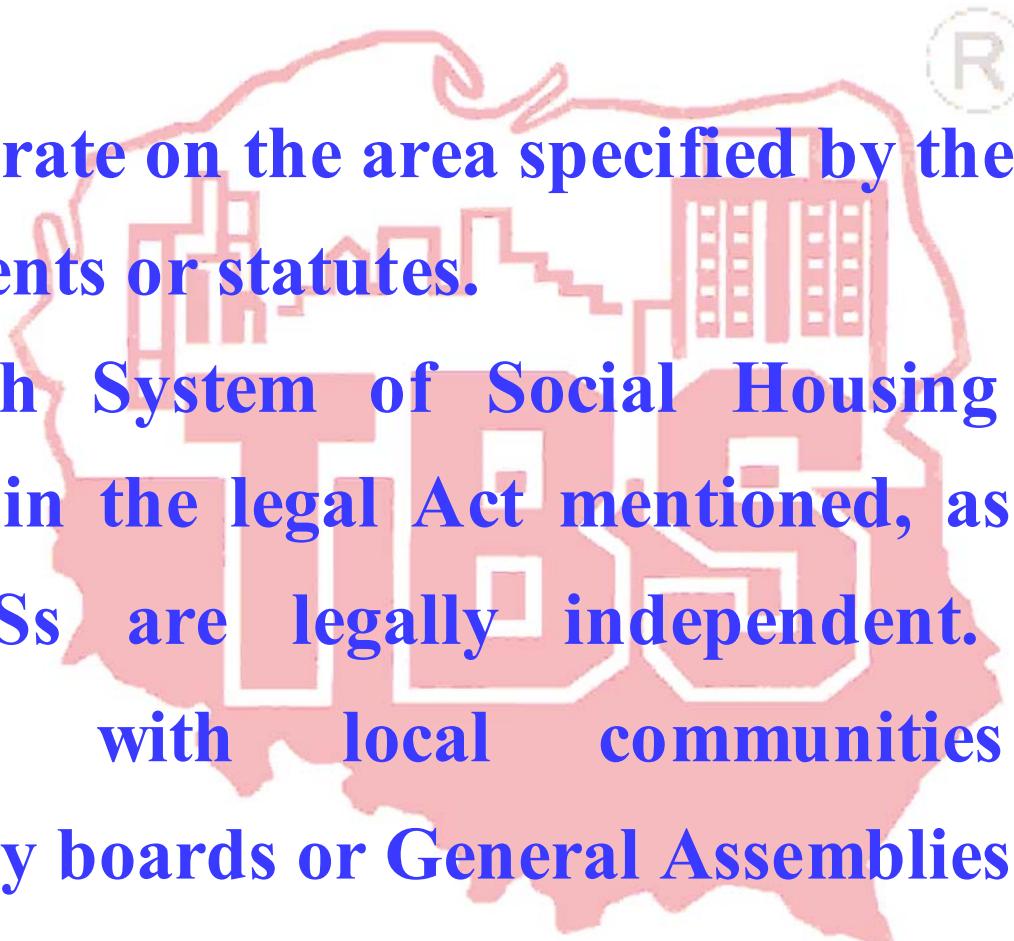
**LOW-COST BUILDING IN POLAND
BUDOWNICTWO SPOŁECZNE W POLSCE**

**LOW-COST BUILDING SOCIETY TODAY
TOWARZYSTWA BUDOWNICTWA SPOŁECZNEGO DZIŚ**



On October 26, 1995, was introduced in Poland a System of Social Housing for Rent, regulated by the legal act about certain forms of assistance for housing construction.

The principal aim of the activity of Low-Cost Housing Societies is the construction of houses for rent and their management.



LCHS operate on the area specified by their founders in agreements or statutes.

The Polish System of Social Housing for Rent, described in the legal Act mentioned, assumes that the LCHSs are legally independent. They are associated with local communities through supervisory boards or General Assemblies.

The Polish System of Social Housing for Rent consists of:

1. Legal tools in the form of:

- a) Act on certain forms of assisting housing construction.
- b) Regulation of the principles of granting loans and credits from the National Housing Fund.

Auxiliary legal acts, such as:

- c) Act on the protection of tenants of gmina housing resources and changes in the Civil Code obligates local governments to create conditions for meeting the inhabitants housing requirements.
- d) Act on housing subsidies – among much else describing the principles of granting housing subsidies.
- e) Act on housing ownership – among much else defining what is a housing community and how the community's property is to be managed.
- f) Act on public procurement – describes among much else what requirements must a LCHS meet in a tender procedure.
- g) Act on real estate management – describes among much else the laws ruling land turnover, real estate management and what licences are required of economic units managing gmina of public real estate
- h) Acts on local governments and on public finances – those Acts determine the obligations of local governments, principles for granting subventions by the state and for credit applications.

The Polish System of Social Housing for Rent consists of:

- 2. Legal regulations rendering it possible to create economic units,
based on the Code of Trade:**

 - a) Limited liability companies,**
 - b) Stock companies,**
 - c) Co-operatives of legal persons (based on the co-operative law)**
- 3. A financial tool in form of the National Housing Fund (located by
the Banku Gospodarstwa Krajowego), granting low interest
credits for Social Housing for Rent.**

And thus:

Ad.1. Legal tools:

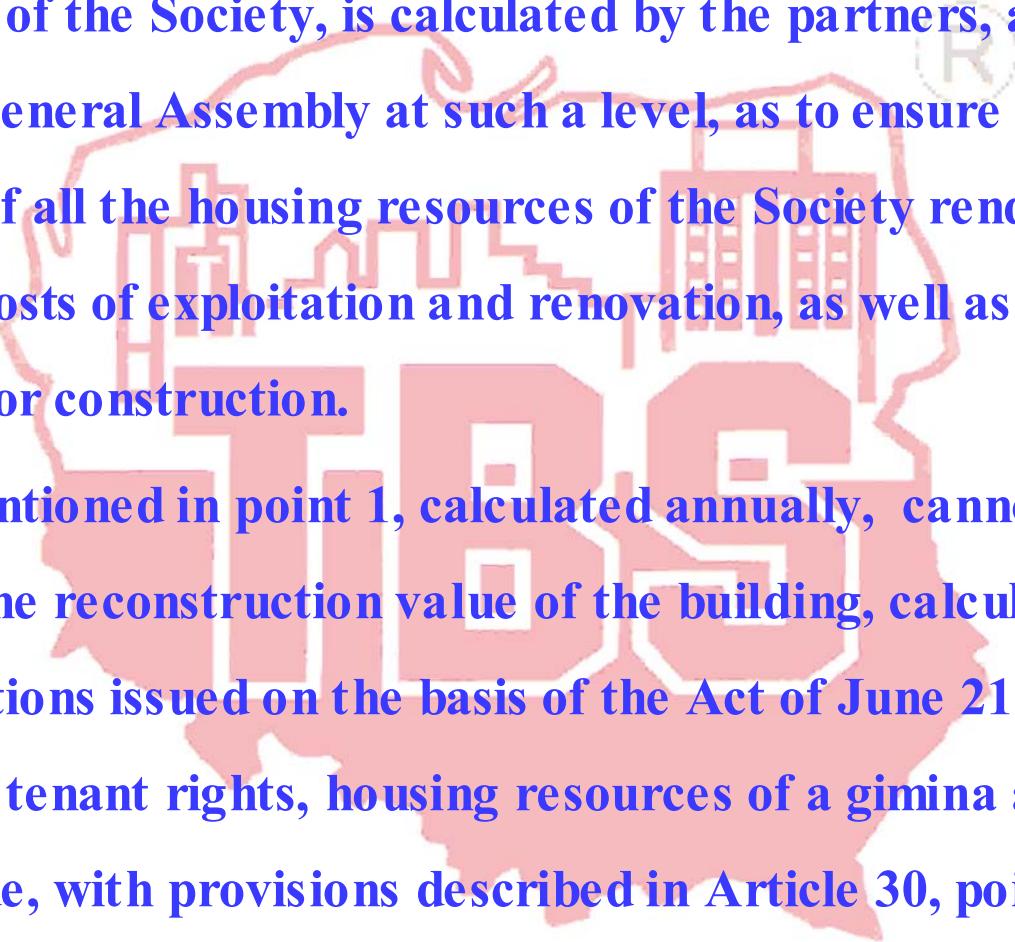
Ad.1.a. Act on certain forms of assisting housing construction.

Provides for the creation of economic units realising the goals for which the system was organised and imposes specific duties on those tools, i.e. LCHSs:

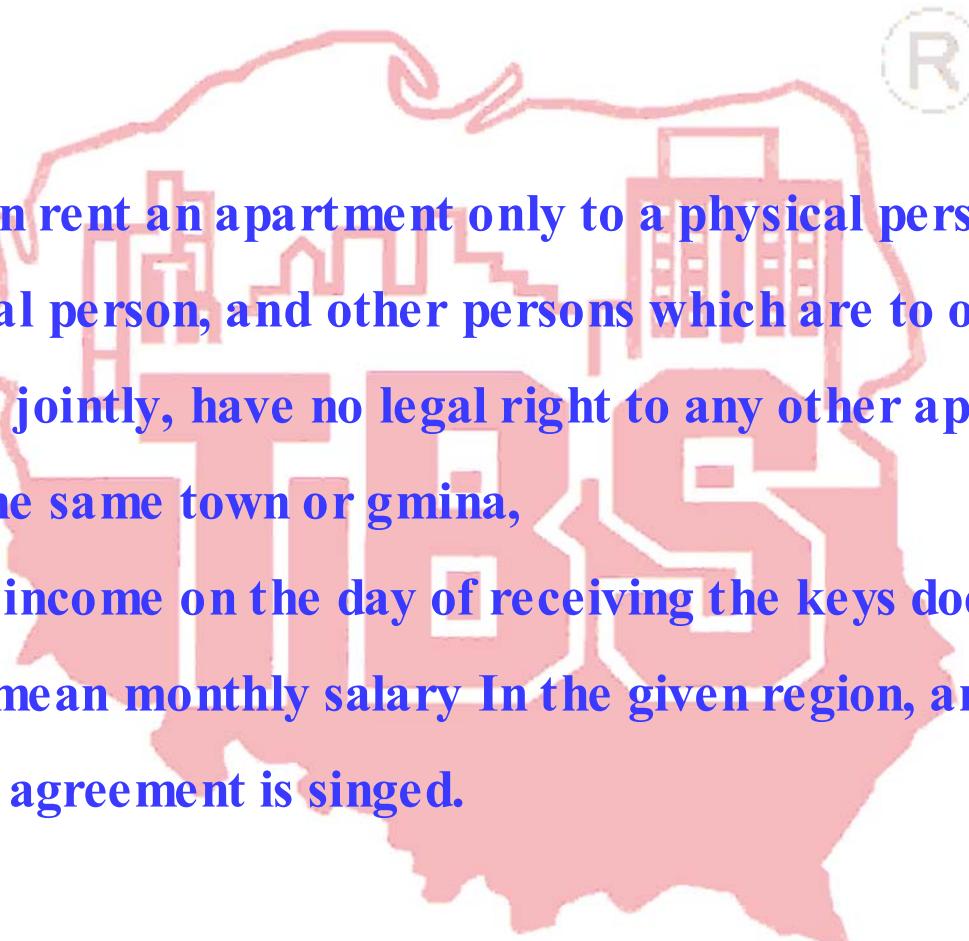
- a) The income of the LCHS cannot be divided between its partners or members. It must be wholly used for statutory goals of the LCHS.
- b) The local governments of the given territory have the right to introduce their representatives to the Board of Directors (the number depends on the statute of the LCHS).

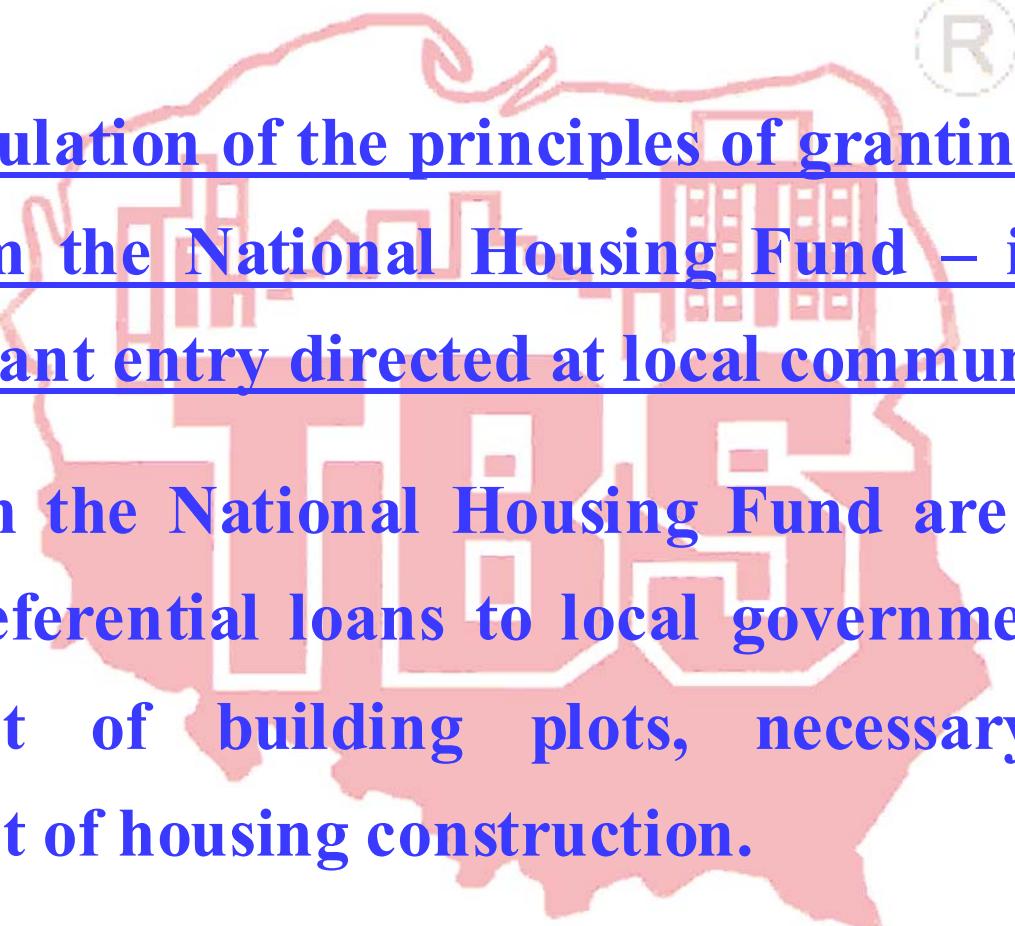
c) The principal task of a LCHS is the construction of houses and their future management. The LCHS may also:

- Purchase houses,
- Renovate and modernize buildings designated to meet the housing requirements as tenement houses,
- Rent utility premises being in the resources of the LCHS,
- on the basis of signed agreements manage dwelling and non-dwelling buildings not owned by the Society. However, the area of non-dwelling buildings cannot exceed that of dwelling buildings,
- conduct other activities related to the construction of houses and the accompanying infrastructure.

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- d) The rent calculated per 1m² of a tenement flat, remaining in the management of the Society, is calculated by the partners, a stock holders meeting or General Assembly at such a level, as to ensure that the total for the rent of all the housing resources of the Society renders it possible to meet the costs of exploitation and renovation, as well as the payment of loans taken for construction.
 - e) The rent, mentioned in point 1, calculated annually, cannot be higher than 4% of the reconstruction value of the building, calculated according to the regulations issued on the basis of the Act of June 21, 2001 about the protection of tenant rights, housing resources of a gimina and changes in the Civil Code, with provisions described in Article 30, point 5 of the Act of October 26, 1995, about certain forms of assistance to housing construction and the change of certain Legal Acts.

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- f) The employer, acting with the aim of securing housing for his employees, as also other legal persons, interested in obtaining apartments for specific tenants, may sign agreements with the LCHS about participation in the building costs of such housing resources.
 - g) The agreement with the tenant may put on the tenant the obligation of paying a deposit, covering debts or unpaid rent at the time when the tenant is releasing the apartment.
 - h) If the income of the tenant exceeds that described in paragraph 1 point 2 the LCHS may terminate the agreement as regards the rent and introduce a free market rent.

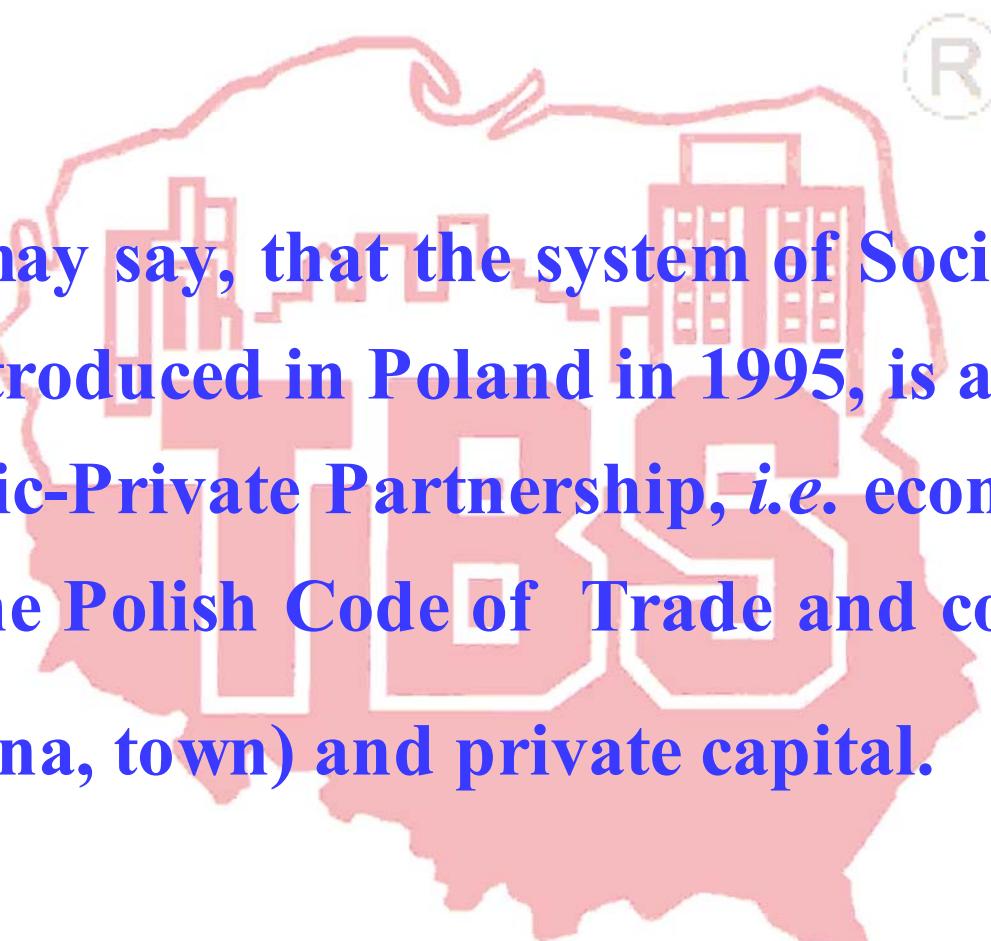
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- i) The Society can rent an apartment only to a physical person if:
- the physical person, and other persons which are to occupy the apartment jointly, have no legal right to any other apartment or house in the same town or gmina,
 - the family income on the day of receiving the keys does not exceed 1.3 of the mean monthly salary In the given region, announced before the agreement is singed.



Ad.1.b. Regulation of the principles of granting loans and credits from the National Housing Fund – including a very important entry directed at local communities:

Means from the National Housing Fund are designated also for preferential loans to local governments for the development of building plots, necessary for the development of housing construction.

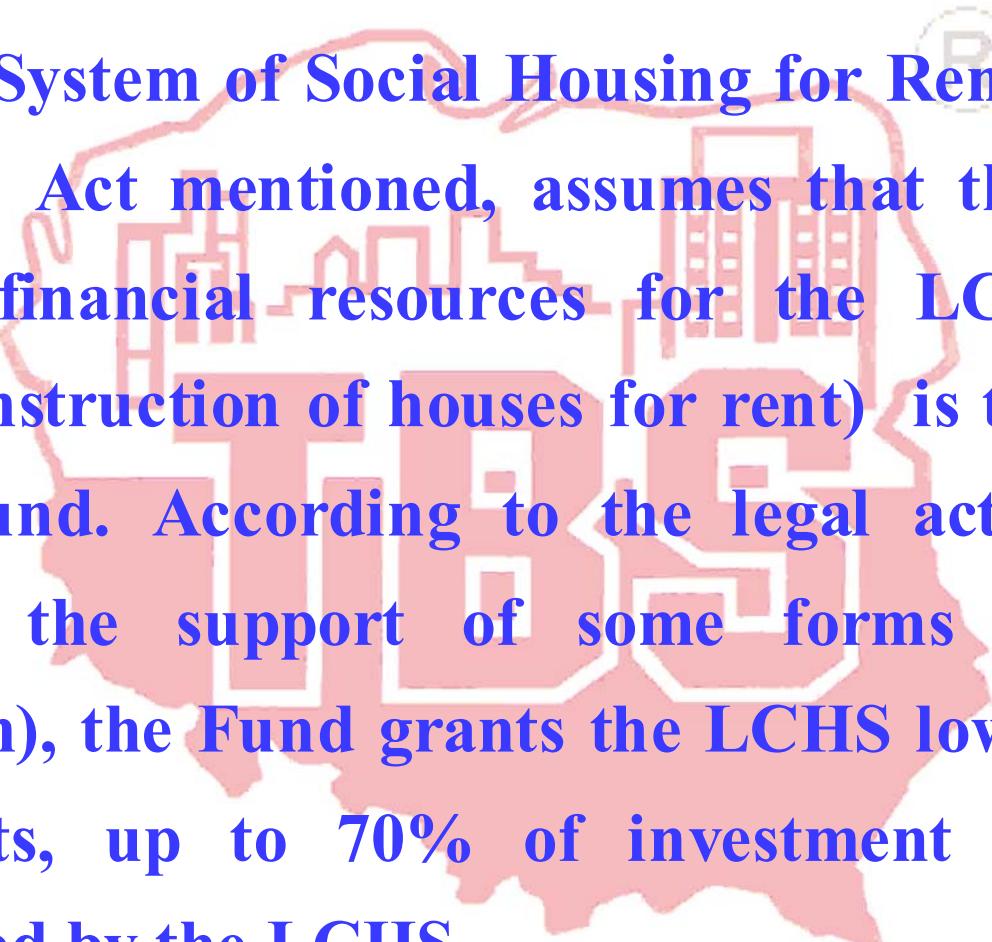
Ad.2. Legal regulations rendering it possible to create economic units, based on the Code of Trade, this means economic units in form of limited liability companies, stock companies or cooperatives of legal persons named Low-Cost Housing Societies (LCHS). Thus companies are created principally by gminas though the participation of other interested subjects is also possible: housing cooperatives, building firms, building material producers, municipal economic units, lokal banks and companies who want to solve the housing problems of their employees.



Thus one may say, that the system of Social Housing for rent, introduced in Poland in 1995, is a protoplast of the Public-Private Partnership, i.e. economic units based on the Polish Code of Trade and composed of public (gmina, town) and private capital.



**Ad.3. A financial tool in form of the National
Housing Fund (located by the Banku Gospodarstwa
Krajowego), granting low interest credits for Social
Housing for Rent.**



The Polish System of Social Housing for Rent, described in the legal Act mentioned, assumes that the principal source of financial resources for the LCHSs' main activity (construction of houses for rent) is the National Housing Fund. According to the legal act mentioned above (on the support of some forms of housing construction), the Fund grants the LCHS low-rate, long-term credits, up to 70% of investment costs being accomplished by the LCHS.



The remaining 30% of the investment costs must be collected by the LCHS. These are mainly components of such venture cost as sites and their development, or subventions transferred from local communities. Financial sources from other legal subjects or even private persons, interested in construction of houses for rent, also play an important role.

The Polish System of Social Housing for Rent, described in the legal Act mentioned, regulates also certain technical requirements, which must be met by the debtor. They are related to the size of apartments, technical equipment and also detailed requirements concerning the use of thermal energy for heating and supply of warm utilitarian water. These thermal demands and conditions of installation of warm utilitarian water are stated in the executive disposition to the legal act on the support of some forms of housing construction.

These requirements are essential to decrease the expenses of LCHS's tenants for the maintenance of apartments, especially for heating. Polish families spend on average 60% of their housekeeping expenses on heating. Decreasing such costs with a relatively low increase of rents (increase of cost of 1m² for increased outlay on thermal isolation) makes LCHS's apartments more available for families poorly financially situated or decreases the gminas' burden of expenses arising from potential housing assistance.



Ogólnopolska Izba Gospodarcza
Towarzystw Budownictwa Społecznego

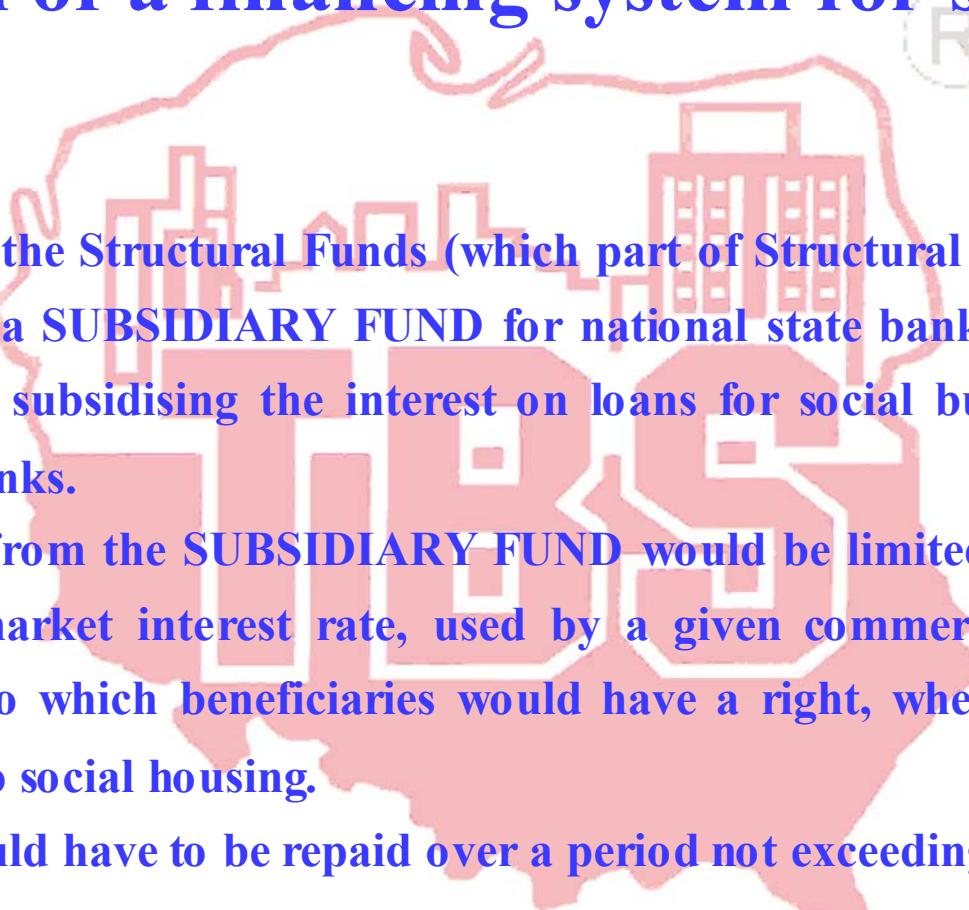
**SYSTEM
OF FINANCING
SOCIAL HOUSING**

1. What is social housing ?

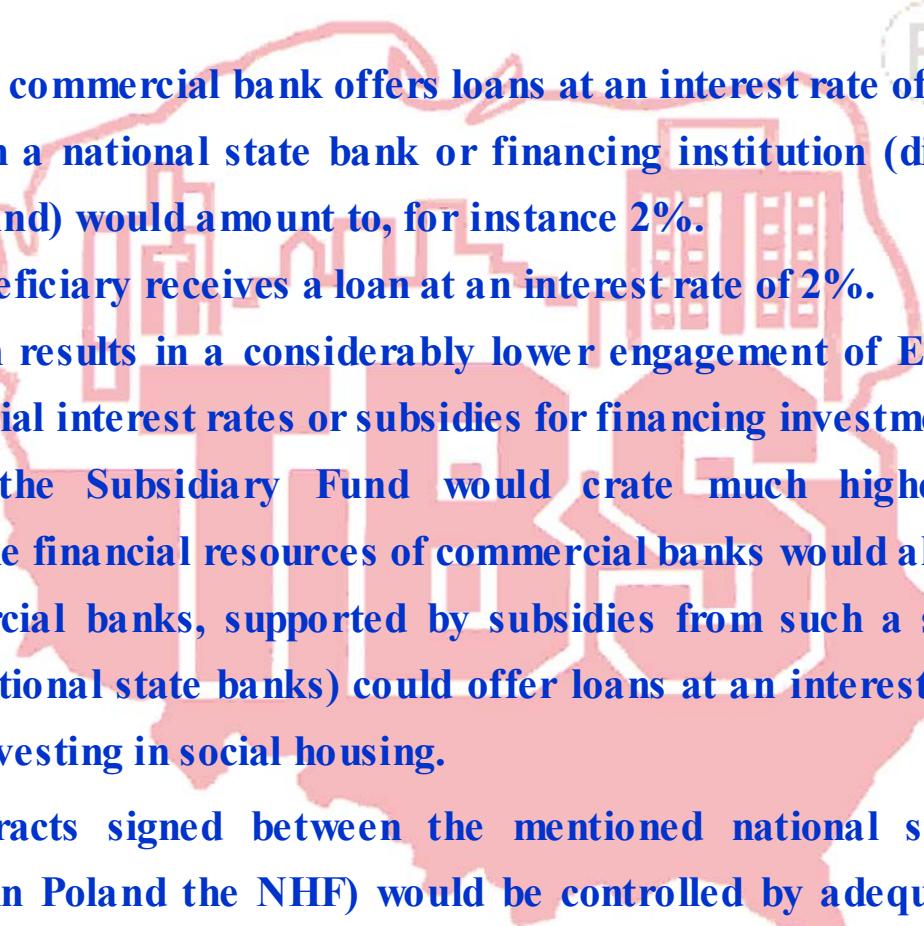
Is it housing construction:

- a. realised through economical organisations, called to being specially for this goal, on the basis of legal acts?,
- b. realised for a specified recipient with an income also defined by a legal act?,
- c. realised according to technologies and within a price defined by a legal act?.
- d. Must social housing fulfil all those requirements or part of them?
- e. When can we speak about a system of social building? What conditions must be met before what we create can be described as a SYSTEM OF SOCIAL BUILDING?

2. Proposal of a financing system for social housing

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1. Separate from the Structural Funds (which part of Structural Funds would have to be decided) a **SUBSIDIARY FUND** for national state banks, which would be designated for subsidising the interest on loans for social building granted by commercial banks.
 2. The subsidies from the **SUBSIDIARY FUND** would be limited by the difference between the market interest rate, used by a given commercial bank and the interest rate, to which beneficiaries would have a right, when taking loans for investment into social housing.
 3. Such loans would have to be repaid over a period not exceeding 40 years.

4. Commentary:

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- a) As an example - a commercial bank offers loans at an interest rate of 4%.
 - b) The subsidy from a national state bank or financing institution (distributing funds from the Subsidiary Fund) would amount to, for instance 2%.
 - c) As a result, the beneficiary receives a loan at an interest rate of 2%.
 - d) A subsidy system results in a considerably lower engagement of EU funds than creating loans at preferential interest rates or subsidies for financing investments in a 100%.
 - e) Subsidies from the Subsidiary Fund would create much higher loans for housing construction as the financial resources of commercial banks would also be involved.
 - f) National commercial banks, supported by subsidies from such a system (as mentioned, distributed by national state banks) could offer loans at an interest rate of 2% or less, to economic units investing in social housing.

The system of contracts signed between the mentioned national state banks or financial institutions (such as in Poland the NHF) would be controlled by adequate state agencies (to be decided which).

3. What should be included in an implementation program for social housing in the countries of Central and Eastern Europe entering the European Union?

An implementation program for social housing in the countries of Central and Eastern Europe entering the European Union should include:

a) A determination of common rules, defining what is social housing, according to what legislative regulations should it operate and thus what changes are necessary in the law of the given country to harmonize it with that of the European Union:

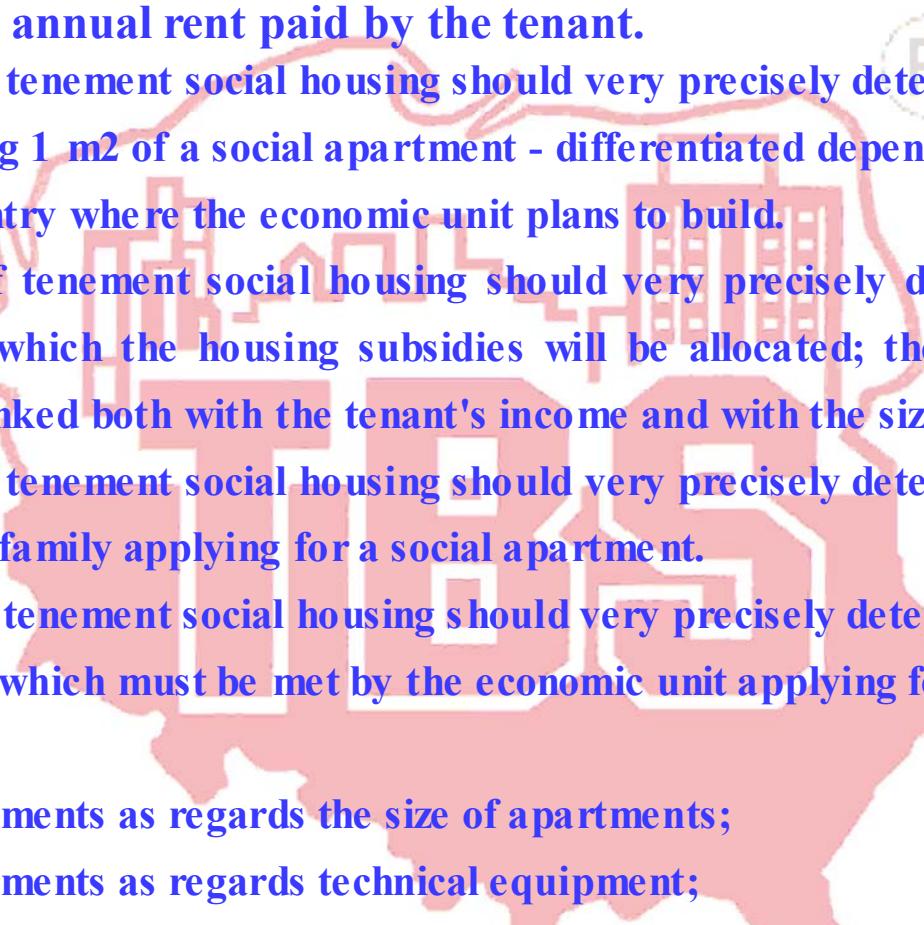
- terminology,
- national law,
- building standards ,
- public procurement legislation.

This means that, among much else, an international dictionary of related terms should be elaborated.

- b) Presentation of the existing situation (legal, organisational, etc) in each country entering the European Union - *vide* written material) .
- c) Presentation of the existing situation (legal, organisational, etc) in the Member States of the European Union (including the CECODHAS) - *vide* written material.
- d) The projected changes in the implementation programme for structural funds, which would make it possible to designate such funds for:
- technical and social infrastructure accompanying social housing;
 - implementation of national programmes for the construction of social housing;
 - activities necessary for an economic revitalisation of regions with specially high unemployment - to create possibilities for tenants of social housing to actively cooperate in their maintenance .
- e) The role of national organisations and CECODHAS in:
- creating non-government implementation structures
 - pressuring the European Union institutions to implement the plans elaborated

4. Examples of regulations that should rule the system of social housing (selected examples - more details in the written material)

1. The system of tenement social housing should provide for the creation of tools necessary to implement the goals, for which the system was organised. Such tools should include for instance economic units created on the basis of a Commercial Code or Commercial Company Code (as it is in Poland), existing in the given country.
2. The system of tenement social housing should provide for such tools - economic organisations - to be created by local communities, such as towns, gminas or unions of gminas.
3. The system of tenement social housing should assume that the communities mentioned will have shares in such tools.
4. The system of tenement social housing should provide for the construction of social housing by other economic units than those mentioned (e.g. developing companies); however, the same limitations must be binding - see written material.
5. The system of tenement social housing should assume, that a "non-profit" organization mentioned, must designate any profits obtained from such activities for their statutory goals, including maintenance of the social housing and construction or purchase of apartments for lease. If such an organisation designates such profits for the maintenance of social housing and construction of apartments for lease it should be released from taxes.
6. The system of tenement social housing should determine, from what financial source or sources and on what conditions, may an economic organization mentioned obtain financial resources for construction or revitalization of social housing for rent or else for the adaptation of existing constructions for social apartments.

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7. The system of tenement social housing should very precisely determine the limit for the annual rent paid by the tenant.
 8. The system of tenement social housing should very precisely determine the maximum cost of building 1 m² of a social apartment - differentiated depending on the region of the given country where the economic unit plans to build.
 9. The system of tenement social housing should very precisely determine the system according to which the housing subsidies will be allocated; their limit should, for instance, be linked both with the tenant's income and with the size of the apartment.
 10. The system of tenement social housing should very precisely determine the maximum income of the family applying for a social apartment.
 11. The system of tenement social housing should very precisely determine the technical requirements which must be met by the economic unit applying for a loan; among others:
 - a) Requirements as regards the size of apartments;
 - b) Requirements as regards technical equipment;
 - c) Detailed requirements as regards the use of energy for heating and hot water supply.