



Models of involving the private sector in the supply of affordable housing

report:

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the private sector
in the supply of affordable housing**

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Streszczenie

W 2022 roku oddano w Polsce do użytku rekordowe 240 tys. mieszkań, ale ich ceny rosną, a dostępność tanich lokali jest ograniczona. Raport ten opisuje badanie wykonane przez interdyscyplinarny zespół, działający na zlecenie Habitat for Humanity Poland, które poświęcone jest metodom służącym do przeciwdziałania tej negatywnej sytuacji. Wyniki badania pokazują, że głównym problemem rynku mieszkaniowego w Polsce nie jest sam brak lokali. Mieszkania to dobra konsumpcyjne i inwestycyjne jednocześnie, przez co rynek nieruchomości charakteryzuje nierównowaga. Jednym z możliwych do zastosowania rozwiązań jest zaangażowanie sektora prywatnego w zwiększenie dostępności mieszkań. Badanie analizuje modele współpracy publiczno-prywatnej oraz identyfikuje potencjalne korzyści i bariery w ich implementacji. Raport składa się z: 1) części teoretycznej (w której przedstawiono dotychczasowe polskie doświadczenia w tym względzie oraz przykłady zagraniczne), 2) opisu badań fokusowych (z udziałem osób zaangażowanych w działania praktyczne związane z sytuacją mieszkaniową), oraz 3) eksperckich propozycji rozwiązań, które przy zmianach prawno-instytucjonalnych możliwe byłyby do wdrożenia w Polsce.

Abstract

A record 240,000 apartments were completed in Poland in 2022, but their prices are rising and affordability is limited. This report describes a research project developed by an interdisciplinary team on behalf of Habitat for Humanity Poland and focuses on methods to counteract this negative situation. The research findings show that the main problem of the housing market in Poland is not the lack of housing per se. Housing is both a consumption and a investment good, which is why the real estate market is characterised by an imbalance. One possible solution to this problem is to involve the private sector in increasing the supply of housing. The study analyses models of public-private cooperation and identifies possible advantages and obstacles to their implementation. The report consists of 1) a theoretical part (presentation of current Polish experience in this field and international examples), 2) a focus research description (interviews with practitioners in housing policy issues) and 3) expert suggestions for solutions that could be implemented with legal and institutional changes in Poland.

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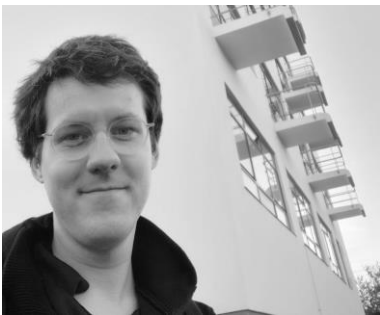
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Introduction

Introduction

In 2022, 238.6 thousand apartments were completed in Poland, which has been the highest number for almost half a century. In terms of the number of new housing units built per year, we are approaching the record from 1978, when 283.6 thousand units were constructed¹. It should be remembered that in the late 1970s apartments were built as part of a centrally managed economy – on the one hand, investment processes did not encounter delays occurring currently due to formal reasons, on the other hand, performance standards differed from those expected today. The current level of production is also one of the highest in Europe: in 2022, only in France more apartments were built per one thousand inhabitants, but this difference is insignificant: 6.95 compared to 6.16². Despite such a dynamic development of the real estate market, not only do the prices of apartments stay at the same level, but they increase significantly – also in relation to remuneration. In 2016, a person could buy for a national average salary an average of 0.81 sq m of an apartment – in 2022 only 0.73 sq m³, and it should be remembered that the level of earnings indicated here is not the best measure of the actual income level of society: the median is only about 80% of the average salary.

If we take into account the total number of apartments, the situation does not look bad: a statistical housing deficit has not occurred in Poland since at least 2009, and currently – according to Eurostat data – there are even 1.3 million more apartments than households in Poland, even if we take into consideration civilisation and cultural changes in this area, resulting in an increase in the number of households due to a smaller number of their members. The position in the ranking of housing resources has also increased significantly. With approximately 420 apartments per 1,000 people in 2023, we are still below the European average, but at the very top of this ranking there are not countries with the highest level of the quality of life, but only tourism-focused Bulgaria (612 in 2022) and Greece (602 in 2020)⁴. Portugal, located very high in this ranking, is struggling with a great housing crisis, which in April 2023 caused

1. Central Statistical Office data from https://pl.wikipedia.org/wiki/Gospodarka_mieszkaniowa_w_PRL, access on 30/09/2023.

2. <https://polskieradio24.pl/42/259/artykul/3157281.rekordowa-liczba-mieszkam-oddanych-do-uzytku-sprawdzamy-perspektywy-ryнку-nieruchomosci>, access on 31/08/2023.

3. Ditrich R.: In 2009-2015, the prices of apartments in Poland increased by 5%. After 2015 by... 60% (W latach 2009-15 ceny mieszkań w Polsce urosły o 5%. Po 2015 roku o... 60%) , Informator Gospodarczy 15/05/2022 <https://obserwatorgospodarczy.pl/2022/05/15/w-latach-2009-15-ceny-mieszkam-w-polsce-urosly-o-5-po-2015-roku-o-60/>, access on 30/09/2023.

4. <https://www.helgilibrary.com/indicators/dwellings-per-1000-people/>, access on 30/09/2023.

mass protests against the allocation of local cities and housing resources for tourist purposes⁵.

Available numerical data indicate that high prices and low availability of apartments do not result only from a small number of housing units. Apartments are not ordinary goods: on the one hand, they are consumer goods, satisfying the most fundamental needs of security and belonging, and on the other hand, they are objects of investment – many people treat privately owned apartments as a tool for building their wealth.

The supply of these goods is also limited, because only a limited number of units can be built in a given location. This affects the inequality of opportunities and conflict of interests of parties operating on the market, both currently and in the future. People who need a real property as a place to live negatively perceive the increase in their prices, while at the same time the financial sector, construction entities and owners of a larger number of real properties perceive as a crisis phenomenon not only the decline, but even the stagnation of prices. Simultaneously, the agency, influence on the market and power (including purchasing power) of citizens are incomparably weaker than those being in possession of developers and other entities operating on the market.

The situation is even more complex from the point of view of local governments, for which both the increase in real property prices – making it difficult to meet citizens' housing needs, and the decline reducing investment attractiveness constitute problems. Also here we encounter a significant imbalance in the parties' capabilities – the public sector is a definitely smaller investor than its private equivalent: in 2022, among 238.6 thousand apartments completed, there were only 628 municipal apartments, and only a few more cooperative apartments (1,514) or social rental apartments (1,607). Therefore, municipal apartments built in 2022 accounted for only 0.263% of all those built, and at the same time, the total number of housing units rented from the commune resources decreased by 2.7% and amounted to 613.5 thousand.⁶

5. <https://www.reuters.com/world/europe/thousands-protest-portugal-over-housing-crisis-2023-04-01/>, access on 30/09/2023.

6. Housing resources of communes in 2022 – preliminary results, Central Statistical Office report 2023, <https://stat.gov.pl/obszary-tematyczne/infrastruktura-komunalna-nieruchomosci/nieruchomosci-budynki-infrastruktura-komunalna/mieszkaniowy-zasob-gmin-w-2022-r-wyniki-wstepne,15,1.html>, access on 30/09/2023.

The share of the population living in apartments rented in the social sector (including cooperative apartments) is 11.1%, which gives us 17th place out of 27 EU Member States.⁷ Hence, in this respect it is much worse than in the rankings which count the absolute number of apartments.

Since the housing problem alone will not be solved by increasing the number of new housing units, we should also look for other solutions that will allow improving the situation: it is therefore necessary to involve in Poland also the private sector in increasing the supply of affordable apartments. In the Central and Eastern European region, there is usually a chronic shortage of housing properties, the availability of public capital is low, and the allocation of the existing housing resources is highly unequal. As a result, only if the private sector is involved in the construction of new properties and part of the housing resources in private hands is released would it be possible to ensure greater access to cheap apartments for ownership and rent. However, such an action requires the use of the state and its intervention on this market, also through active management of municipal resources.

An additional issue to be taken into account when considering residential construction – not only that belonging to the accessible sector – constitutes requirements of sustainable development. Taking into account, firstly, how emission-intensive each construction investment is and, secondly, how many housing units remain in Poland without permanent occupants, it seems obvious that while working on the report, special attention was paid to vacant buildings and the ways in which they can be returned to use.

The aim of this research is to answer the question about currently applied ways of involving the private sector in improving the overall housing situation, additional models that could be adopted without changes or with little interference in the current legal situation, and the models requiring significant adaptations of this kind. To make answers proposed in the report as useful as possible in further implementation works, a team of people representing various professional backgrounds was involved in preparing the document: an urban planner and architect (dr hab. inż. arch. Agata Twardoch, prof. PŚ, team leader), a lawyer (dr hab. Jakub Szlachetko), an economist (dr Adam Czerniak), an urban planner and political scientist (dr Łukasz Drozda), and a cultural anthropologist (mgr Mikołaj Łątkowski).

7. K. Nowak, Different specifics of housing in Poland in the international arena. (Differentia specifica mieszkalnictwa w Polsce na arenie międzynarodowej) *Wiadomości Statystyczne / The Polish Statistician*, 2023, 68(2), 16-38.

8. G. Kamberelis, G. Dimitriadis, Focus interviews. Strategic articulations of pedagogy, policy and research (Wywiady zogniskowane. Strategiczne artykulacje pedagogiki, polityki i badań), translated by M. Milewicz [in:] N.K. Denzin, Y.S. Lincoln (ed.), *Qualitative Research Methods (Metody badań jakościowych)*, vol. 2., Wydawnictwo Naukowe PWN, Warsaw 2014, p. 373.

The report begins with a theoretical part devoted to the analysis of the existing situation. It describes models functioning in Poland of cooperation between the public and private sectors (e.g. Social Rental Agencies or various forms of Public-Private Partnership (PPP), such as 'premises for land', 'premises for renovation', PPP in revitalisation systems, housing cooperatives) and examples of models applied in other countries, as well as it explains some questionable concepts.

Within the research constituting the basis of this report, focus group interviews were also conducted and described in the second part of this study. This method is an effective form of opinion research, and 'focus groups (...) are invaluable for supporting synergy between participants, which leads to obtaining information rarely available to individual memory⁸. Experts on housing policy were invited to participate in the research conducted in the form of an expert interview. Forming focus groups was aimed at getting to know expert opinions, as well as analysing potential opportunities, barriers and risk factors in the area of involving the private sector in activities for affordable housing. Therefore, it was crucial to check issues that according to practitioners could contribute to cooperation between the private sector and public entities.

Twelve people accepted the invitation to interviews and they were assigned to three expert groups. The first group included players creating public policies (policymakers), i.e. people representing the public administration environment: local government and central authorities. These people are further referred to in the report as the decision-making environment. The second group included people representing competences of researchers and analysts of the housing market – they are further referred to as the analytical environment. The third group included people representing development companies from Warsaw, Kraków and Toruń, as well as the Polish Association of Developers. This group is further referred to as the developer environment. The focus groups included six women and six men. Interviews were conducted on 1 and 10 August 2023, during four meetings. People participating in focus groups are:

Decision-making environment:

- Krzysztof Kukucki (deputy president of Włocławek)
- Arkadiusz Ptak (mayor of Pleszew)
- Magdalena Ruszkowska-Cieślak (Chancellery of the Prime Minister)

Analytical environment:

- Przemysław Chimczak-Bratkowski (ThinkCo)
- Katarzyna Kuniewicz (Otodom.pl)
- Hanna Milewska-Wilk (Institute of Urban and Regional Development and simpl.rent)
- Marek Wielgo (Rynekpierwotny.pl and Gethome.pl)

Developer environment:

- Wiesław Cholewa (IdeaNova, formerly Murapol)
- Małgorzata Mellem (Budlex sp. z o.o.)
- Kondrad Płochocki (Polish Association of Developers)
- Magdalena Sidorowicz (Arche SA)
- Katarzyna Unold (ACCIONA)

The research enabled the team to construct new models of involving the private sector in increasing the supply of affordable housing. The report presents models with various implementation potential – from a model whose implementation does not require in practice any legal changes to a model whose implementation would require redefining several solutions applicable in Polish law. Indications regarding an access way necessary for subsequent implementation of a given model were also developed for each model. Adopting a multidisciplinary approach and taking up the topic in a multi-threaded manner made it possible to obtain reliable results and many studies free from weaknesses, based only on the description of foreign examples or only on interviews with some stakeholders.

The entire report – which consists of an overview of the private sector inclusion models operating in Poland, a description of selected foreign practices, a report on focus studies and a specific indication of possibilities for further development of PPP – is not only a compendium of knowledge that can be used for further research, but also sets paths that will potentially lead to specific changes and, consequently, to the expansion of the affordable housing sector.

Explanation of concepts

- Private sector – all legal entities, regardless of the legal structure or organisational form, having a private property, i.e. remaining beyond the direct control of the state at all its organisational levels (from ministries to local government units); in particular, these are households, social organisations, including non-governmental ones (associations, foundations), as well as enterprises (natural persons conducting a sole proprietorship, commercial law companies, cooperatives).
- Affordable housing – there is no single, universally accepted definition. It is usually assumed that these are housing units whose total cost of use for a household does not exceed 30-40% of the monthly budget. This cost includes rent, fees for utilities, taxes, loan instalments or payments for the maintenance of common areas⁸. According to another definition, an affordable apartment is one whose total cost of use is not higher than the difference between the household income and the minimum income, i.e. income defined in regulations that allows a decent life. In turn, broader definitions take into account not only the price, but also the overall impact of a given real property on society and the environment^{8a}. The aim of this type of definitions is to distinguish apartments built and maintained in a socially responsible manner from those that have a negative impact on their surroundings.

8. D. Caturianas et al. Policies to Ensure Access to Affordable Housing, 2020, [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652729/IPOL_STU\(2020\)652729_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652729/IPOL_STU(2020)652729_EN.pdf) access on 30/09/2023.

8a. This definition is used, for example, by such European organisations as Eurostat Eurostat.

Previous experience

Review of solutions applied in PolandPolsce

The system of involving the private sector in the supply of affordable housing has a long tradition in Poland. First of all, patronage estates and the system of housing cooperatives initiated before World War I can be associated with this process.

Patronage settlements, also called workers' settlements, have been established since the 18th century – first in Great Britain, Italy and Catalonia, then in the German Ruhr area and Upper Silesia, and in Zagłębie Polskie, Łódź and Żyrardów. From the beginning, these settlements were associated with the development of industry – established and financed by factory owners to attract and retain workers. Manufacturers built apartments for their employees also to be able to take control over their lifestyle. Living in a patronage settlement was connected with mandatory regulations, including for example a ban on alcohol consumption or provisions related to a specific vision of morality.⁹

The first Polish housing cooperatives were established during the Second Polish Republic, although in the Polish territory, mainly in the Prussian partition, similar initiatives had existed even before Poland regained independence. Some of them were modelled on food cooperatives and resembled construction cooperatives, where the investors were future residents, and the constructed apartments became their property. The second popular form of housing cooperatives constituted cooperatives offering tenant apartments, very often established by social activists with the low-income social groups in mind (for example the Warsaw Housing Cooperative). These cooperatives were financed with preferential loans, the initiators' own funds and all kinds of goods (e.g. bricks) and services (e.g. renovation works) contributed in kind. Living in a cooperative unit could also involve regulations governing the lifestyle.¹⁰

These two models, present in our reality for over a hundred years, indicate different motives behind private entities engaging in the supply of affordable housing.

9. D. Caturianas et al. Policies to Ensure Access to Affordable Housing, 2020, [https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652729/IPOL_STU\(2020\)652729_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2020/652729/IPOL_STU(2020)652729_EN.pdf) access on 30/09/2023.

10. A. Twardoch.: System for living (System do mieszkania), Wydawnictwo Bęc Zmiana, Warsaw 2019.

It may be the will to make a profit, but also the desire to help those in need – it is important to use both of these issues when thinking about new models.

Social Rental Agencies (SRAs)

Legal basis: *Polish Act of 26 October 1995 on social forms of housing development, Journal of Laws of 2021, item 2224. Introduced by the Polish Act of 28 May 2021 on the amendment of the Act on certain forms of supporting housing construction and certain other acts (Journal of Laws item 1243), which entered into force on 23 July 2021.*

Social Rental Agencies (SRAs) are entities cooperating with the commune that act as intermediaries between owners of rental apartments and people whose income or life situation makes it difficult to rent an apartment on market principles¹¹. SRAs lease apartments directly from owners and guarantee them lease stability and security, timely payments and maintenance of apartments in proper condition, in return for which they expect rates below market prices. These apartments are then rented to eligible persons on preferential terms. The criteria for renting an apartment from SRAs are determined by the commune with which the Agency has signed an agreement¹². Additionally, tenants of housing units from SRAs can apply for rent subsidies under the Flat for Start programme.

The possibility of organising SRAs was introduced only two years ago, which is why we are not yet able to assess the full potential of this solution. The barrier to its development is undoubtedly local governments' limited knowledge of the principles of operation of such entities and even less awareness of their existence among apartment owners. A factor slowing down the development is a significant rise in demand from tenants, which has resulted in the rent increase and limited landlords' willingness to offer apartments for rent outside the private market. On the other hand, the rapid increase in apartment prices over recent years raises expectations for further price increases, which discourages owners from quick resale of their premises, which in turn may constitute a motivation for looking for methods of effective development, e.g. in cooperation with SRAs.

11. From the description on the website of the Ministry of Economic Development and Technology, <https://www.gov.pl/web/rozwoj-technologie/spoleczne-agencje-najmu>, access on: 30/09/2023.

12. Social Rental Agencies Practical Guide for Communes (Społeczne Agencje Najmu Praktyczny przewodnik dla Gmin), 2023 https://habitat.pl/files/san/Guide_on_Social_Rental_Agencies-PL.pdf, access on 30/09/2023

Table 2. SWOT analysis of Social Rental Agencies

		for a commune	for a private entity	for residents
positive	strengths	<ul style="list-style-type: none"> → effective and efficient allocation of housing resources in the commune 	<ul style="list-style-type: none"> → guarantee of a regularly paid rent → guarantee of maintaining an apartment in good condition 	<ul style="list-style-type: none"> → increase in apartment availability → new life opportunities related to the SRA employees' support → guaranteed proper condition of an apartment → support of the SRA assistant
	opportunities	<ul style="list-style-type: none"> → increasing the number of available apartments in the commune → reducing the queue of people waiting for a municipal or social apartment → programme development in small and medium-sized towns 	<ul style="list-style-type: none"> → exemption of lease income from tax 	<ul style="list-style-type: none"> → decrease in rental prices → preferential prices below the market level → possibility to apply for housing allowance → possibility to get out of a difficult life situation
negative	weaknesses	<ul style="list-style-type: none"> → low efficiency of the system 	<ul style="list-style-type: none"> → restrictions in real property management → limited return on investment → risk of mismanagement by SRAs → long-term commitment 	<ul style="list-style-type: none"> → limited choice of apartments → no possibility to negotiate conditions
	threats	<ul style="list-style-type: none"> → further increase in apartment prices 	<ul style="list-style-type: none"> → unforeseen changes in the SRA operation → economic volatility 	<ul style="list-style-type: none"> → risk of the agreement termination → lack of flexibility in terms of apartment modifications → unforeseen costs

own work

Public-Private Partnership (PPP)

Legal basis: *Polish Act of 19 December 2008 on public-private partnership (Journal of Laws of 2023, item 1637).*

Public-Private Partnership (PPP) is a method of implementing public tasks, based on a long-term agreement specifying the division of tasks and risks between the public entity and the private partner (Article 1(2) of the PPP Act). A PPP project is a construction or renovation of public infrastructure, combined with its maintenance and/or management. Its purpose is to provide a specific public service for a fee by a private partner that uses public infrastructure for this purpose¹³.

There are basically two PPP models used in housing. The simpler one involves the construction of rental houses, made available to the commune for settlement, but managed by a private partner (operator) for a certain number of years. The second model is a revitalisation agreement, which, in addition to the construction, also includes taking over by a private investor's other resources for revitalisation, expansion and/or management. In practice, a private developer may, in exchange for renovating municipal units in the revitalisation area, receive the right to build commercial apartments for sale or rent in the same area. These two models also differ in the way the private partner is remunerated. In the first one, the basis is rent subsidies guaranteed from public funds, paid by tenants using affordable apartments. In the second model (otherwise known as the concession model), the private partner's profit comes from land or real property to be renovated, contributed in kind (or leased for a long period) by a public entity. In this case, the direct remuneration consists of commercial rents or profits from the sale of part of the property.

A private partner is an investor acting in consultation (consortium, special purpose vehicle) with an operator responsible for financing the construction and operation as well as the management of available apartments. Available apartments are rented to persons indicated by the public authority or meeting income criteria for rents whose amount is determined by the public entity (e.g. commune). Land may remain the property of a public entity (e.g. commune), be leased to or lent for use by a private partner or become its property.

13. <https://www.ppp.gov.pl/czym-jest-ppp/>, access on 23/09/2023.

After the construction (or renovation), apartments may be transferred to the assets and management of the public entity, but they may also constitute the private partner's property for the term of the agreement. In each case, the private partner should incur costs of the apartments' operation and manage them. Rents may be collected by the commune and then transferred to private entities along with subsidies, or they may be collected directly by such entities. In the latter case, the commune pays them only the difference between the regulated rent and the market rent¹⁴.

The implementation of investments in the PPP formula due to the involvement of private capital (which is most often obtained by private entities on the basis of bank loans) allows communes to optimise the spending of budget funds. In this arrangement, communes also benefit from the knowledge and experience of business. In turn, due to participation in such a partnership, the private entity gains access to land and a guarantee of renting the constructed apartments.

This model of increasing the supply of apartments available with the participation of private entities is most popular in Great Britain and Canada. In Poland, since 2016 the PPP formula has been one of the tools for implementing housing investments under the Apartment plus programme, but so far it has been used only in a few places. Currently (as at September 2023), the government database of concluded PPP agreements contains only two entries regarding the housing sector: Construction of municipal apartments in the Małkinia Górna Commune in the public-private partnership formula as well as designing, constructing and managing a building intended for social housing units in Oława¹⁵.

The PPP formula has great potential for developing the affordable housing sector. The barrier to its development is still significant distrust between local governments and private entities. For further development, several success stories are needed to convince potential sceptics of this idea. Success in implementing the PPP results not only from well-prepared documentation and an effectively completed procedure for selecting a private partner but, above all, from smooth long-term cooperation between the public and private entities throughout the duration of the partnership.

14. I. Herbst, B. Mysiorski, T. Korczyński, *Public-Private Partnership in Housing (Partnerstwo publiczno-prywatne w mieszkalnictwie)*, Chancellery of the President of the Republic of Poland, Warsaw 2015.
https://www.prezydent.pl/storage/file/core_files/2021/8/5/75f06bcfefeda33f9ddb8163110cd560/poradnik_ppp_w_mieszkalnictwie.pdf, access on: 23/09/2023.

15. <https://www.ppp.gov.pl/baza-zawartych-umow-ppp/>, access: 30/09/2023.

Table 2. SWOT analysis of the public-private partnership (PPP)

		for a commune	for a private entity	for residents
positive	strengths	<ul style="list-style-type: none"> → division of the risk between the private and public sectors → financing: the commune does not have to spend the entire amount at once → access to the private partner's knowledge 	<ul style="list-style-type: none"> → access to land and/or real property for renovation → commune support → guarantee of a regularly paid rent → division of the risk between the private and public sectors 	<ul style="list-style-type: none"> → availability of apartments → preferential rental prices below the market level → protection related to the rental of a municipal apartment → quality of buildings → transparency and rigorous supervision → accompanying infrastructure
	opportunities	<ul style="list-style-type: none"> → increasing the number of available apartments in the commune → developing the commune's investment attractiveness → increasing the commune's investment attractiveness → social diversity of a new housing estate 	<ul style="list-style-type: none"> → long-term cooperation and good relationships with the local government → development of business activities → good reputation → access to financing 	<ul style="list-style-type: none"> → possibility to apply for housing allowance → diversity of the offer → modern solutions → social inclusion
negative	weaknesses	<ul style="list-style-type: none"> → complexity of agreements → difficulties in finding partners → long-term commitments → difficulties in supervision 	<ul style="list-style-type: none"> → complicated negotiations → contractual restrictions → dependence on the commune's decision → difficulties in generating profit 	<ul style="list-style-type: none"> → limited flexibility → waiting time
	threats	<ul style="list-style-type: none"> → conflicts of interests → unreliable private partners → social resistance → market volatility 	<ul style="list-style-type: none"> → difficulties in cooperation with local government → political changes 	<ul style="list-style-type: none"> → unforeseen increases → political changes

own work

Premises for land

Legal basis: *Polish Act of 16 December 2020 on the disposal of real estate with a ‘premises for land’ settlement (Journal of Laws 2021, item 223).*

According to the announcement of the Ministry of Economic Development and Technology, the ‘premises for land’ programme was introduced to reduce barriers to acquiring real properties for development.¹⁶ Under the ‘premises for land’ programme, the commune sells plots of land to an investor selected in a transparent tender process, available to all interested in building apartments. The buyer covers certain part of the costs in cash, and settles the rest by transferring some of the constructed apartments and/or social infrastructure facilities to local authorities. Then the investor can manage the remaining apartments at its discretion, for example renting or selling them on the commercial market. The premises received by the commune may become municipal apartments, be transferred to the municipal company as apartments for rent (e.g. with the option to acquire ownership), or directly to the SRA. Tenants of apartments transferred to the company may apply for rent subsidies in the Flat for Start programme. The commune may use non-residential premises for health care, educational or other activities serving the general population.

When both parties agree to such a solution, the private entity may give the commune apartments located in another location in exchange for land. In such a case, the benefit for the commune is also the possibility to receive (and make available to residents) housing units immediately after selling the plot, without waiting until the construction is completed.

The ‘premises for land’ act also introduced the possibility to apply for a government grant of up to 10% of the costs of infrastructure accompanying the construction of apartments. Before introducing the programme in their area, communes are obliged to adopt a resolution that will specify the rules for disposal of real properties with the ‘premises for land’ settlement. In order to facilitate cooperation between the commune and private entities, predefined agreement templates have been prepared, which can be downloaded from the ministry’s website.

16. <https://www.gov.pl/web/rozwój-technologie/lokal-za-grunt2> access on: 30/09/2023.

The ‘premises for land’ programme is a type of the PPP, but it is based on a different act and has different detailed solutions. The programme may be particularly effective in small centres looking for investors for new projects. However, it is not a desirable solution in communes subject to significant investment pressure, where local governments should not dispose of the ownership title to land. In such places, from the commune’s point of view, PPP-based programmes in which the land and apartments remain the commune’s property after many years are more beneficial.

Currently, this programme is not very popular in Poland. At the end of 2022, only three cities were involved in its implementation. At this point, an additional barrier is high inflation, which makes it difficult to conclude agreements by the public party not having full freedom to set real property prices.

Table 3. SWOT analysis of the Premises for land programme

		for a commune	for a private entity	for residents
positive	strengths	<ul style="list-style-type: none"> → increasing the number of available apartments in the commune → optimising the land use → wide possibilities of using the instrument (apartments, social infrastructure facilities) → increasing the commune's investment attractiveness → additional financial support for implementing infrastructure projects 	<ul style="list-style-type: none"> → possibility of adapting the method of acquiring real properties to the assets held and the investor's needs (e.g. postponing part of the settlement) → cooperation with the commune → assurance about the recipient 	<ul style="list-style-type: none"> → preferential rental prices below the market level → protection related to the rental of a municipal apartment → safety → favourable location → increasing the housing offer
	opportunities	<ul style="list-style-type: none"> → increasing the commune's investment attractiveness → improving the quality of life of residents → developing the infrastructure 	<ul style="list-style-type: none"> → access to land and/or real property for renovation → acquiring new customers → building a good image → possibility of expansion 	<ul style="list-style-type: none"> → improving the standard of living → increase in apartment availability → developing the local community → decreasing rental prices, possibility to apply for a housing allowance or subsidy in the Flat for start programme → stability
negative	weaknesses	<ul style="list-style-type: none"> → difficulties in finding partners → necessity to prepare a resolution before taking part in the tender, which extends the duration of the procedures → lack of flexibility in negotiations with the private partner → loss of land 	<ul style="list-style-type: none"> → necessity to prepare a resolution before taking part in the tender increases the duration of the procedures → lack of flexibility in negotiations with the public partner → complexity of procedures → stringent requirements 	<ul style="list-style-type: none"> → waiting time → possibility of the price increase → limitations of choice
	threats	<ul style="list-style-type: none"> → incorrectly constructed agreements → unreliable private partners → unfavourable image of the programme in the eyes of private investors 	<ul style="list-style-type: none"> → variable terms of cooperation → financial risk → limitations related to the purpose of the investment → conflict with the commune 	<ul style="list-style-type: none"> → project failure → market volatility → unforeseen costs

own work

Premises for renovation

Legal basis: *premises for renovation' programmes are organised by communes on the basis of the commune council's resolution.*

The 'Premises for renovation' programme involves transferring unrenovated municipal apartments to tenants in exchange for a significant reduction in rent or other reliefs. Then these people undertake to carry out the renovation of such real properties at their own expense and within a specified period of time. After the renovation completion, tenants can use the apartments on preferential terms, but the premises remain the commune's resources. Sometimes, however, such an apartment may be purchased at a favourable price. In this programme, the tenant is also a private partner for the commune.

The programme is a response to the problem of neglected municipal apartments in communes without sufficient funds to carry out their renovation. The profitability of the idea is based on the assumption that tenants will be able to renovate their apartments on their own, which will significantly reduce necessary financial outlays. Some communes offer additional grants for tenants to help them adapt their apartments to current requirements.

The programmes are announced cyclically, and only people who meet certain criteria, established separately by each commune, can apply for them. The programme may be addressed to people entitled to rent a municipal apartment, or the group of beneficiaries may be wider. However, they usually include: (1) the obligation to have registered permanent residence within its territory, (2) no ownership or co-ownership title to another residential property, (3) income not exceeding a certain amount, (4) having funds that allow carrying out a renovation. Sometimes a certificate of no rent arrears is also required.

The 'Premises for renovation' programmes are conducted regularly, e.g. in Jaworzno, Sosnowiec, Mysłowice, Police, Tarnów, Łódź, Wrocław, Sopot, Chrzanów, Siemianowice Śląskie, Będzin, Chorzów, Katowice, Gliwice and Szczecin. The 20th edition of this programme started in the capital of the Silesian Province in May 2023. So far, over 500 such apartments have been rented in exchange for a commitment to carry out renovation¹⁷.

17. <https://www.portalsamorzadowy.pl/gospodarka-komunalna/ruszy-la-kolejna-edycja-miejskiego-programu-mieszkanie-za-remont-w-ktowicach,459868.html>, access on: 23/09/2023.

Table 3. SWOT analysis of the Premises for renovation programme

		for a commune	for residents/private entities
positive	strengths	<ul style="list-style-type: none"> → revival of old buildings → savings → support for residents → improving the image of the commune 	<ul style="list-style-type: none"> → cheaper apartment → individual approach to renovation → no credit burden → satisfaction with own work
	opportunities	<ul style="list-style-type: none"> → cooperation with partners → attractiveness for young people → government support 	<ul style="list-style-type: none"> → commune support → integration with the neighbourhood
negative	weaknesses	<ul style="list-style-type: none"> → limited resources → administrative costs → possible conflicts 	<ul style="list-style-type: none"> → unforeseen costs → time consumption → no renovation experience → ambiguities of the agreement
	threats	<ul style="list-style-type: none"> → lack of interest → failure of renovations → changing regulations 	<ul style="list-style-type: none"> → financial problems → legal complications → technical problems

own work

Housing Cooperatives

Legal basis: *Polish Act of 4 November 2022 on housing cooperatives and the rules for disposal of real estate from communal real estate stock to support the implementation of housing projects (Journal of Laws of 2023, item 28).*

The Act on Housing Cooperatives gave communes the opportunity to sell real properties on special terms if the real property subject to this process is intended for a housing project run by the cooperative. Thus, it is the introduction of the youngest model of involving a private entity in the supply of affordable housing.

A housing cooperative is a group of natural persons who decide to jointly undertake an investment concerning apartments in which they will then live. Such an investment may be the purchase of a plot of land and the construction of single-family houses/multi-family building with apartments, or the purchase of a vacant building and its adaptation for residential purposes.

A cooperative may be established on the basis of a housing cooperative agreement and as a civil-law partnership agreement. According to the act, at least three natural persons must join a cooperative, and the cooperative itself must consist of at least three apartments. A housing cooperative allows reducing costs of constructing a residential building (or renovating and adapting real property for residential purposes) because part of the costs (e.g. design, installation, etc.) is shared by all members. Moreover, members of cooperatives may perform some of the works on their own, without paying any margin to subcontractors and developers. According to the government's justification for the project, it is possible to reduce costs of obtaining an apartment – in relation to its purchase on the property developer market – by approximately 20-30%¹⁸.

The commune sells the real property through a tender open to people who meet specific requirements: (1) they act within a housing cooperative, (2) none of the group members is the owner or co-owner of the real property to be sold, (3) other assumptions specified by the commune, e.g. assumptions regarding age, profession, are met (4) they are able to submit required formal documentation, sometimes also design documentation. If the tender is won, the real property is sold to all members of the cooperative.

18. <https://www.gov.pl/web/rozwój-technologia/kooperatywy-mieszkaniowe>, access on: 23/09/2023.

When purchasing the real property from the commune, the cooperative can count on:

- spreading the real property price into instalments,
- alternative forms of settlement, i.e. crediting for the real property price:
- price of an apartment or single-family house from the investment if the cooperative plans to sell it to the commune,
- rent of an apartment or single-family house from the investment if the cooperative plans to rent it to the commune or Social Rental Agency,
- discount if the commune spreads the payment for the real property into instalments.

The tool in the form of housing cooperatives has been effective since the 1970s around the world – especially in Europe and the United States. In Poland, attempts to introduce it on a larger scale have been undertaken for many years, but so far there are not many examples. The introduction of the act raises hope for accelerating the development of this housing form. From the commune's point of view, the greatest risk is the threat of the support privatisation, because apartments belonging to the cooperative become tenants' property after the construction process completion. For this reason – if the land has been sold to a cooperative with a discount – bans on further sale or rental of the real property (except for the commune or SRA) are introduced for several years. A good solution to this problem constitutes tenant cooperatives (housing cooperatives), whose organisation, however, has not yet been governed in a convenient legal form. The current Act on housing cooperatives is addressed to cooperatives from the People's Republic of Poland and is rather aimed at their privatisation.

Table 4. SWOT analysis of housing cooperatives

		for a commune	for residents/private entities
positive	strengths	<ul style="list-style-type: none"> → self-help housing solutions → increasing access to apartments → cooperation with residents 	<ul style="list-style-type: none"> → democratic decision-making → community and sense of belonging → design tailored to personal requirements and preferences → savings
	opportunities	<ul style="list-style-type: none"> → improving the quality of life → social inclusion → sustainability → partnership with residents 	<ul style="list-style-type: none"> → easier purchase of real properties → joint initiatives
negative	weaknesses	<ul style="list-style-type: none"> → administrative complexity → financial risk → conflicts → limited impact 	<ul style="list-style-type: none"> → responsibility → conflicts → delays in decisions → lack of flexibility
	threats	<ul style="list-style-type: none"> → insolvency of the cooperative → social opposition → changing legal conditions → unpredictability of decisions → privatisation of support 	<ul style="list-style-type: none"> → insolvency → legal changes → changing market conditions → dependence on other members

own work

Review of good foreign practices

Two European countries were selected for the review of good practices: Great Britain and France, which have long experience with regard to: firstly, supporting affordable housing and, secondly, engaging the private sector in it¹⁹.

Great Britain

Involving the private sector in the supply of affordable housing in Great Britain is an important aspect of the government policy and initiatives aimed at resolving the housing crisis.

PPP / Public-Private Partnership

The government of Great Britain often cooperates with private developers within PPP agreements to build affordable housing. These partnerships may help use expertise, financing resources of the private sector to increase the supply of affordable housing. Partnership agreements are based on the provisions of the Private Finance Initiative (PFI)²⁰, Local Government Act 2003²¹ and the subsequent Localism Act 2011²². The terms of each agreement are, of course, negotiated individually. Within the PPP, the government may provide various types of financial instruments (Financial Incentives) to encourage private developers to build affordable housing. The incentives include for example (1) income guaranteed by the state regardless of rental proceeds, (2) grants and subsidies, (3) tax reliefs, and (4) reduced planning fees.

In Great Britain, many diversified investments in the PPP formula that include a housing component are carried out. This is how one of the largest European regeneration projects, the Elephant & Castle Regeneration, covering a 28-hectare area in south London²³, is being implemented. This programme began in the first decade of this century, and the first projects (e.g. demolishing the Heygate estate and replacing it with new development) started in 2010.

19. Examples of specific provisions applied in other countries have also been added in part 3 of this report, where proposals for new models are presented.

20. The PFI introduced in the 1990s is a specific form of the PPP in which the entire investment financing remains with the private entity. More information on this topic and guidelines for interested parties: see: <https://www.gov.uk/government/collections/public-private-partnerships>, access on: 23/09/2023.

21. <https://www.legislation.gov.uk/ukpga/2003/26/contents>, access on: 23/09/2023.

22. <https://www.legislation.gov.uk/ukpga/2011/20/contents>, access on: 23/09/2023.

23. <https://elephantandcastle.org.uk/overview-of-the-plans/>, access on: 23/09/2023.

Londynie²³. Program ten rozpoczął się w pierwszej dekadzie obecnego stulecia, a pierwsze projekty (np. wyburzenie osiedla Heygate i zastąpienie go nową zabudową) ruszyły w 2010 roku.

Partners in this project include the Southwark Borough Council and private developers such as Lendlease, a company selected as the lead private partner for the Heygate estate. The programme includes the construction of new residential estates (at least 3,000 units, half of which belongs to the affordable housing sector), commercial and office facilities, new public transport lines and such solutions as rainwater collection systems or the application of energy-saving technologies. Controversies also arise during the implementation of the project – e.g. protests due to the demolition of the modernist Heygate estate and fears of the gentrification of the district. It seems that despite involving the public partner in the process, not all interests of the local community have been protected.

The PPP is carried out in Great Britain not only in cooperation with large entities, but also with residents. An example of the latter approach is Reviving Empty Homes in Stoke-on-Trent²⁴, a programme carried out in an area with a significant number of vacant buildings. Within this initiative, the city of Stoke-on-Trent offered residents the opportunity to purchase an abandoned home for the symbolic amount of one pound. Of course, there were certain conditions – new owners had to undertake to renovate the real property and to live in it for a certain period of time. In addition to the symbolic purchase price, the city also offered financial support in the form of loans for renovation works. Due to this, residents could adapt the real properties to their own needs. The programme was aimed not only at renovating the physical structure of the buildings, but also at revitalising local communities by attracting new residents and encouraging the existing ones to stay. Abandoned homes being previously the object of vandalism and source of problems for the neighbourhood were transformed into inhabited and well-kept properties – this in turn had a positive impact on the entire area and the local economy.

At the beginning of the programme in Stoke-on-Trent, there were 1,670 abandoned homes belonging to private individuals, with the majority in a conservation area (at the same time 2,187 households applied for council apartments). Over the five years of the programme, more than one thousand abandoned apartments were brought back into use and renovated.

24. Private Sector Empty Homes Strategy 2021-2026,
https://www.stoke.gov.uk/downloads/file/73/private_sector_empty_homes_strategy_2021-2026pdf,
access on: 23/09/2023.

At the same time, the queue of people waiting for a housing unit has been significantly reduced, and the city authorities in their strategy point to significant tax proceeds associated with it.²⁵

Affordable Homes Programme

This programme is funded by the government and aimed at delivering hundreds of thousands of affordable homes over several years. Private developers may obtain subsidies for constructing apartments that will be available for rent or purchase within various forms of supported ownership. The programme includes the construction of (1) social apartments for rent – *Social Rent*, (2) apartments with affordable rent – *Affordable Rent*, and (3) apartments with shared ownership where the tenant owns part of the apartment and pays rent for the other part – *Shared Ownership*.

Within the programme, the British government grants subsidies for the construction of new apartments through Homes England and the Greater London Authority, i.e. London local government. In exchange for these funds, developers are obliged to provide a certain number of affordable housing units. The programme includes incentives to create partnerships between local governments, non-governmental organisations, private developers and other entities. An important element of the programme's success appears to be long-term planning – developers and other organisations may apply for multi-year financing agreements, which allows planning and implementing larger housing projects in a better way. The Affordable Homes Programme has been functioning for many years and is updated on an ongoing basis depending on social and economic conditions.

Planning obligations/section 106 agreements

Local authorities may require certain social commissions from developers carrying out construction projects in British cities and towns. The commission may be a requirement to allocate some of the constructed apartments for lease at moderate prices, to build social infrastructure, to invest in public transport or even to pay a certain amount for indicated projects. This solution is aimed at mitigating possible negative effects of development (e.g. resulting from increased development intensity, shading or increased traffic) and/or ensuring that the development investment will bring broader social benefits. Planning obligations constitute an extension of the conditions for obtaining a building permit, and their final form results from negotiations between local authorities and developers.

25. https://www.stoke.gov.uk/downloads/file/73/private_sector_empty_homes_strategy_2021-2026pdf, p. 27. access on: 23/09/2023..

The form of negotiations is to ensure the best adjustment to a specific case. The negotiated provisions of the agreement are legally binding, and if the private entity fails to comply with the provisions, the commune takes legal measures. The legal basis of section 106 agreement comes from the Town and Country Planning Act 1990.²⁶

This tool is very effective in periods of great investment pressure when developers have a strong interest in construction. However, its efficiency declines during crises when fewer investments are carried out.

An important premise of planning obligations in the case of residential development is the achievement of socially sustainable communities consisting of apartments with various forms of settlement (*mixed tenure*) and residents of different status (*mixed communities*). For this reason, it should be impossible to distinguish apartments constructed under section 106 agreement from free market apartments (*blind tenure*). Actions of developers who try to circumvent this requirement by building apartments available within a separate investment or clearly separated staircase are controversial.

Housing Associations / Registered Social Landlords RSL

Housing Associations, also known as Registered Social Landlords (RSL), constitute a key element of the British social housing sector. These are not-profit organisations that play a vital role in providing affordable apartments. They often cooperate with local governments and private developers to build and manage low-cost housing units.

Housing associations of this type were created in the 19th century as a remedy for disastrous housing conditions in cities and towns during the period of rapid industrialisation. Their role increased significantly in the 1980s, when the British government began to withdraw from the housing sector and assigned the responsibility for social housing to these entities. RLSs receive government subsidies, but they must also raise capital on the market, for example by issuing bonds or obtaining loans. Due to this they have greater financial flexibility than traditional local government entities dealing with housing. These entities cooperate with local governments in implementing goals of local housing strategies, such as the construction of new apartments or the renovation of the existing buildings. RLSs provide a wide range of premises – from traditional social housing to apartments for rent available to people with various income. Many of such entities also operate on the commercial market, offering apartments for sale or rent at market prices.

26. <https://www.legislation.gov.uk/ukpga/1990/8/contents>, access on: 23/09/2023.

Although RLSs operate independently, they are closely regulated by the government, in particular by the Homes and Communities Agency. The regulations concern the quality of apartments, the method of real property management and finances. In addition, these associations involve their tenants in decision-making processes, support residents' councils and conduct public consultations.

Build-to-Rent, BtR

Private developers are encouraged to invest in the rental housing sector, not only in apartments with moderate rents, but also intended for rent in general, i.e. apartments that are not intended for sale. The idea is to reduce pressure on the housing market and offer more options for tenants. The key document that has set the direction for the BtR programme is the National Planning Policy Framework (NPPF)²⁷. The *Build to Rent Guide*²⁸, was also created. This is an instruction issued by the government for local authorities, intended to help developers and local authorities coordinate, understand and implement BtR. For some time, the programme was also accompanied by financial support for developers in the form of the Build to Rent Fund.

One of the most famous examples of such investments is the Collective Old Oak in London – co-living space, i.e. shared living space that combines features of a traditional rental apartment with elements of life of a more integrated community. In addition to rooms and apartments, it also offers shared spaces, such as kitchens, work rooms, gyms, bars and even a cinema. This solution responds to the growing demand for flexible forms of living in the city, tailored to specific requirements, especially among younger residents. This idea has gained recognition for its creative approach to renting.

27. National Planning Policy Framework 2023, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1182995/NPPF_Sept_23.pdf, access on: 23/09/2023.

28. "Accelerating Housing Supply and Increasing Tenant Choice in the Private Rented Sector: A Build to Rent Guide for Local Authorities' Department for Communities and Local Government 2015. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/416611/150323_Accelerating_Housing_Supply_and_Increasing_Tenant_Choice_in_the_Private_Rented_Sector.pdf, access on: 23/09/2023.

France

Also in France many tools and models of cooperation with the private sector have been developed and are used to increase the affordability of housing.

HLM (Habitations à Loyer Modéré)²⁹

The HLM system is the basic system for ensuring apartments available in France. Within it, the construction and maintenance of apartments rest with Organismes HLM (HLM Organisations), which are often public entities (Offices Publics de l'Habitat OPH), but they may also be cooperatives (Sociétés Coopératives d'HLM, – which operate to provide apartments for its members) or the private joint-stock companies Sociétés Anonymes d'HLM (SA d'HLM)³⁰. These organisations work in close cooperation with central and local authorities to implement the state's housing policy, focusing on the provision of available apartments – with regulated rents and qualification criteria established in a top-down process. The construction and purchase of HLM apartments are partially financed by the state and local authorities. In addition, financing includes low-interest loans provided to HLM organisations as well as tax reliefs and other financial incentives for private or cooperative HLMs.

In investments carried out by Sociétés Coopératives d'HLM, we may observe great involvement of residents. An example may be Le Floréal in Saint-Denis, on the outskirts of Paris, i.e. a residential estate built in the 1920s, which became the object of a comprehensive revitalisation project conducted by local Société Coopérative d'HLM. As part of this project, buildings were renovated, public spaces were improved, and the energy efficiency of buildings was increased. This project was aimed at improving living conditions of the residents and at the same time at preserving the cultural value of the estate. The involvement of the residents was the key to the success of the initiative, and Société Coopérative d'HLM played a key role in ensuring that the residents' voices were heard and taken into account throughout the process.

29. The tool is introduced by code de la construction et de l'habitation, https://www.legifrance.gouv.fr/codes/texte_lc/LEGITEXT000006074096/, access on: 23/09/2023.

30. Although SA d'HLM are commercial in nature, their mission is to ensure access to affordable housing. In practice, they may be owned by private investors, but their activities and functioning are strictly controlled by state authorities to ensure that they meet their social obligations to provide social apartments.

In some cases, also private developers may be obliged by local authorities to include a certain number of HLM apartments in their commercial investments³¹. Care is also taken to ensure that the maximum number of HLM units is built among commercial buildings – not in separate housing estates. This part of HLM activities is particularly important because it helps counteract the concentration of poverty and the emergence of homogeneous housing enclaves.

PLUS (Prêt Locatif à Usage Social)³²

The PLUS (Prêt Locatif à Usage Social) model includes housing loans granted by the state (through banks or financial institutions) to developers for the construction or renovation of social apartments. The PLUS model is addressed mainly to HLM organisations, but also to other (private) entities that want to build or renovate social apartments. Granting PLUS loans is often accompanied by support from local authorities that provide plots of land for construction or offer grants. A very important factor is the fact that organisations that use the PLUS loan must fulfil specific requirements in terms of construction standards, ecology and accessibility for people with disabilities.

PLI (Prêt Locatif Intermédiaire)

Prêt Locatif Intermédiaire (PLI), i.e. the Average Profit Housing Loan, is a French financial instrument designed to support the construction of apartments for rent in areas characterised by high demand for apartments and, at the same time, high rental prices. PLI allows the construction of apartments for rent at prices lower than those applicable on the free market, but higher than in the case of social apartments. In such a case, the rental price regulation applies for a certain number of years – for example nine years from the construction completion.

31. This may be specified in local legal documents.

32. The tool is introduced by code de la construction et de l'habitation, https://www.legifrance.gouv.fr/codes/texte_lc/LEGITEXT000006074096/, access on: 23/09/2023.

33. The loans are financed by 'Caisse des Dépôts et Consignations'.

Dispositif Pinel³⁴

Dispositif Pinel is a French tax relief system introduced to encourage private investors to build new apartments for rent. This model offers tax reliefs for natural persons who invest in new rental properties. These reliefs depend on the rental period:

- 12% reduction if the real property is rented for 6 years,
- 18% for 9 years,
- 21% for 12 years.

To qualify for Dispositif Pinel benefits, a real property must meet certain criteria, such as energy standards, appropriate quality of its completion or location in the area with high housing demand. The apartments must then be rented for amounts specified by the public sector (lower than market prices, but higher than in the HLM system).

Due to tax reliefs, many private investors decide to build or to adapt real properties for rent, which stimulates the construction market and increases the diversity of rental properties. By introducing price regulations for rented premises, the Pinel model contributes to increasing the availability of rental apartments for people with average income.

BRS (Bail Réel Solidaire)³⁵

BRS, i.e. Joint Real Lease, is a relatively new model of an agreement regarding a real property in France, introduced to increase the availability of apartments. This is an innovative tool aimed at separating the ownership of land from the ownership of the building located on this land, which in turn allows the buyer to reduce costs of purchasing the real property.

In the BRS model, an organisation (usually a foundation or non-profit organisation) owns the land, while the buyer purchases only the building. Due to this, the cost of purchasing the real property is much lower – it does not include the value of the land. The buyer concludes a long-term land lease agreement with the owner of the land (e.g. for 99 years). The rental fee is usually symbolic or very low.

34. It was introduced in 2014 in the budget act 'Loi de finances pour 2015' as a successor to the earlier 'Dispositif Duflot' system.

35. The legal basis for BRS is the 'Loi no. 2014-366 du 24 mars 2014 pour l'accès au logement et un urbanisme rénové' act (also known as 'Loi ALUR').

To ensure that the benefits from the BRS system are actually directed to people in need, criteria regarding the income of purchasers have been introduced. In addition, when the purchaser decides to sell the real property, they are also subject to restrictions regarding the sales price. Due to these restrictions, this model also constitutes a certain barrier to the financialisation of real properties.

Systematics of solutions

The analysis of models of involving the private sector in the supply of affordable apartments applied in Poland and other countries presented in the report allowed a certain systematisation of the described solutions. This was carried out by juxtaposing contrasting features of individual models. This type of binary oppositions organises and specifies the presented solutions, which seems to be particularly useful when developing additional models described in the third part of this study.

Voluntary/Compulsory

The first division into voluntary and compulsory solutions consists in distinguishing solutions whose use is optional from those that apply to every private entity or every entity meeting specific criteria (for example responsible for an investment of more than 5 apartments or for an investment in the city centre area; with turnover above a certain value; etc.) being a player on the residential real estate market.

Voluntary solutions: incentives/deterrent measures

Voluntary solutions are divided into those based on incentives and those based on *deterrent measures*. *Incentives* mean that a private entity using a given solution may count on additional benefits (e.g. tax reliefs, easier access to land, shorter waiting time for a building permit). *Deterrent measures*, in turn, are additional costs (e.g. additional tax, longer waiting time for a building permit, other fees) which apply to private entities that do not decide to adopt a given solution.

Compulsory solutions: subject to penalties/constituting a condition

Compulsory solutions are divided into those subject to penalties and those constituting a condition, i.e. in whose case the implementation is a necessary condition e.g. to obtain a building permit.

Dla For example: Social Rental Agencies are voluntary because only people interested in such a solution join them. At the level of even greater precision, it is a solution based on incentives – private entities receive in return a tax relief and a guarantee of timely payment of rent.

Table 6. Systematics of models applied in Poland. Division into voluntary and compulsory solutions

	voluntary		compulsory	
	incentives	deterrent measures	subject to penalties	constituting a condition
Social Rental Agencies	+			
Public-private partnership (PPP)	+			
Premises for land	+			
Premises for renovation	+			
Housing cooperatives	+			

own work

Demand/Supply

The second division is along the lines of *demand and supply solutions*.

Demand solutions affect citizens' ability to meet their housing needs (e.g. through housing allowances, credit facilities or rent regulations). They do not affect the number of apartments available on the market.

Supply solutions lead to an increase in the number of available apartments. This may happen for example through the construction of new premises or the use of vacant buildings (e.g. by imposing an additional tax on unused premises).

In this division, Social Rental Agencies constitute primarily the demand solution – they lower the rental price of premises entered into the programme and cause that more people can afford to live in them. Additionally, in small centres where the investment pressure is not as high as in large cities, SRAs can act as the supply solution. In such places they can ‘activate’ apartments whose owners have not been ready to rent them under general solutions.

Table 7. Systematics of models applied in Poland. Division into demand and supply solutions.

	demand solutions	supply solutions
Social Rental Agencies	+	+
Public-private partnership (PPP)		+
Premises for land		+
Premises for renovation	+	
Housing cooperatives		+

own work

Statist/Corporatist solutions

The third division distinguishes statist and corporatist solutions. The statist mechanism of public interventions is passive in nature – it involves shaping the institutional environment in which the housing market is embedded through an extensive public administration system. This is carried out for example by the stringent regulation of the manner of introducing changes in the amount of rent or the establishment of detailed provisions of granting building permits. We encounter such a coordination mechanism on the housing markets in Germany and Austria, but in Poland it is applied in housing policy very rarely (e.g. the mechanism of granting municipal apartments to people waiting for them), and it is not applied at all in the management of housing supply. This is one of the weakest links in Polish housing policy based on the dichotomy between the state and the free market, leaving out the opportunities offered by the state interference in free market mechanisms.

The corporatist solution is active in nature – the state through its agencies takes an active part as a market entity, without interfering in the free market mechanisms. For example: public entities build, manage, rent and sell real properties independently, and participate in active negotiations with other entities operating on the market. In this way, they play the role of market-makers who can influence prices, demand or supply, and even standards of agreements used or the quality of services offered, but not necessarily in terms of regulating the main rules for the functioning of such a market.

According to this division, SRAs constitute a corporatist solution in which the state (local government acting through the Agency) takes an active part in the process and is the third party in the relationship between the owner and the tenant of the apartment. Municipal apartments and TBS/SIM are also corporatist solutions.

Table 8. Systematics of models applied in Poland. Division into statist and corporatist solutions.

	statist solutions	corporatist solutions
Social Rental Agencies		+
Public-private partnership (PPP)		+
Premises for land		+
Premises for renovation		+
Housing cooperatives		+

own work

General/local solutions

The fourth division concerns the connection of solutions with local planning. Some of the tools – here referred to as nationwide – are the same in the entire country or commune and do not depend on detailed provisions of local law; they result from general law. The second part includes solutions resulting from local law; adapted to the requirements of the district or urban zones. Using an example from Great Britain: The PPP is a general solution and applies in the entire territory of Great Britain. In turn, Planning obligations are local solutions – detailed provisions result from local law and concern specific areas (building plots).

According to this division, Agencies constitute a general solution – the commune’s resolution establishing the SRA applies in the entire administrative area and does not depend on specific provisions of local spatial planning law (local spatial development plan – LSDP).

Table 9. Systematics of models applied in Poland. Division into general and local solutions.

	general solutions	local solutions
Social Rental Agencies	+	
Public-private partnership (PPP)	+	
Premises for land	+	
Premises for renovation	+	
Housing cooperatives	+	

own work

Conclusions

Involving the private sector in the supply of affordable housing is a tool for increasing the availability of moderately priced apartments, applied both all over the world and in our country. The first modern solution of this type, introduced in Poland after 1989, was the possibility to establish the PPP, introduced by the 2008 Act. The remaining possibilities appeared after 2020..

So far, we have not observed more examples of successful implementation of these tools. For years, both public and private entities have reacted to the PPP system with scepticism. There were concerns about lengthy procedures, inflexible agreements not adapted to changing market conditions and accusations of unfair conduct – we also return to this topic in the second part of the report devoted to the findings from focus studies. It is not possible to reliably assess the usefulness of the remaining solutions as they have been functioning too short. The barrier to their implementation is certainly the lack of common knowledge of them and the bad opinion regarding public-private solutions en masse. These solutions raise doubts both as being too preferential for private partners involved in them and, on the other hand, also as unprofitable for private partners. This discrepancy shows that the problem must lie somewhere else: the real barrier is the extended time of the pre-design stage, which, however, should decrease as the popularity of the described solutions increases – when such agreements become common, it will be easier for all parties to conclude them.

Applying the systematics of solutions to the tools used in Poland shows that they are very limited – in our country, when involving the private sector in the supply of affordable housing, only voluntary and corporatist solutions are applied. To increase the impact of this type of solutions on the entire housing sector, it is worth expanding the types of solutions applied as much as possible. The lack of local solutions, constituting a much more precise tool – adapted to specific urban areas, is also visible.

We cannot hope that the private sector will decide to undertake large capital investments without the guarantee of achieving a profit comparable to that obtained from purely commercial projects.

For this reason, to increase the involvement of private entities in the supply of affordable housing, it is crucial both to increase the attractiveness of incentives encouraging private entities to undertake such cooperation (one of them may be a lower but stable and long-term profit), as well as to introduce obligatory solutions.

It is also worth emphasising that from the point of view of the efficiency of spending public funds and taking into account issues of social justice, we should focus on supporting rental apartments instead of privately-owned ones.

Focus study

In the second part of the report, we present research findings from focus group interviews conducted with the participation of representatives of the decision-making, analytical and developer environments. The quoted statements of people participating in these consultations have been authorised.

Results of consultations in the form of focus groups

Partnerships and active housing policy

According to representatives of the decision-making environment, carrying out an active housing policy forces cooperation with commercial housing investors. Especially in smaller towns particularly affected in Poland by the process of shrinking³⁶, local government officials are interested in active counteraction to the unfavourable trend of depopulation. The presence of developers is one of the factors attracting investments, creating an attractive living environment and, consequently, discouraging residents from deciding to move to larger centres. Local authorities may not only regulate activities of commercial entities operating on the real estate market, as it happens for example within spatial planning, but they may also enter into partnerships or stimulate market entities to take actions aimed at a specific goal.



At the beginning, we even built terraced houses. Someone might ask whether the commune should enter into such an area of activities at all. But thanks to this, we showed developers that investing in smaller towns, such as Pleszew, was profitable. Soon, more terraced houses were built, but the investor was private business.

A. Ptak



see no contraindications to supporting the commercial construction, and it is actually happening. In Włocławek, several developers are also involved in it. One does not exclude the other, except perhaps that the rental housing market is changing. Our actions cause that rents on the commercial market are no longer rising, which is a sign of good changes.

K. Kukucki

36. D. Rink, C. Couch, A. Haase, R. Krzysztofik, B. Nadolu, P. Rumpel, The governance of urban shrinkage in cities of post-socialist Europe: Policies, strategies and actors, 'Urban Research & Practice', 7(3)/2014, 258-277.

Developers claim that they build better than local governments

The developer environment, in turn, believes that it is better prepared to implement projects in the field of housing policy. People representing this sector do not see any point in establishing further public entities in whose case the institutional learning process takes a long time and, as a consequence, the possibility to implement any housing programmes is postponed.



In its basic assumptions, the Apartment plus programme was exceptionally promising. Perhaps it would not have ended in failure if, instead of establishing a state developer, cooperation with private developers had been used. Then they would have provided their expertise as well as knowledge of the market and costs in exchange for access to new areas for commercial investments. The state would have handled issues related to revenue: it would have calculated rent and apartment rent subsidies for people from specific groups that need support..

K. Unold




These activities are often not conducted by professionals. Many developers constructing apartments for years know exactly how to optimise costs and select suppliers, contractors and technologies. Why do we reinvent the wheel and entrust the implementation of these tasks to entities that have no idea about them, being at the beginning of the learning path, which will take many years? Meanwhile, the state is creating structures that will have to learn for several years.

K. Płochocki

Divergent interests

It is not always possible to reconcile interests of individual parties, for example due to the natural difference in their perspectives. However, there are two clear problem areas in the case of which all stakeholders seem to agree to some extent. First, decision-making and developer environments agree with regard to problems related to access to land. Barriers in this respect concern the size of the land bank available to individual entities, but also spatial planning. We quote two statements below – the author of the first one is the deputy president of Włocławek, and the author of the second one is a developer from Kraków.



We don't have much land at all. If I had a lot of free land at my disposal, I could share it with developers. And it is not easy for us to obtain land even from Krajowy Zasób Nieruchomości for our own projects. This happens not only in my city.

K. Kukucki



Some local governments accumulate land for worse times, the state and State Treasury companies also have a lot of land, but a large amount of land is also owned by private individuals and entrepreneurs who bought investment areas for residential development many years ago and do not sell them, waiting for the increase in the land value. The situation is similar in the case of the Roman Catholic Church.

W. Cholewa

Profit is not the most important thing

At least part of the developer environment declares that it is not always guided by the logic of profit maximisation. It results from various motivations: from ethical ones to concern for own image related to the dissemination of negative associations around the so-called patodevelopment. However, the way of treating the principles of corporate social responsibility (CSR) not as a charitable gesture but also as building a competitive advantage is not necessarily openly articulated.³⁷ Projects close to the social economy model should be as effective as possible – emphasises one of the representatives of the developer environment. Another representative of this environment says directly that the barrier to implementing such projects is that they are unprofitable until they become popular on the market.



The heart of business constitutes hotels, complemented by the construction run by developers, and around them we develop social projects and activities of the Lena Grochowska foundation, associated with the Arche Group. Our hotels have been centres of local communities for many years. The first project of this type was completed thirteen years ago. These are comprehensive activities: we sell hotel rooms within investments in the proprietary Arche System, due to which we partially finance these investments, and at the same time we build communities around the revitalised buildings.

M. Sidorowicz

37. B.W. Husted, D.B. Allen, Is it ethical to use ethics as strategy?, "Journal of Business Ethics", 27(1-2)/2000, 21-32.

The brutal truth is that both charitable and ecological activities are good if they are conducted for right reasons, but they are performed on a mass scale when they are profitable. And I don't mean that in a negative sense. It is the same with all consumer choices: the customer is ready to pay extra, but just a little. Only when a product starts to become cheaper does everyone choose it.

K. Płochocki

It was a complicated project, but we thought that as a market leader we should show other trends, and it is not always the economic result that counts.

M. Mellem

Distrust towards the PPP

The second area in which the parties agree to some extent is the issue of cost classification. The agreement, however, consists in recognising the difference in the interests of both parties. From the point of view of the decision-making environment, private entities rarely have adequate capital, and they add a margin to loans which they have to recover when implementing the project. The PPP does not generate enthusiasm also in the analytical environment.

The PPP will always be the most expensive model, we can say that literally 'Excel won't let it pass'. A private partner usually does not have its own funds, it only takes out a loan, and this costs money. It doesn't work for charity, it has to achieve profit.

K. Kukucki

The only advantage of the PPP is that obligations resulting from these agreements do not affect the commune's debt level. Currently, however, this is not an attractive way of financing investments when the financial situation is good, especially with favourable external sources of financing housing investments.

A. Ptak

In the Polish reality, the PPP formula does not work. I don't see any chance of implementing such projects in the near future.

M. Wielgo

The PPP does not evoke positive associations, the only exception in this area is the public-social partnership not yet existing in the current legal system, consisting in involving third-sector entities, such as foundations with their own real properties. On the other hand, the business party notes that the PPP process is overly complicated. Partnerships with public entities bring less profit and, therefore, are more expensive from the developer environment's point of view. The workload is, however, greater than in the case of preparing a fully commercial standard offer, because significantly more requirements must be met.



We were the only company that put a lot of effort into it, as the list of requirements was incredibly long. I must say it is a really hard process. If I looked at it from an economic point of view, I would say that it is not worth so much effort: these are four apartments, we won't spend so much time, let's just sell them on the open market and that's it.


M. Mellem

Institutional obstacles

In addition, in the opinion of the developer environment, officials are not well prepared for contacts with the business world.

I am not against the PPP, but personally I have never been interested in it. All procedures, the method of negotiations, legal complexities, and placing almost all the risk on the private party by local government units, not to mention ministries, are something incredibly unhealthy. For this type of programs to become popular on a massive scale, we need to pay special attention to the word 'partnership' and perhaps add the word 'real'.


W. Cholewa



In Łódź, there is a separate department of the City Hall with which investors cooperate well and efficiently. Decision-making bodies operating in this way, willing to engage in transparent business cooperation, significantly shorten the time of administrative procedures.

K. Unold

Such good practices – say people from the developer environment – are not common. Apart from criticising the low level of employee competences or the way of their work organisation, the developer and analytical environments also unanimously point out the significance of problems related to the instability of regulations. This makes investing difficult, not only due to the lack of trust between partners, but also due to the difficulty of designing business projects in an accurate manner.



Nobody is willing to do anything because of the uncertainty of tomorrow and the legal situation and changes that can occur from hour to hour. This also does not give us the confidence to engage in processes that are long and subject to changes that should be anticipated.

M. Mellem



Clarity of principles, stability of rules, universality – these are the keywords we need.

K. Kuniewicz

The atmosphere of mutual distrust is even greater given that the analytical and developer environments unanimously emphasise threats resulting from the unfavourable political climate for establishing the PPR. Agreements of this type cannot often be of a substantive nature because relationships between the authorities and businesses are sometimes used to formulate accusations of corruption, even if it is cooperation definitely in line with the provisions of law and beneficial for both parties. As a consequence, this has a paralysing effect, prompting officials to prolong the decision-making processes as much as possible. In this way the officials want to defend against potential accusations of supporting investors in an unfair manner, the fourth ‘P’, i.e. the ‘prosecutor’s office’.



Local governments are not afraid just of the PPP, but of issuing standard building permits. In Warsaw, Kraków and other provincial cities, administrative procedures are deliberately prolonged just to prevent someone from accidentally accusing the official of issuing consents too quickly. The problem does not lie in the legislation itself, but in the entire political culture. There is no feeling that we all have the same goal.

P. Chimczak-Bratkowski

To make matters worse, the barrier of fear not only hinders the implementation of effective public policies, but according to the developer and analytical environments it is also an overused explanation for the incompetence of decision-makers. Regardless of the need to increase the supply of affordable housing, the efficient management is the key to conducting an effective housing policy.



We need stability concerning rules and regulations, not necessarily that one person will live in a municipal apartment for 60 years or even longer. Certainty also concerns whether it is worth investing at all in such conditions.

H. Milewska-Wilk


Opportunities for the future

In addition to various barriers, respondents also identify certain opportunities and good practices that can be used. In all focus groups, the most frequently cited example constituted French solutions, based on mandatory pools of apartments that developers deliver to the resource of available apartments. We can observe common knowledge of these solutions, even if there is no agreement between the parties as to the manner in which they can be applied in Poland. However, some people from the estate development sector do not criticise this solution, which theoretically violates their interests. Nevertheless, they point out that these premises would not have to be transferred to local governments for free, but for example they could be sold at a price lower than the market price, although calculated using an appropriate algorithm.



It is quite easy to imagine such cooperation and to put together in business terms. I know from experience that these types of partnerships are implemented in France. In exchange for providing land or entering into a partnership with the local government, developers are obliged to provide the city with a specific number of apartments.

K. Unold



Perhaps certain actions should be legally enforced. An example may be, for instance, French solutions where the developer must resell some of the apartments virtually at cost to the resources of affordable apartments.

M. Wielgo

Issues surrounding fiscal policy are also commonly indicated solutions. Tax reliefs may, for example, force the sale or another use of real properties, or directly encourage entities not only to purchase the existing premises, but to construct new ones in order to increase the supply of apartments. Findings from focus groups suggest great potential for using this tool, although not the exact direction of its application. An uncontroversial solution, however, includes SRAs, assessed as a solution that allows increasing quickly and effectively the supply of affordable apartments.




In the Podlaskie Province, for the purposes of the pilot project, about twenty empty apartments of this kind were found within two weeks due to offering owners renovation and equipment of the premises within the newly established social rental agency. All analyses and data from the Central Statistical Office show that there are many such apartments.

M. Ruszkowska-Cieślak

SRAs – claim people from the analytical environment – make it possible to involve also smaller investors or social economy entities in the private sector engaged in activities for affordable apartments. Similarly as in the case of the previously mentioned postulate of public-social partnership, which would potentially cover also housing cooperatives. Solutions typical of the social economy may also be used in a slightly different type of potential partnership: private-social one. Developers, claim representatives of the analytical environment, may for example establish single-building cooperatives, and sometimes they have already used this solution. This type of investments allows obtaining preferential loans, which in turn reduces construction costs. Cooperative solutions are also more promising than the previous negative experiences with social housing societies that established commercial market entities rather than municipal companies.


Less clear opinions concern such investment funds as REIT (real estate investment trust). Representatives of the analytical environment have different opinions on this matter. According to some of these people, this is a beneficial solution, especially from the point of view of developing mechanisms of retirement savings, but at the same time REITs do not seem to play a key role in the context of organising cheap apartments.



REITs are intended to provide apartments for the wealthiest people, to skim off the cream from the market, not to provide affordable housing. Such marketisation is a mistake.

H. Milewska-Wilk

The analytical environment also recognises the potential of a ‘negative stimulus’ related to the instability of the market situation. According to experts, however, it is difficult to diagnose when exactly the demand for apartments will decline enough to encourage or even force the estate development sector to join the creation of partnerships with the public sector, because it will no longer be able to attract other customers. The focus group with the participation of people from the analytical environment agrees that this perspective is real, but perceives it as part of an unspecified future. Currently, in their opinion, the estate development sector is not receiving a sufficiently strong impulse that would direct the business model in this way. There are only certain market niches with limited durability.



It is possible that the negative market impulse will work along with decreasing demand. Particularly in smaller towns, smaller developers have received more building permits over recent years in comparison with demand, which has declined since then.

K. Kuniewicz



For now, the '2% Safe Credit' programme has blocked the housing market. The prices are horrendous and it can be said that in the context of buying own property, the train for young people has already departed. In a few years, we will probably see a golden era for the PRS (Private Rental Sector) and people renting apartments, which will not be a sign of modernity, but a necessity that will affect the attitude of developers. Perhaps their customers will change from individual investors to REITs, PRSs and only a narrow group of very wealthy people.

M. Wielgo

Conclusions

As the results of expert consultations show, in Polish housing policy we may distinguish two potential areas in which groups with often opposing interests diagnose what they consider to be important challenges in a relatively similar way. Firstly, the decision-making and developer environments perceive in the same way problems related to the low supply of land for housing investments. Secondly, both these parties are aware of the difference in their perspectives, especially in terms of costs incurred by the other party. The PPP or other forms of cooperation do not help reduce costs – for the public sector it rather means the necessity to provide capital to private entities, and for developers it increases costs due to a longer preparation time of more complex projects. The identified advantages of partnerships are rather the diversification and dynamism of the offer on the local housing market or the use of knowledge and solutions previously developed in another sector.

This aspect leads to further conclusions important from the point of view of this report. The developer environment draws attention to the very low level of knowledge or institutional memory of public sector entities based in the area of housing policy generally on unstable entities, frequently changing law and, at best, very limited strategic thinking. However, it seems that further delaying the processes of generating institutional knowledge will only contribute to further vicious circle mechanism. In such a scheme, the lack of quickly obtained results makes it impossible to produce effects also over an increasingly longer period of time. Since some benefits occur only over a long period, this leads to abandoning any actions based on short-term observations.

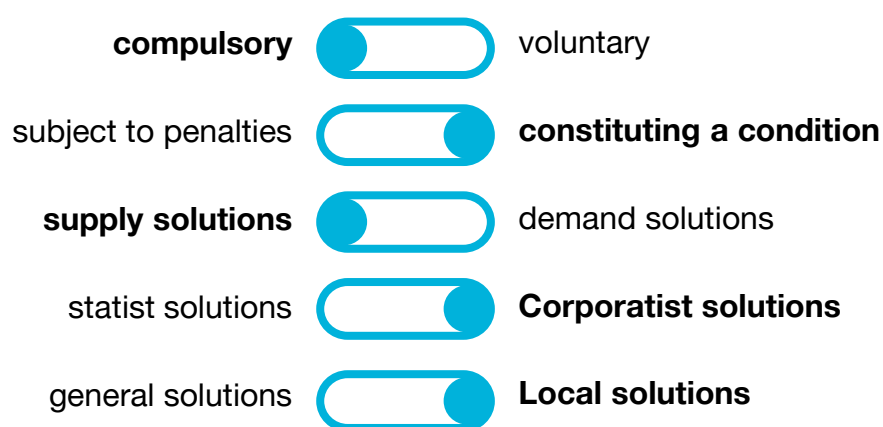
To conclude: among solutions discussed in the focus groups we may distinguish the development of the SRA, the obligatory delivery by developers of part of apartments from their projects to the resources of municipal/social rental apartments, and the development of the REIT scheme. These three solutions are listed in the order from the most to the least accepted, with a highly polemical attitude of the focus group participants towards the second and third solutions. The fourth solution includes fiscal measures, without indicating the desired course of activities in this last area.

Proposal of new models for involving the private sector in the supply of affordable housing

The models presented were developed taking into account findings from focus interviews, literature research and our own professional experience. From a larger pool of potential models we selected these models which, apart from the issue of housing availability, support the sustainable development of the state and social justice, and at the same time are adapted to the Polish institutional environment.

The presented models were also selected in terms of ease of implementation to include proposals practically ready for immediate implementation (model 4), as well as those whose implementation would be much more difficult and time-consuming (model 1 and model 2). All models are based on solutions already implemented in other countries, adapted to Polish legal, social and economic conditions.

Model 1. Social commissions



Social commissions constitute one of the tools regularly appearing for several years in expert proposals for improving the availability of apartments in Poland. They also appeared in focus groups conducted during the preparation of this report – not only in the analytical group, but also in the developer and decision-making groups.

The concept is based on the principle of social solidarity, according to which the cost of increasing the availability of apartments for people with lower income should be distributed among the actors of the housing market. In this model, the cost of building affordable housing units is divided between developers and buyers of privately-owned apartments, and the cost of the management and subsequent maintenance of the housing resources is shared between the state (mainly local governments) and the users of apartments built in this model. This means that it is a corporatist model because the state is an active actor of the market with an expanding pool of public apartments located in various places, due to which it can influence market rental prices and increase the financial availability of apartments for poorer citizens.

Principles of operation

Within the social commission system, part of the apartments from each new investment is transferred to the local government and thus increases the resources of municipal apartments. The percentage of apartments, calculated

in relation to the total residential area of the building that the developer must transfer to the local government (commission) is specified in legal acts of local government units (e.g. in local spatial development plans or general plans). The amount of the commission depends on the size of the investment (it is of progressive nature) and on the attractiveness of the plot of land, i.e. its location, surroundings, utilities, etc.

This system could also be used as an incentive to adapt the existing facilities. In this case, investments in which abandoned facilities (including those intended for other purposes) were brought back into use could have reduced commissions.

Similar actions are implemented in other European countries, especially those with liberal traditions where the state interferes in free market mechanisms to a small extent, and independently provides access to cheap apartments only for people with relatively low income. The table below presents examples of cities that have chosen this solution.

Operational diagram

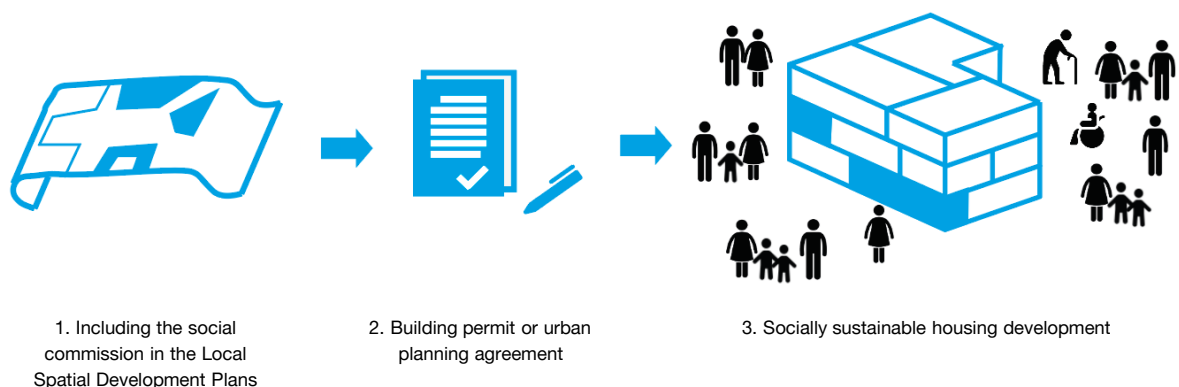


Table 10. Forms of social commissions in selected European cities

City	Forms of social commissions	%
London	<ul style="list-style-type: none"> → <u>The authorities have the right to demand that developers hand over up to 35% of the apartments built.</u> Developers have the right to negotiate and, as a result, to purchase the equivalent of these apartments, to reduce the percentage or to build apartments in another location – however, they must always propose an alternative solution and the balance of benefits. Then, they do not qualify for the so-called fast track – the process of issuing a building permit takes longer, is more expensive and complicated. <ul style="list-style-type: none"> - Investments that meet the 35% indicator of affordable housing receive building permits faster (fast track). - An absolute affordable housing commission is required from each investment with 10 or more apartments. → Local planning documents should include areas designated exclusively for the purposes of affordable housing. The number of apartments may be determined as an indicator or in absolute numbers. District authorities have the right and obligation to negotiate commissions for affordable apartments with developers. 	< 35%
Paris	<ul style="list-style-type: none"> → Commission: 20% of new apartments constructed by developers in each housing complex larger than 800 m² is to be allocated for the needs of affordable housing³⁸ - as part of HLM apartments, and in the areas of social housing deficit even up to 30%. → Percentage is calculated as part of the area of the entire complex, not as the number of apartments. The provision also applies if it is a renovation, not a construction. 	20% / 30%
Copenhagen ³⁹	<ul style="list-style-type: none"> → It is possible to enter into local plans requirements regarding social development, determining the percentage of land to be allocated for new construction of social apartments. → The largest number of social apartments is to be built in places suffering from their shortages. School catchment areas are particularly important because there should be a certain percentage of social apartments per each school. In turn, in areas where there is more than 30% of social buildings, there are no requirements concerning new construction. → Therefore, before developing local plans, the percentage of social apartments per school catchment area is checked. It was assumed that schools should constitute the centre of the district, as they are also used as meeting centres for neighbourhood communities. → Social apartments are built exclusively by non-profit companies, similar to Polish TBS. They are entitled to preferential loans, public funding for the purchase of land in expensive locations and subsidies from the local government. In return, they are to transfer 25% of the apartments to the local government for the pool of municipal apartments. The remaining apartments are rented for a long period of time in a formula similar to TBS. → The Danish model is therefore a synergy of statist solutions (enforcing social housing through local plans) with corporatist ones (communes taking over some of the apartments built in the TBS formula). 	> 25%

own work, based on [1, 4, 5, 13, 16, 18, 23]

38. Plan Local d'Urbanisme de Paris, <http://pluenligne.paris.fr>, access in 09/2023

39. <http://www.e-pages.dk/bl/1/> and https://dokument.plandata.dk/11_3010539_1454940576920.pdf, access in 09/2023

Access route

- To introduce this system, it is necessary to make legal changes, in particular to provide commune authorities with competences to determine housing amounts included in the social commission system, and at the same time to define a development policy act, a spatial planning act or a local law act that will decide on the above; it is also important that the statutory norm should indicate criteria/mechanisms enabling an objective and proportional determination of the housing amount in relation to the market value of the main investment (the issue in question cannot lie with the so-called administrative discretion, it must result from statutory regulations);
- Changes must be made in regulations regarding municipal apartments and lease subsidised by communes. The idea is to ensure the possibility of offering apartments received by local governments as commission in a way that meets the needs of all residents as much as possible. The amount of rent in a subsidised lease should depend on the tenant's current income. Additionally, it must be possible to terminate social and municipal lease agreements in the case of a significant improvement in the tenant's income situation and an increase in the number of people waiting for social lease, as well as when the real property is used for less than 9 months a year.
- Subsidies for local governments intended for implementing housing policy must be increased. Managing growing housing resources involves additional financial and administrative costs. Some of them, such as the finishing of the transferred apartments, their acceptance and quality control of the investment, must be incurred at the time of receiving the real property.
- In the initial period, it will lead to an increase in housing prices because it will act as an additional tax on the construction of residential real properties, imposed on developers. In the longer term, however, it will increase the supply of affordable apartments, especially for rent, which will limit the pressure on purchasing privately-owned apartments and on further price increase. Over a long period of time, due to the increased flexibility of the housing market on the demand and supply sides, prices will be lower than in the scenario without the introduction of commissions.

Legal comment

The current legal system includes the institution of an urban planning agreement, which could potentially be used in the context of this model. It was introduced into the system by the Polish Revitalisation Act of 9 October 2015. Then the legislator linked the urban planning agreement with the local revitalisation plan – the agreement served to implement the arrangements contained in the plan. Due to the fact that the institution of local revitalisation plans was not accepted on a nationwide scale, there were no chances to apply the urban planning agreement. There are literally incidental cases of the use of local revitalisation plans. For the second time, the legislator used the institution of the urban planning agreement in the Polish Act of 2023 amending the Spatial Planning and Development Act. Its provisions – at least in part – entered into force on 24 September and they expand the scope of use of the urban planning agreement. The commune together with the investor will be able to conclude an urban planning agreement to implement an integrated investment plan, which is both an interesting and practical solution.

However, it seems that the implementation of the Social Commission Model under the applicable legislation would not be legally possible. It would be necessary to amend the Act on Spatial Planning and Development, in particular Article 37ea-37eg of the Spatial Planning Act. First of all, it would be necessary to link the urban planning agreement with all types of local spatial development plans (not only with the local revitalisation plan and the integrated investment plan) and, in addition, to strengthen the statutory authorisation to issue local plans with the possibility of introducing specific arrangements (e.g. requirements regarding the housing construction standards or the size of the commune's share in the investment project). The above should be accompanied by a modification of the so-called *essentialia negotii* of the urban planning agreement.

Economic comment

In the social commission model the costs of building affordable apartments are divided between most market actors – households purchasing privately-owned apartments, developers, the state and tenants of affordable housing. In this case, the commission is a specific type of redistributive tax transferred in kind to the local government. Thus, it reduces costs of increasing municipal resources for the state budget, and imposes the financing of the construction on the primary market actors – developers and buyers. The only group that does not incur costs of implementing this model includes commercial tenants, obtaining additionally benefits from its implementation.

a. from Latin: essential elements of the content of a legal act

Increasing the supply of affordable rental apartments leads to a decline in the relationship between the amount of the market rent and people's income in the medium term. An indirect negative effect of this model is a temporary increase in housing prices when the commission is introduced. In the longer term, this impact should end due to an increase in the supply of municipal apartments and, consequently, a reduction in the demand pressure on the purchase of privately-owned apartments and market lease.

The risk associated with this model is the necessity to increase local government expenditure on maintaining the growing housing resources. If this is not followed by an increase in the flexibility of rents in municipal lease, including their dependence on the tenant's current financial situation, and an increase in subsidies from the central budget, local governments will not be able to financially and administratively manage the increased housing resources. In such a situation, this model could lead to lowering the amount of commissions adopted by local government authorities in relation to actual housing needs.

An additional risk is also the limitation of developers' willingness to build apartments in low-margin locations (e.g. on the outskirts of cities), especially in periods of economic downturn. In a situation of low demand, the necessity to immediately transfer the apartments to the municipal resources along with the simultaneous low sale of the remaining part of the investment may result in the developer's financial losses. This concerns especially the construction in smaller towns, where smaller developers with lower liquidity operate. The solution to this problem could be a high progressiveness of the commission, i.e. a situation in which small developers would be exempt from it. Unfortunately, this would limit benefits resulting from the programme.

Finally, it is worth noting that this programme will not solve housing problems in small towns, where developers have not had financial incentives to build new apartments for years.

Social and urban comment

Social commissions constitute a kind of 'revolution without a revolution'. A system that would encourage developers to allocate at least some of their apartments for purposes other than purely commercial real estate transactions would mean a radical increase in the level of housing production in the municipal and social housing segments. For example, even assuming a very conservative threshold of allocating only 5% of the premises completed for this purpose in relation to the level of housing production in 2022,

this would mean approximately 7 thousand apartments. For comparison: in the same period, only about 2 thousand municipal units and TBS counted together were created. The basic argument formulated by critics of this solution, especially by the estate development sector, is an increase in prices of other real properties – due to the developers' necessity to treat it as a lost profit. However, it is difficult to accept this type of argument – it concerns a smaller part of the resources, it is not about covering all costs by the estate development sector, and similar mechanisms of including the costs of other real properties in the prices of other apartments already exist (e.g. the actual cost of constructing garage spaces, also co-financed by owners of apartments that do not have them or the issue of owners of ground-floor apartments contributing to the costs of maintaining lifts). This type of model is a 'revolution without a revolution' also because it sets the affordable housing model in a situation with a dominant entity on the housing market being private developers, without modifying this state of affairs.

Housing commissions constitute a response to two social and urban problems: social stratification and privatisation of space. Social stratification, i.e. the existence in a given society of large status differences between individual social classes, has a direct impact on the quality of life of citizens⁴⁰. In societies characterised by greater equality, people live longer, in better health and trust each other more, children learn better and there is less violence and greater involvement in social issues⁴¹. In the case of large stratification, financial elites lose contact with the real economic situation and, as Kacper Pobłocki writes, 'they are convinced that the country and compatriots are much more prosperous than in reality. This is strengthened by fortress architecture that separates the rich and the poor, as a result of which they actually inhabit two partially overlapping but ontologically separate cities'⁴². The spatial expression of the stratification – class-based spatial segregation – goes beyond constructing material fences. It causes that we have less and less in common, our understanding of each other is getting worse and, unable to understand each other, we fall into conflicts more easily.

40. Supińska Jolanta, *Dilemmas of Social Policy (Dylematy Polityki Społecznej)*, Oficyna Wydawnicza ASPRA-JR, Warsaw 2014.

41. Andrzej Łuczyszyn, Agnieszka, *Inequalities and Social Stratification as Dilemmas of a Viable Society (Nierówności i rozwarstwienie społeczne jako dylematy społeczeństwa zdolnego do przetrwania)*, [in:] 'Spatial Economy of the 21st Century' (*Gospodarka przestrzenna XXI wieku*), ed. Alicja Zakrzewska-Półtorak, Piotr Hajduga, Małgorzata Rogowska, Wrocław University of Economics, Wrocław 2016, Publishing House of the University of Economics in Wrocław, p. 154.

42. Pobłocki Kacper, *Capitalism... (Kapitalizm...)*, p. 225..

For this reason, intentional mixing of apartments with different forms of purchase (privately-owned/rented) and those intended for people with different income would be a great advantage resulting from introducing this model. To implement this element, it is necessary to legally ensure the integration of apartments of different status and standard.

Foreign (especially English) examples indicate that there are attempts to divide privately-owned and tenant apartments into separate buildings or staircases.

A great value of this tool is also its basic connection with the location. Since social commissions are related to local planning, the amount of specific 'levies' may be correlated with the value of the plot of land, i.e. with access to services, distance from parks and the overall attractiveness of the place. Therefore, it may be a tool that will not only increase the supply of affordable apartments, but also influence the way of thinking of communes, for which the quality of the entire city space (regardless of the ownership title to the plot of land) will become an important interest, directly related to the number of affordable apartments that they may gain for their resources due to this.

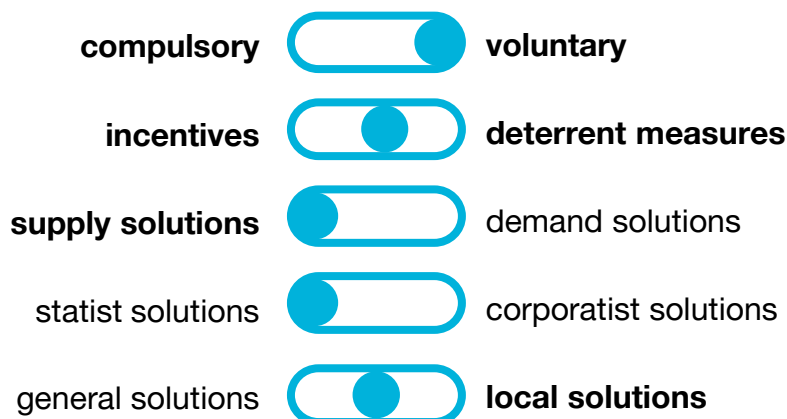
SWOT analysis and conclusions

Table 11. SWOT analysis for proposed model 1. Social commissions.

	Positive	Negative
Internal	<ul style="list-style-type: none"> → increasing the supply of affordable apartments → incentives for the adaptation of the existing facilities, including vacant buildings 	<ul style="list-style-type: none"> → limiting the developers' tendency to build apartments in locations with a low rate of return and during periods of economic downturn → system complexity → costs of managing municipal resources
External	<ul style="list-style-type: none"> → reducing apartment prices and/or improving the quality of apartments completed due to reduced pressure on the real estate market → increasing the social integration → lowering market rental rates → dividing the costs of building affordable apartments between many social actors 	<ul style="list-style-type: none"> → social opposition → market changes → in countries where this solution is applied, there are attempts to simultaneously build apartments of two standards and two locations in order to separate affordable premises from commercial apartments

own work

Model 2. Grant mieszkaniowy



Model 2. The housing grant describes a situation whose effects are similar to social commission model 1 described above. It is based on similar assumptions, but the basis of its operation is the opposite. The commission model is of a corporatist nature – developers decide on their own what they build based on economic incentives and transfer part of the constructed premises to the municipal resources, and then these premises are rented by the state. The grant model, however, is statist in nature – the state interferes in market mechanisms through a system of orders and incentives (grants) to prompt the private sector to build premises meeting to the greatest extent the housing needs of the population, in terms of the price, standard and quality. However, local governments do not have large resources of municipal apartments for rent. Both models are tools increasing the economic position of local governments in relation to developers.

Principles of operation

In the housing grant system, affordable apartments are introduced to the resources primarily on the basis of economic incentives, which may include access to attractive land, financial grant or fast investment path facilitating administrative procedures. The condition for using this path is the delivery by the developer of apartments of a specific standard and price (both for ownership and for rent). Unlike the commission model, these apartments may be sold or rented on the free market and are not transferred to the public sector. In the case of allocating apartments for rent, the incentive usually takes the form of a tax relief for the investor and is paid as long as the apartments are rented at a specific price and/or a specific price and/or to a specific social group.

As a result, the housing grant model is based on statist mechanisms in which the state, usually through the local government, determines what type of available apartments it needs and in this way it establishes a system of incentives to maximise their construction as much as possible.

Therefore, orders and concessions must also be included in the grant model. They involve specifying in municipal legal acts what part of housing investments in a given location should be carried out in the grant model. As a result, investors that do not want to build in the grant model may not obtain a building permit in a given location. Local governments may also grant concessions for the construction and management of apartments for rent on land leased from the state. In such a situation, investors that do not offer apartments at the price specified by the commune may lose their concession for the operation in a given area and must sell their business. As a consequence, an important element of the grant model includes non-profit enterprises engaged in the construction and management of housing resources.

Operational diagram

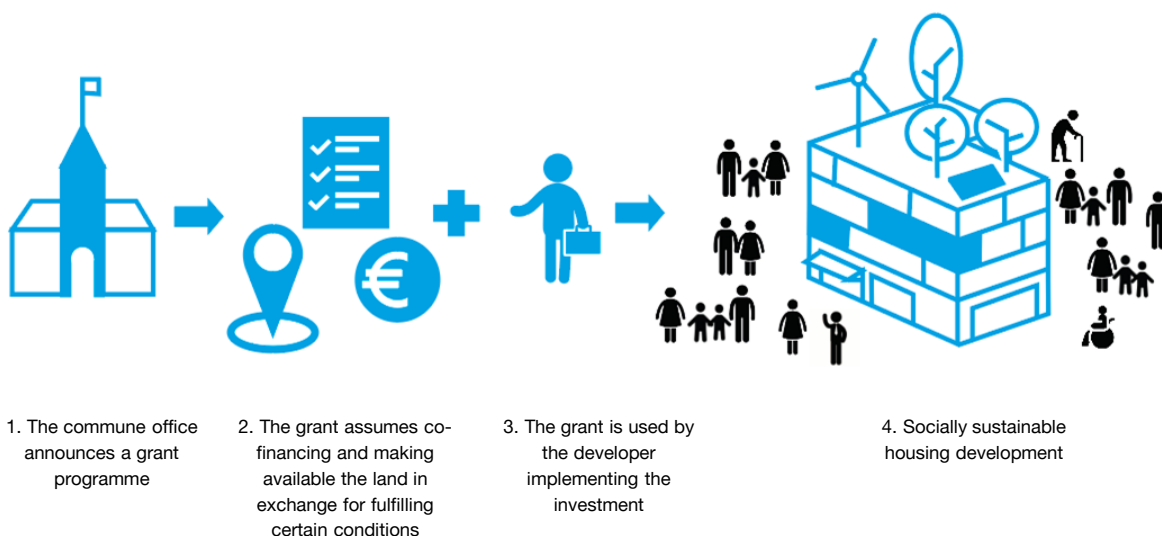


Table 12. Differences between Model 1. Social commissions and Model 3. Housing grant.

Model 1. (Social commissions)	Model 2. (Housing grant)
obligatory	voluntary, based on incentives and concessions
determined in local law	determined in local law
corporatist, the local government manages the pool of apartments received as part of a commission on its own or through a government agency	statist, the local government regulates the system of incentives and concessions in such a way that the most necessary apartments from the perspective of the city's long-term development are delivered to the market
the investor decides what and where to build, but they must hand over part of what they have built	the commune manages the types and locations of constructed premises through the system of incentives and concessions, but the investor may then manage it freely (although sometimes they are at risk of losing the subsidy, tax relief or concession if they sell the premises too early or the price of renting them is too high)
the state sells its land for constructing real properties	the state leases its land for constructing real properties and organises competitions for investors willing to construct and manage specific apartments

own work

Model 2. The housing grant has its patterns in the French PLUS (Prêt Locatif à Usage Social) system and in the solutions from Berlin and Vienna. In each of these cases, the local government constantly and strictly regulates the types and locations of constructed premises, and through grants and tax reliefs modulates financial incentives for the private sector to ensure the construction of apartments meeting to the greatest extent the housing needs of the population.

Table 13. Forms of housing grants in selected European cities

City	Requirements related to grants awarded	%
Berlin	<p>For areas over 5,000 m² of development for which a B-plan must be developed, <i>Berliner Modell der kooperativen Baulandentwicklung</i> (Berlin 2018) applies, i.e. a housing cooperation model that obliges entities applying for residential building permits to carry out activities in the public interest.</p> <ul style="list-style-type: none"> • Areas for public infrastructure (public transport, nurseries and kindergartens, primary schools, supply and waste collection areas, public green areas including playgrounds (in the number compliant with separate provisions, B-plans) must be transferred to the city. • <u>At least 30% of the apartments should be intended for lease with affordable rent.</u> It is possible to apply for a grant for this purpose, but receiving it is not guaranteed. • Creation of an appropriate social infrastructure, e.g. green areas. 	> 30%
Vienna ⁴³	<p>Social housing is strictly regulated by construction law and local plans.</p> <ul style="list-style-type: none"> • In areas designated for social housing, it is allowed to build only real properties with a specified maximum construction cost and a maximum monthly interest rate on the construction loan (i.e. profit of the financial institution providing a loan for the construction). • The percentage of apartments intended for lease with affordable rent may reach 2/3 of the apartments in a given investment. The exact amount is determined in local plans. • The investor is selected in a competition constituting a mandatory element. The competition evaluates the architecture, economic efficiency, ecology and social sustainability of the building. • In exchange for fulfilling all requirements, the city awards a grant of up to 30% of the investment value, but failure to fulfil any of them during the construction results in withdrawing the grant. 	< 2/3
Paris ⁴⁴	<p>The construction of apartments for lease with affordable rent is supported by the nationwide loan system (PLUS).</p> <ul style="list-style-type: none"> • The state-subsidised loan may be allocated for the purchase of land, construction of a new residential property, renovation of the existing residential property, or transformation of the existing residential buildings for affordable rental purposes. • Apartments covered by the loan programme must be leased at a rent not higher than the statutory threshold. • Tenants in apartments covered by the programme must have income below the statutory threshold, which varies depending on the number of household members and the region of the country. In Paris, there are the highest income limits. 	

own work, based on [1, 4, 5, 13, 16, 18, 23]

43. Requirements applicable as of January 2019, in accordance with the amendment to Wiener Bauordnung, Update Wiener Bauordnung https://www.wko.at/branchen/w/gewerbe-handwerk/bau/MA-37_Bauordnung-Novelle_weiss_1.pdf, access in 10/2019.

44. <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000000578695> access on 25/09/2023.

Access route

- It is necessary to create detailed spatial development plans and to determine the legal framework for licencing the construction of the real property, especially on state-owned land.
- It is necessary to create detailed demographic projections and demand for residential real properties in the perspective of several decades at the quarter level.
- It is necessary to increase employment in local government units that will plan, manage and licence the real property construction.
- The system will develop gradually, as only part of real properties may be constructed under a concession system at first. Only with the expansion of spatial development plans and the licence system, as well as the transfer of state treasury land for housing construction will the number of available apartments under this mechanism increase.
- In the initial period, the housing construction may slow down because market actors will have to adapt to new regulations. In the long term, due to an increase in control over the housing resources, the supply of real properties, especially from the secondary market, should be more flexible.

Legal comment

The implementation of the housing grant model requires far-reaching changes in the current legal system. In this context, it would be necessary to consider an amendment to the Polish Act on certain forms of supporting housing construction, which – due to the object of the regulation – seems to be the optimal place to standardise the proposed model. It is based on the existence of a system of incentives for investors and on models of inter-sectoral (public-private) cooperation. Therefore, the legislator's intervention should also cover other acts in order to create the whole 'system of regulations' for housing grants. Creating a system of tax reliefs requires amending e.g. the Polish Act on local taxes and fees. In turn, the above-mentioned 'faster investment path' may find support in the so-called special housing act (perhaps the 'lex developer' could serve this purpose primarily) or in integrated investment plans (referred to in the Polish Act of 2023 amending the Spatial Planning and Development Act).

Economic comment

The grant model has all advantages of the commission model, and additionally, it is characterised by a relatively lower financial cost – for the state, developers and buyers of apartments on the primary market. However, its application is subject to a number of conditions, without which the implementation will be highly difficult. Firstly, it may be implemented to the fullest extent in cities where significant part of attractive housing land is in the hands of local governments. This allows easy control over the management of apartments through the licencing system in the long term. Secondly, there must be detailed, long-term and regularly revised urban plans for the development of the city. This is a costly burden on the state apparatus. Thirdly, there must be non-profit market entities managing rental real properties with affordable rent. Fourthly, the local government administration must be efficient and effective. Fifthly, commercial courts must act quickly. Otherwise, appeals against administrative decisions (results of competitions, withdrawal of subsidies, etc.) will extend the housing construction process, reducing the effectiveness of the model.

Moreover, the grant model based on voluntary participation is burdened with the same risk as the ‘premises for land’ model already functioning in Poland. Voluntary participation means that private investors may not use this solution in a situation when market demand is sufficient for them to achieve profits satisfactory to shareholders. Then they do not have to engage in lengthy administrative procedures of cooperation with communes. To sum up, the grant model will work primarily in mature varieties of capitalism, with an effective and efficient state apparatus and in large well-planned cities with small housing deficits (e.g. Vienna), where the market demand for privately-owned apartments is relatively low.

In the above context, the variant that combines the corporatist elements of model 1 with the statist elements of model 2 is probably best suited to Polish realities, as in the case of the legal solutions adopted in Denmark. On the one hand, planning instruments force the creation of a certain percentage of affordable apartments in a given location, however without indicating the specific land where such a real property is to be built. On the other hand, in exchange for a subsidy for investors, part of the affordable apartments constructed is transferred to the municipal resources. The remaining apartments are leased for a rent below the market one. In Poland, it would be possible to regulate the number of affordable apartments constructed in a city in appropriate legal acts (model 2).

These projects could be carried out by TBS/SIM companies, which in return for a subsidy would transfer part of the apartments to the municipal resources (model 1). Some TBS/SIM companies already apply a similar model – together with the commune, they obtain funds from the Subsidy Fund – then part of the investment includes ultimately premises supplying municipal resources. Then, the commune makes an in-kind contribution in the form of land and covers part of 20% own contribution, TBS takes over the construction and then administers the entire real property.

In such a situation, municipal lease agreements – so far highly problematic and expensive – would become unnecessary, being further terminated. Their social function would be taken over by apartments from the quickly growing TBS/SIM resources, enriched with revised housing allowances.

Social and urban comment

Housing grants have similar effects to social commissions, promoting a favourable mixing of social composition in multi-family development. They prevent the creation of class or even generational monocultures, which is possible due to the rotation of tenants at a later stage.

Moreover, grants appear to be in line with widespread public expectations. In their case, we deal with co-production (joint implementation) of housing policy rather than a prescriptive system, which due to the widespread reluctance to public investments seems to be easier accepted by citizens. In turn, the focus on cooperation between the public and private sectors and greater flexibility of this solution contribute to creating spatial order to a greater extent than previously described sister model 1. In the case of grants, the private party is interested in effective cooperation, less in slowing down planning procedures or blocking potential orders.

This model also responds to negative associations regarding the municipal construction, often perceived as substandard, especially due to the small scale of investments in this type of resources. In a situation when the vast majority of such premises are old real properties in poor technical condition, the negative opinion, unfortunately fuelling the mechanism of a vicious circle of disbelief in the sense of implementing active public policy, is not surprising. However, the lack of investments leads to a poor perception of the policy effects, which results in a further and even stronger lack of support for investments in its framework.

The fact that should be strongly emphasised is that social grants (similarly as commissions from model 1) constitute also a model recognised by participants of expert consultations. This topic appeared in interviews conducted with people representing the analytical, decision-making and developer environments, which shows that in this aspect the controversial issue is not the idea itself, but its detailed features determining the implementation method. Compared to model 1, this solution is less controversial in the opinion of the developer environment – it emphasises the cooperation, not the administrative coercion.

However, the issue of potential spatial segregation is still a real threat – more than in the case of commissions, as it may be easier to locate affordable apartments separately from the commercial development; it shows the importance for the success of the idea formulated within this model of both the quality and accuracy of local spatial planning, as well as regulations in the field of construction law.

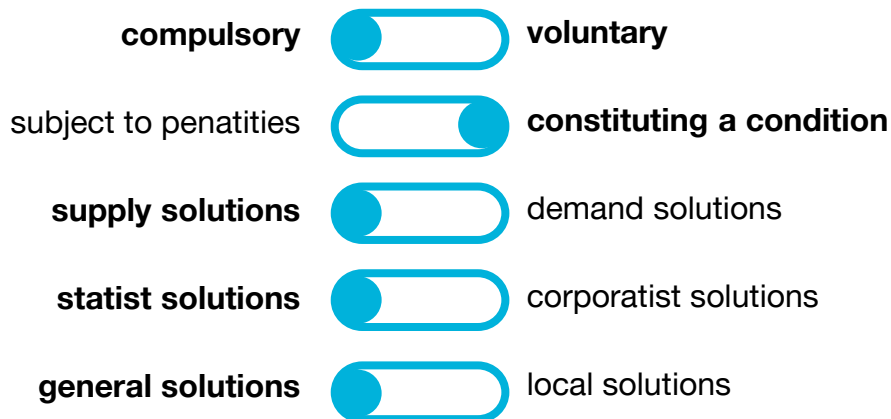
SWOT analysis and conclusions

Table 14. SWOT analysis for proposed model 2. Housing grant

	Positive	Negative
Internal	<ul style="list-style-type: none"> → ensuring affordability for significant part of newly built apartments, not only those obtained through commission → high local government control over urbanisation processes → adapting the new construction to the planned development of the city → incentives for adapting the existing facilities 	<ul style="list-style-type: none"> → high bureaucratic burden for communes → risk of changes in the intended use of real properties in the case of changes in market conditions (e.g. when the loss of the subsidy will be more profitable) → Discouraging developers from implementing investments, with top-down limited profitability
External	<ul style="list-style-type: none"> → control over changes in apartment and rental prices → low cost of the programme implementation for buyers of privately-owned apartments due to a small impact on real property prices → lowering market rent rates 	<ul style="list-style-type: none"> → limiting within a short period the number of residential properties under construction due to additional bureaucratic restrictions

own work

Model 3. Urban recycling



Model 3. Urban recycling has been developed to emphasise the urgent need to include the existing development in the affordable housing supply system. For many years, in the public debate the problem of excessive housing prices has been linked to the lack of land for new development. Meanwhile, in Poland there is a large number of buildings whose original use has lost its *raison d'être* and which can be successfully converted into residential buildings.

The urban recycling model is based on the principle of sustainable development in urban planning, construction and housing. It assumes the necessity to rationalise activities of planning authorities, architectural and construction administration authorities, construction supervision authorities and – above all – (public and private) investors. This rationalisation means, on the one hand, physical and technical protection of both buildings and materials against unjustified demolition and, on the other hand, it increases the efficiency of the use of existing real estate resources.

Therefore, the following guidelines result from the urban recycling model:

- demolition of a construction facility is *ultima ratio* (it should be justified primarily by its poor technical condition and the risk of a construction disaster),
- ‘second life’ policy (first of all, new functionalities should be sought for facilities that are not used or whose way of use is to be changed),

- dual-use approach in spatial planning (statutorily defined facilities, e.g. schools, congress centres, shopping malls, should have a mandatory alternative use in the case of loss of their original functionality; the alternative use should result from the construction design, while its development should be the responsibility of the investor; the dual-use approach should concern only larger and more expensive facilities that significantly affect the functionality of spatial structures and the efficiency of transport systems).

Principles of operation

The urban recycling model and the resulting guidelines should find particular application in three main problem areas:

→ when solving the problem of vacant buildings, whose number in Poland at the scale of provinces is around 10%⁴⁵ efforts should be made to satisfy housing needs; it is crucial to create legal mechanisms that will make it necessary to put vacant buildings on the real estate market and, consequently, to use them; (both public and private) owners of vacant buildings should, after the expiry of a specified period of non-use of the facility, pay a public levy (e.g. local tax to the commune budget). It is also worth taking into account the solutions applied in France, which – in accordance with the provisions of Droit au logement opposable (Dalo) act – allow communes to move municipal tenants into private premises abandoned for more than half a year.

→ when adapting buildings with a different intended use, primarily office buildings and large-scale commercial facilities. As a result of irrational efficiency of transport systems and local economies from the point of view of the spatial structure functionality, in many Polish cities there is an excess of office spaces and large-scale commercial facilities; their high concentration in a limited area causes that there are mono-functional service districts – with all their functional disadvantages. Moreover, changes in the requirements concerning commercial and office spaces, accelerated by the coronavirus pandemic, cause that further facilities no longer meet standards and lose their original function. It is important to find new functions for these types of facilities – if possible residential ones – instead of demolishing them.

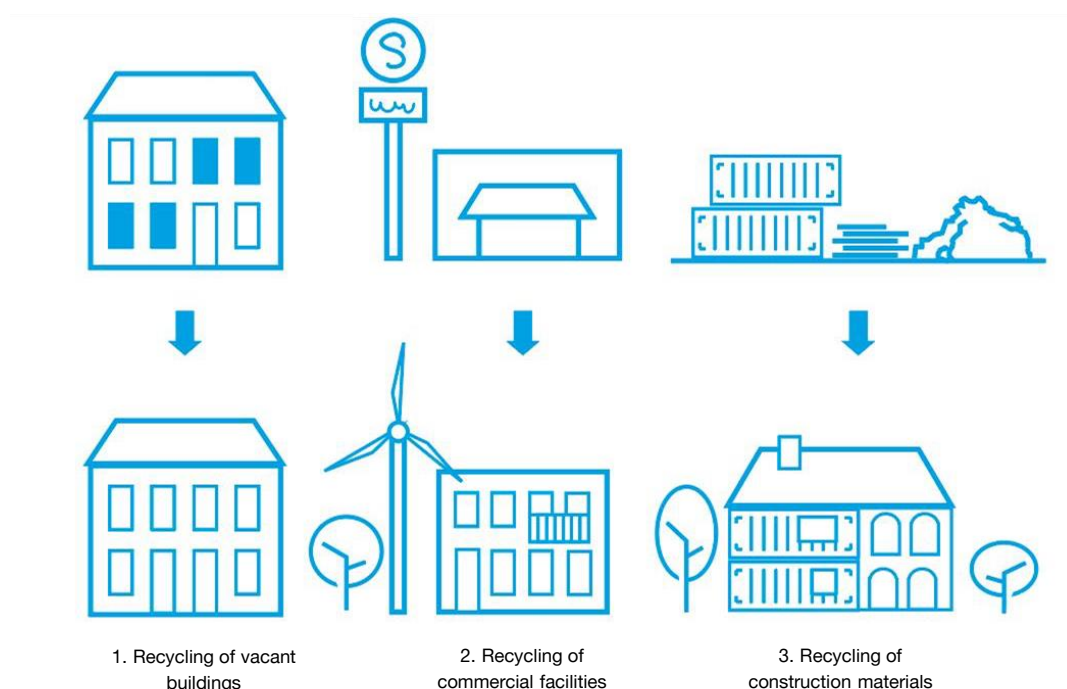
45. <https://rynekpierwotny.pl/wiadomosci-mieszkaniowe/ile-mieszkan-stoi-pustych-w-polsce/6395/>, access in 09/2023.

46. Inter-sector cooperation for refurbishment of empty spaces and vacant public housing stock, https://habitat.pl/files/PL_Refurbishment%20of_public_vacant_housing_empty_spaces_pager_2023.01.24.pdf, access in 09/2023,, <https://data.unhcr.org/en/documents/download/98905>, access in 09/2023.

The adaptation of such facilities into apartments, apart from the obvious environmental benefits, introduces a mix of uses to previously single-function spaces and is a step towards transforming them into full-fledged districts. Since adaptations with a change in the intended use may be difficult and cost-intensive, we point out the need to develop alternative ways of use already at the project level.

→ using building materials – the construction sector is one of the most invasive sectors for the environment and climate, generating large amounts of greenhouse gases and waste; it is necessary to consider the liberalisation of requirements of the Polish Act on Construction Products and to allow placing on the market recycled materials, which consequently will increase the supply of construction materials and result in the drop of their prices.

Operational diagram



48. A. Jadach-Sepiolo, E. Tomczyk, K. Wysocki, H. Milewska-Wilk, Vacant buildings in communes and possibilities of their transformation into affordable apartments for unwealthy people (Pustostany w gminach i możliwości ich przekształcenia w mieszkania dostępne cenowo dla osób niezamożnych), Warsaw 2011, https://habitat.pl/files/HabitatPoland_IRMiR_Raport-Pustostany_wyniki_badania_2021.pdf, access in 09/2023.

Access route

The introduction of the urban recycling model – in the form described – requires the intervention of the legislator or, more precisely, a amendment to some points of a number of acts. It is not necessary to carry out a revolution in the current legal system, but rather to introduce new principles and standards, as well as certain incentives for investors.

Legal comment

The introduction of the urban recycling model would require in particular amendments to:

→ the Polish Act of 27 March 2003 on spatial planning and development – on the one hand, the dual-use principle in spatial planning and, on the other hand, a mechanism that implements it at the level of local spatial planning and urban design should be introduced to this Act; it seems that the optimal place for such a principle is Article 1 of the Spatial Planning Act;

→ the Polish Act of 7 July 1994 – the Construction Law – the Act should specify construction facilities for which the construction design should indicate alternative uses in the case of loss of their original functionality; it should be an exhaustive (closed) catalogue; for example such facilities should include: large-scale commercial facilities, congress centres, sports facilities, schools;

→ the Polish Act of 16 April 2004 on construction choices – liberalisation of requirements regarding materials used in the construction, including by allowing recycled materials, should be considered; in this context, it is worth analysing e.g. the current wording of Article 10 of the cited Act;

→ the Polish Act of 12 January 1991 on local taxes and fees – assuming the need to introduce a new public levy payable by owners of vacant buildings, it is necessary to postulate an amendment to the Act on local taxes and fees; the income from a possible tax or fee (the legal structure of the levy is to be considered) should go to the commune's budget.

These are, of course, only key changes necessary for the introduction of the urban recycling model. The legislator's intervention should certainly be broader – the problem should be treated holistically (urban planning, construction, housing, waste management, tax system).

Economic comment

From the economic perspective, urban recycling is beneficial for all market actors. It is advantageous for owners of transformed real properties because it increases the value of their assets, it is valuable for local governments as it improves the efficiency of the use of building resources within their administrative units, and it brings additional profits to investors involved in the recycling process. A positive side effect is, therefore, an increase in the value of GDP due to an increase in replacement investments.

The disadvantage is its high cost intensity (sometimes even higher than in the case of greenfield housing investments) and low price flexibility. These types of activities – due to strong dependence on administrative decisions (e.g. regarding the change in the real property intended use) – are not pro-cyclical in nature and, therefore, do not have the potential to smooth out cyclical changes in real property prices. Fluctuations in recycling investments depend primarily on discretionary decisions of local governments, not on the current market situation.

Social and urban comment

The set of solutions referred to collectively as the urban model is extremely beneficial from the point of view of urban planning and spatial development. It combines tools increasing the supply of apartments with those that improving overall urban development trends. Solutions included in this model will help achieve the assumptions of a compact city and limit the spread of development into environmentally valuable areas. These activities are, in principle, beneficial also from the point of view of society: they counteract the extension of suburban areas (excessively developed suburbanisation going beyond the lines of the traditional urban-rural division), characterised by the loss of social relationships, allowing the use of the existing social infrastructure.

SWOT analysis and conclusions

Table 15. SWOT analysis for proposed model 4. Urban recycling.

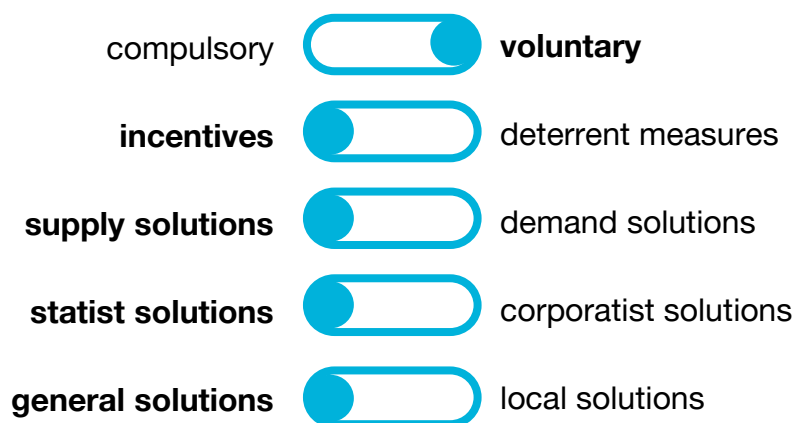
	Positive	Negative
Internal	<ul style="list-style-type: none"> → resource protection and sustainable development → multiple use of facilities → increasing the supply of affordable apartments → increasing the urban density → promoting sustainable transport 	<ul style="list-style-type: none"> → higher adaptation costs and/or technical difficulties → complexity of the dual-use approach
External	<ul style="list-style-type: none"> → improving the urban landscape → support for the local economy → environmental protection → heritage protection → reducing the expansion into new areas 	<ul style="list-style-type: none"> → social resistance → legal regulations

own work

In general the necessity to introduce this model does not raise any doubts, even if there are questions how to approach formally this issue. Experts in non-urban planning areas have particular doubts about the possibility to adapt non-residential buildings for residential purposes, but there are already many examples of this. Polish examples worth mentioning include Bolkoloft (designed by the Medusa Group), i.e. a chain bath at the premises of the Bolko mine, turned into an apartment. Some foreign examples of facilities with various types of development: Chelsea Market, New York, USA (2000, designed by CetraRuddy); Kloosterkade – former monastery, Maastricht, the Netherlands (designed by Vera Yanovshtchinsky Architect); Bristol Glass Warehouse – warehouse hall at a glass factory, Bristol, Great Britain (designed by Ferguson Mann Architects); Gasometer City, Vienna, Austria: Four huge cylinders that once served as gas storage facilities.

An example of a recent adaptation of a shopping centre into apartments is Avalon Alderwood Place, Lynnwood/Seattle, USA – a residential building in a 41-year-old shopping centre. Currently most adaptations are being performed in the United States, known for numerous shopping malls (see e.g. <https://urbanland.uli.org/economy-markets-trends/turning-malls-into-neighborhoods/>. access in 10/2023).

Model 3a. Cross-sectoral cooperation for the renovation of vacant buildings and unused public housing resources



One of the versions of implementing model 3. Urban recycling is a model of cross-sectoral cooperation for the renovation of vacant buildings and unused public housing resources developed by Habitat for Humanity Poland together with other members of the Working Group on Accommodation led by UNHCR, the UN Refugee Agency. This model is one of the proposals to counteract the housing crisis related to the increased number of people who came to Poland to escape the war in Ukraine, but it has been tested by the Habitat for Humanity Poland Foundation since 2020. Then the Empty Spaces programme began⁴⁶, under which a coalition of private partners, public institutions, scientists and non-governmental organisations was established to scale the renovation and adaptation of empty spaces for housing purposes. Within the project, the basis for undertaken activities is the report 'Vacant buildings in communes and possibilities of their transformation into affordable apartments for unwealthy people' prepared by the team of authors of the Revitalisation Advisory Centre of the Institute for the Urban and Regional Development, commissioned by the Foundation.⁴⁷ indicating that there is no easy solution within tools used by communes. In addition, a material addressed to non-governmental organisations and communes was published; it presents practical aspects related to the use of vacant buildings for housing purposes: 'Adaptation of vacant buildings into affordable apartments'.

46. <https://habitat.pl/empty-spaces/>, access in 09/2023.

47. [A. Jadach-Sepiolo, E. Tomczyk, K. Wysocki, H. Milewska-Wilk, Vacant buildings in communes and possibilities of their transformation into affordable apartments for unwealthy people (Pustostany w gminach i możliwości ich przekształcenia w mieszkania dostępne cenowo dla osób niezamożnych), Warsaw 2011.

[https://habitat.pl/files/Adaptacja_pustostan%C3%B3w_na_mieszkania_dost%C4%99pne.pdf] As an example, Habitat Poland has renovated approximately fifty unused and degraded premises from municipal resources to support people in difficult situations (some renovations are still ongoing).

Principles of operation⁴⁷

Unused apartments from the municipal housing resources are rented to non-governmental organisations (e.g. within a competition). A non-governmental organisation assumes the role of a coordinator and mediator connecting the private sector and the local community in order to implement renovation projects.

Companies from the private sector are invited to cooperate in renovations and furnishing of apartments. They may provide construction materials, equipment, furniture and other items applying a minimal margin, or their employees may help with renovations. The participation of private entities helps reduce the overall renovation costs. Such an action forms part of the Corporate Social Responsibility (CSR) strategy, according to which enterprises voluntarily take into account social interests in their activities, which becomes a source of competitive advantage not only in the form of advertising, but also better team motivation and synergy with the environment.

Once the renovation is completed, the non-governmental organisation uses the apartments to support refugees and/or local communities for a predetermined period. After the expiry of a specified period of time, the apartments return to the municipal resources, then they are modernised and designated for social or municipal lease.

By engaging in this model, each partner would reduce their usual profits in order to reduce overall costs. Cooperation and synergy at each level, especially of the supply chain, reflected e.g. in the fact that partners do not charge a margin, would allow reducing overall costs by approximately 30-40%. Due to this, each donation to this project would be almost doubled in terms of social impact

48. Work based on the document 'Cross-sectoral cooperation for the renovation of vacant buildings and unused public housing resources', Habitat for Humanity Poland: <https://data.unhcr.org/en/documents/download/98905>, https://habitat.pl/files/HabitatPoland_IRMiR_Raport-Pustostany_wyniki_badania_2021.pdf, access in 09/2023.

Operational diagram



Cross-sectoral cooperation for the renovation of vacant buildings and unused public housing resources', Habitat for Humanity Poland:
<https://data.unhcr.org/en/documents/download/98905>,
https://habitat.pl/files/HabitatPoland_IRMiR_Raport-Pustostany_wyniki_badania_2021.pdf , access in 09/2023.

Legal comment

The implementation of the model in question requires, first of all, an appropriately constructed urban policy based on legal advice from the field of construction law and technical and construction regulations. Although amendments to the applicable law are always desirable – in this case they are not a necessary condition. Implementing the policy of giving second life to vacant buildings is based primarily on the ownership rights of the commune's government to construction facilities and premises included in the real property resources. Their use is not possible due to their poor technical condition, less frequently the risk of a construction disaster.

Ownership rights – their catalogue and content – are set out in the Polish Civil Code, e.g. in Article 140. In turn, the method of exercising ownership rights with regard to construction works is specified in the construction law. Therefore, the essence of the problem includes the sources of financing construction works.

Economic comment

The model based on cross-sectoral cooperation is a specific use of public-private partnership for more effective use of the existing housing resources, where the private sector is represented by non-governmental organisations. Its greatest advantage is the reduction of costs of renovating municipal resources incurred by communes. These costs constitute currently one of the most serious obstacles to full occupancy of municipal premises. Nearly every tenth apartment from the commune's resources is unused due to its poor technical condition, which the commune is unable to improve on its own because of budget constraints. Given such financial constraints of local governments, the cost of the programme, consisting in a temporary exclusion of renovated apartments from the commune's resources, is negligible, because these apartments would probably remain unused anyway due to their technical condition. However, the success of this programme is conditioned on performing necessary repairs in the premises being the object of the public-private partnership, also after the period of use by a non-governmental organisation. An apartment must meet requirements regarding municipal resources at the time of its restoration to the commune's housing resources. Such conditions will have to be determined at the time of handing over the apartment for renovation.

SWOT analysis and conclusions

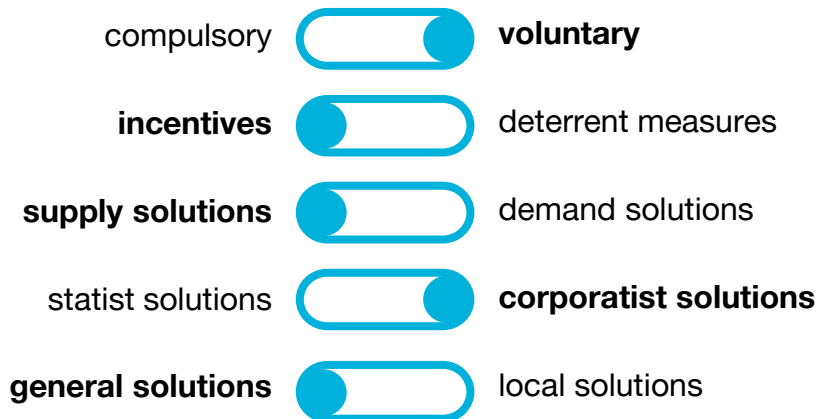
Table 16. SWOT analysis for proposed model 3a.

	Positive	Negative
Internal	<ul style="list-style-type: none"> → resource protection and sustainable development → multiple use of facilities → increasing the supply of affordable apartments → increasing the urban density → promoting sustainable transport → better use of the existing infrastructure → modernisation of urban resources 	<ul style="list-style-type: none"> → higher adaptation costs and/or technical difficulties → complexity of multilateral cooperation
External	<ul style="list-style-type: none"> → environmental protection → heritage protection → reducing the urban expansion into new areas 	<ul style="list-style-type: none"> → difficulties in engaging enterprises → problems with the use of uncertified materials → difficulties in coordinating work of unskilled people

own work

This model does not require amendments to the applicable law and as such it can be implemented immediately. Its implementation will contribute to modernising public housing resources and increasing the availability of housing resources that can be allocated for refugees, but also for local communities, because at the first stage, when the resources are administered by non-governmental organisations, apartments may be designated for specific groups of people – for example young, elderly or lonely people – and thus meet additional social goals. Non-governmental organisations have greater freedom in selecting tenants than local governments bound by a list of people waiting for social and municipal apartments. An additional advantage of this solution is the possibility to establish innovative, cross-sectoral and permanent cooperation, which may also result in other socially useful undertakings.

Model 4. LODGING in the Social Rental Agency model



Although Social Rental Agencies can operate as of July 2021, actually the setting up of the first SRAs was initiated just this year (2023). Despite the fact that the idea has been proven abroad and gained the support of a significant number of tenants and housing experts, so far it has turned out to be ineffective. It seems that it results from the lack of interest/will of communes to implement SRAs, but due to the short period of functioning it is not yet possible to determine where the main barriers to their development lie. Moreover, given the low efficiency of the system, its costs incurred by local governments per one apartment in connection with the functioning of SRAs turn out to be relatively high. This programme certainly needs more time to unleash its full potential, but a lower amount that a tenant may receive for an apartment – in times of shortage of apartments for lease and such a rapid increase in rents – may turn out to be a barrier preventing the real development of the system. For this reason, the LODGING model was created, which would constitute an extension of the SRA system, including more rental options and, at the same time, expanding the group of beneficiaries.

The second reason for a broader development of the LODGING model is the issue of an aging society and problems of elderly people who live in houses and apartments that are too large, uncomfortable, unadjusted to their needs and difficult to maintain. Such situations occur when elderly people cannot, are unable or do not want to move to a flat better suited to their needs, which may result from legal, ownership or even sentimental issues.

The third issue that the LODGING model is to solve is the huge problem of housing units for young adults – both students and those who have started their first job. Due to excessive housing prices, more and more people aged between 18 and 35 cannot become independent and are forced to live with their families.

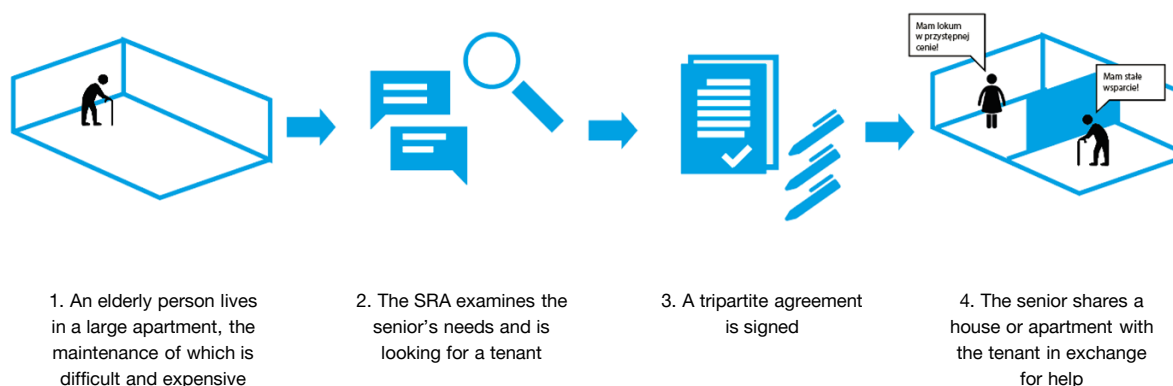
This situation, firstly, limits their opportunities for personal development or starting a family, and secondly, it makes life difficult for their families.

Principle of operation

The LODGING model is an extension of the basic SRA model by subletting rooms at a reduced price in exchange for free-of-charge provision of services. It can be said that, to put it simply, it is a system of lodgings with a central intermediation system. The proposed model also expands the customer base to include the elderly and increases the range of apartments available for young or single people. Senior citizens who have a sufficiently large apartment (at least two bedrooms plus a living room) and who need constant help or just company apply for the programme as landlords. On the other hand, the programme is chosen by young or single people (including seniors) – as tenants – who like the co-living model and who, in exchange for low accommodation costs, declare their readiness to help the owner of the apartment and/or to keep them company. The scope of help can vary greatly. From everyday to occasional help, from cleaning and shopping support to dinner meetings. The rules of co-living and rental costs are determined individually for each pair of people. If necessary, SRAs carry out a necessary renovation or adaptation of the apartment to the needs of additional tenants. If necessary, they can also introduce changes to make life easier for an elderly person, for example with the use of PFRON funds. The SRA employees are also responsible for coordinating the process of connecting landlords with tenants, developing an agreement to ensure the protection of interests of each party, and then checking periodically whether the cooperation is smooth. Psychologists are involved in the process of recruiting and connecting residential pairs, which reduces the possibility of personality-related conflicts.

The idea originates from programmes operating in various countries within which students live in elderly care homes or in other places with elderly people. Both young and elderly people have their own separate rooms and full freedom, as well as – depending on a specific situation – they are obliged to help or they voluntarily help and stay with seniors for a certain number of hours a week. According to the Global Aging Network, the first programme of this type was initiated in Barcelona in 1996 as a result of cooperation between the city and a local university, and then it developed into a popular nationwide system⁴⁹. Currently, similar initiatives are popular in the Netherlands (e.g. Residential and Care Centre Humanitas, Deventer), France (Lyon) and the USA (Ohio, Cleveland)³⁶.

Schemat działania



Access route

→ Supporting the lodging model based on the current regulations on SRAs and the existing rental agencies will make the access route quick and easy;

→ the model will develop gradually, based on the 'snowball' principle. Initial expectations regarding the scale of the activity must be toned-down. The model is based on building three-way trust between seniors, SRAs and young people;

→ to encourage people to offer apartments through SRAs, either the active participation of local governments, which through their credibility would guarantee long-term security of involvement in this type of project, or the use of financial incentives (e.g. tax reliefs for rental income) is necessary.

49. <https://globalageing.org/articlesblogs/intergenerational-living/>, access in 08/2023

50. <https://www.sensorytrust.org.uk/blog/humanitas-the-care-home-with-a-difference#content>, access in 08/2023.

Legal comment

The normative analysis leads to the conclusion that the implementation of this model requires appropriately designed local policies rather than changes in the applicable legal system. The SRA legal form is relatively flexible and can be used to achieve – of course within certain limits – various detailed goals. It seems that in this case it is necessary to create non-legal incentive mechanisms and, above all, to promote the model as fully justified (urbanistically, socially).

Pursuant to Article 22(1) of the Polish Act of 26 October 1995 on social forms of housing development: 'A social rental agency is an entity conducting, in order to create conditions for meeting housing needs of the local government community, activities consisting in leasing residential premises or single-family residential buildings from their owners and renting these premises or these buildings to natural persons indicated by the commune on the principles set out in this chapter'. The commune – which results directly from the provision – may indicate natural persons for whom the agency conducts its activities. As stipulated in Article 22e of the above-mentioned Act: '1. The commune council determines by way of a resolution constituting an act of local law: 1) criteria entitling a natural person to conclude with the SRA a residential premises or single-family residential building lease agreement, hereinafter referred to as the 'lease agreement'; 2) principles of applying by natural persons for concluding a lease agreement; 3) criteria whose fulfilment entitles the current tenant to conclude a new lease agreement; 4) method of verifying the fulfilment of criteria referred to in points 1 and 3.

2. When specifying the criteria entitling to conclude a lease agreement referred to in section 1(1) and (3), the commune council selects from the criteria referred to in Article 8(2)(1-4) and (6-13) of the Polish Act of 20 July 2018 on state's aid in incurring housing expenditure during first years of flat renting (Journal of Laws of 2021, item 2158, and of 2022, item 1561), or indicates its own criteria."

It clearly results from the analysis of section 2 that the commune council may indicate 'its own criteria' (concerning e.g. age) or use those regulated in the Act on state's aid in incurring housing expenditure. Importantly, Article 8(2)(8) of this Act explicitly states the possibility of introducing the age criterion (people over 65 years of age).

Due to the above, it is possible – based on applicable legal regulations – to implement the LODGING model in the SRA model.

Economic comment

This model allows a low-cost increase in the supply of rental apartments for young people, while improving the living situation of elderly people. By employing in the SRA people who supervise the implementation of the programme and connect potential landlords with tenants in the LODGING model, it is possible to obtain total economic benefits (i.e. the value of services provided by both parties to the agreement) many times higher than the cost of the programme. Additionally, the implementation of this model will increase the efficiency of the use of the existing housing resources. This is a particularly important aspect in the context of the aging society. The overwhelming majority of people over 60 years of age (over 90%) live in privately-owned apartments with an average area exceeding 60 square meters. As life expectancy tables show, many of them, especially women, will spend a significant part of the rest of their lives alone and, as a result, in an apartment with an area exceeding their housing needs. Finding a way to move people particularly at risk of housing poverty to these premises on mutually beneficial and acceptable conditions will be one of the most important challenges of the coming decades in Poland. The reactivation in academic cities of the lodging model known from periods of high housing shortages may be conducive to this, especially if the SRA supervises the resolution of conflicts in relationships between tenants and landlords.

Social and urban comment

Socially, the LODGING model in the Social Rental Agency model is very beneficial. It is a response to three different problems with social impact: (1) it increases the availability of apartments for young people; (2) it counteracts the exclusion and the feeling of isolation of elderly people, and at the same time extends their period of independence; (3) it eliminates the generation gap between young and elderly people, and simultaneously provides an opportunity to develop social sensitivity among people entering adulthood. The model also reduces the individual costs of living for both parties. If this model could be developed, it would also be a step towards deinstitutionalisation of social services. It would also have the potential to counteract disability and to constitute preventive measures for better mental health.

No social resistance to the implementation of this system is expected. All solutions are voluntary and do not involve significant public funds, due to which the idea does not seem to be controversial.

Z From the point of view of spatial development, this model should be considered consistent with the principle of sustainable development. Its application increases the degree of using residential spaces and population density, thus reducing the need for new facilities and new infrastructure. Due to the optimal use of space, the overall consumption of thermal energy is reduced, and thanks to renovations the lifespan of real properties included in the programme is extended.

SWOT analysis and conclusions

Table 16. SWOT analysis for proposed model 4. LODGING

	Positive	Negative
Internal	<ul style="list-style-type: none"> → effective use of residential space → recipe for loneliness → support for elderly people → emotional benefits achieved by young people in contacts with elderly people, becoming familiar with the topic of old age → practical promotion of deinstitutionalisation in the context of old age → low accommodation costs → flexibility: the scope of assistance and the rules of co-living are determined individually. → support of specialists 	<ul style="list-style-type: none"> → dependence on the commitment and competences of the SRA employees → possibility of generational conflicts → time-consuming recruitment system → administrative complexity → temporary solution, limited by the possibility of deterioration in the elderly person's health or change in the life plans of the younger person
External	<ul style="list-style-type: none"> → the model can gain a lot of popularity and support if it is promoted properly → possibility to obtain additional funds (e.g. PFRON) → greater supply of apartments for young people 	<ul style="list-style-type: none"> → possibility of abuse by one of the parties to the agreement → unforeseen complications -> problem with the availability of specialists → problems with social acceptance

own work

This model is relatively quick and easy to implement, does not require statutory amendments, does not involve additional costs, and does not require additional infrastructure. It is also beneficial from the point of view of society and consistent with the principle of sustainable development.

The only area requiring refinement would probably be issues related to psychological care, low efficiency of this type of infrastructure, psychological care, low efficiency of this type of assistance infrastructure within the Polish social policy – for this reason, it does not seem possible to involve in this context e.g. social employees who are already overloaded with various tasks. To develop its potential, it would need media promotion and broad presentation of good practices.

Conclusions

→ The housing gap will certainly not disappear on its own, and without the intervention of the legislator it will grow. Scientific and expert studies clearly prove that there is a group of citizens with a specific socio-economic status that will not be able to meet their housing needs without new models of affordable apartments.

→ The most advantageous solution – due to the diversified profile of local government units, in particular communes, but also the principle of task and competence independence – is to introduce into the applicable legislation at least several tools (models) from which interested entities could choose the optimal one (adapted to local policy, local labour market, social stratification, etc.).

→ Researching models for supporting affordable housing construction applied around the world is extremely important and may constitute valuable inspiration. However, not all of them are suitable for the implementation in Polish socio-economic conditions. Hence, comparative studies should be conducted in a common sense manner. The report presents four models inspired by solutions applied in Europe which have a chance to occur in statutory, administrative and business practice, although their introduction into the legal order is characterised by varying degrees of difficulty.

→ The LODGING model is the easiest one that can be put into practice. In this case, the normative context in principle exists and is favourable, but political decisions are needed. Putting into effect the urban recycling model will be the most difficult, because the principle of sustainable development is not widely recognised in many political and social environments.

→ One of the forgotten tools in Poland to support the construction of affordable apartments – which is not presented in the report as a separate model, but which should complement the proposed solutions – includes tax reliefs. Income tax exemption for developers and investment funds implementing socially necessary projects is one of the incentives regularly used in Western countries to stimulate the development of social housing.

Currently, in Poland, income of those who rent premises to SRAs is exempt from tax, but it would be good to expand this relief to other cases, so that certain fiscal benefits would be extended to private entities handing over their apartments to achieve the goals of housing policy.

→ It is worth remembering that the private sector includes both large entities such as developers and investment funds, and small owners, which is very important in the context of the fragmented ownership structure of Polish apartments – hence the report is focused on such topics as the SRA or LODGING model.

Summary

Summary

The report presents models currently applied in Poland to involve the private sector in the supply of affordable housing and a comprehensive review of models applied in France and Great Britain, and proposes four additional models whose implementation in Poland would support the issue of housing affordability.

The implementation of each of these new models would also bring additional – social, spatial or environmental – benefits. The report is, of course, not a complete study, it is certainly possible to develop further solutions. However, the purpose of this study is not to exhaust the catalogue of possible tools, but to indicate the possibilities of further development of cooperation between the private and public sectors in terms of increasing the affordability of apartments. What seems important is the belief that such cooperation is possible and will bring benefits to three parties: local governments, commercial entities and – most importantly – residents. Such cooperation also provides additional opportunities to support social, spatial and environmental goals, which in normal practice is often too expensive (for communes) or unprofitable (for business).

Although the decision-making and developer environments are not particularly optimistic about such forms as the PPP at the moment, their introduction seems to be a necessity, especially given the currently extreme level of privatisation of housing policy. The interviews also reveal considerable support for this idea from the analytical environment. Experts point out the negative market stimulus which will affect the Polish housing policy on a different scale that cannot be foreseen. It may cause an increase in economic inequalities (additionally fuelled by climate change and unstable geopolitical situation), which will ultimately decrease the possibility to purchase apartments. Partnerships for affordable housing will be more than necessary, both from the point of view of social interest and economic stability, as well as the interests of entities currently focused on purely commercial activities. This prompts us to look for new solutions – such as models proposed in this report – and to use not only voluntary tools in this area.

The interviews also show how important the quality of public administration work is in public-private cooperation, which strongly influences the effectiveness of public policies. Therefore, it is necessary to properly prepare local governments for cooperation with private entities. Currently, this cooperation is perceived as imperfect for many reasons (from fear of corruption or being accused of promoting unfair competition, to substantive errors in management), and at the same time identified by respondents as one of the key barriers discouraging the private sector from taking actions for sustainable housing policy.

Another argument in favour of introducing solutions based on cross-sectoral cooperation is gradual stabilisation of Polish capitalism, which also affects the growth of the estate development sector. Everything indicates that this sector will want to become more involved in activities in the field of corporate social responsibility (CSR), already becoming part of a developed social economy, not only an image-building activity, moderately going beyond the negatively understood PR. We may observe the development of social reporting, raising capital for investments requires activities in the field of sustainable development (e.g. it enables access to more favourable loans) – this is promising space for engaging commercial entities in cooperation for affordable housing.

The issue of affordable housing is not only a socio-economic, but also spatial matter. For this reason, while presenting different models, we emphasise their spatial dimension and, wherever possible, we try to combine economic cooperation solutions with local planning. The best examples of this combination are systems of social commissions and housing grants, which due to such a combination have the potential not only to increase the availability of apartments and to level out general social inequalities, but also to stimulate the quality of space, to provide targeted development incentives and to reduce social inequalities in the spatial dimension. Once implemented, they would be much-needed tools that could effectively counteract the enclavisation of space.

Public-private cooperation has many advantages – already discussed in this report. However, we should not forget about threats connected with it, presented in the description of each model. The largest threat is the privatisation of public aid, which must be prevented by very precisely constructed agreements, prepared not only with positive scenarios, but also potential threats related to the described processes in mind.

Finally, it should be emphasised that the best effects in housing policy activities may be achieved by using a very wide range of tools. Strengthening cross-sectoral cooperation based on public and private entities is extremely important. It should be remembered that private entities include not only commercially oriented entrepreneurs, but also residents (model of cooperatives), private owners of apartments (SRA and LODGING models) and non-profit organisations – such as the Habitat for Humanity Poland foundation.

Gliwice / Warsaw / Gdańsk, October 2023

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First presentation of the report

The first presentation of this report took place on 2 October 2023 during the Housing Forum 2023 organised in Warsaw by the Habitat for Humanity Foundation, as part of the session ‘Involvement of the private sector in the supply of affordable housing, also through renovation of vacant buildings’

The session was attended by:

- Agata Twardoch – rapporteur and moderator
- Juliusz Tetzlaff, Director of the Housing Department at the Ministry of Economic Development and Technology
- Arkadiusz Ptak, Mayor of the Town and Commune of Pleszew
- Konrad Płochocki, Managing Director of the Polish Association of Developers
- Andrzej Chełchowski, Partner in the Miller Canfield law firm
- Szymon Firląg, President of the Association of Employers – Producers of Materials for Construction

The final version of the report includes some of the remarks and comments expressed during the session.

Every person deserves a decent place to live

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