

**RESOLUTION NO. 115/2016**  
**OF THE COUNCIL OF MINISTERS**

of 27 September 2016

**on the adoption of the National Housing Programme**

The Council of Ministers hereby adopts as follows:

§ 1. The National Housing Programme, hereinafter referred to as the “Programme”, shall be adopted, as annexed to the Resolution.

§ 2. The implementation of the Programme shall be coordinated by the minister responsible for construction, spatial planning and development and housing in cooperation with the minister responsible for regional development.

§ 3. Under their competences, Members of the Council of Ministers shall cooperate with the minister responsible for construction, spatial planning and development and housing during the implementation of the Programme, as well as provide information on the status of activities performed under the Programme and submit necessary documents, if requested.

§ 4. 1. Starting from 2018, the minister responsible for construction, spatial planning and development and housing shall submit to the Council of Ministers, not later than 31 March, an annual report on the performance of activities under the Programme.

2. The report mentioned in par. 1 shall be submitted to the National Housing Council to be assessed in terms of its compliance with the objectives of the Programme and valid development strategies.

§ 5. The Resolution shall come into effect as of the date of its adoption.

**PRESIDENT OF THE COUNCIL OF  
MINISTERS**

**BEATA SZYDŁO**

Annex  
to Resolution No. 115/2016  
of the Council of Ministers  
of 27 September 2016



MINISTERSTWO  
INFRASTRUKTURY I BUDOWNICTWA

## **NATIONAL HOUSING PROGRAMME**

SEPTEMBER 2016

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## I. INTRODUCTION

On 16 February 2016, the Council of Ministers adopted a document to verify the former paradigm of the implemented policy for the country's development titled "Responsible Development Plan". On the basis of the diagnosis of five former development traps of Poland, the Government defined pillars of the development model on which a process will be based to release Poland's own potential for responsible development and enhanced life quality for Poles.

In order to integrally supplement the set of tools to make Poland's development more dynamic - based on the pillars of reindustrialization, development of innovative companies, creating capital for development, foreign expansion and conditions for sustainable social and regional development, it is necessary to implement a complementary set of activities in order to decisively enhance the satisfaction of housing needs.

The National Housing Programme is one of the autonomous tools to implement the "Responsible Development Plan".

The above mentioned interdependency between documents takes into account the fact that the satisfaction of housing needs refers to one of the basic social needs the satisfaction of which significantly determines the quality of life and development of each person, both individually and in the widely understood social context, with particular emphasis on the development and safety of families. While considering the housing as one of the fundamental functions of the state in the above mentioned context, it shall be pointed out that the prevailing multi-year housing deficits refer to basic matters that reflect in the majority of development traps in Poland and require the area to be given appropriate weight in the responsible development of the country:

- Due to the fact that there are no solid foundations for a dynamic increase of GDP, they have not reflected directly in the adequate enhancement of living conditions of the whole society in recent years. Increases in productivity have not led to a proportionate increase in remunerations whose share in GDP is one of the lowest in the EU, while the increasing public debt has been accompanied by a significant increase in households' indebtedness. In the housing, the last decade has also brought quite stable and significant effects of the housing construction that have not however reflected in an adequate enhancement of the accessibility of housing for persons living on low and average incomes.
- The new multi-family housing construction has dominated the construction of flats for sale. The imbalance has strengthened the decline in social rental and cooperative tenancy housing that starting from 2009, upon liquidation of the National Housing Fund, has not reflected in instruments supporting housing in a proportionate way. Under these conditions, the declining statistical deficits in flats has not led to a proportionate improvement in the satisfaction of housing needs. Apart from a small market of available rental flats, this has been influenced by a relatively high level of commercial rents that result inter alia from the lack of institutional investors, legal risks and a small resource of available flats for rent.

Labour market mismatches (low mobility) are strengthened by a very low share of rental flats.

- The percentage of earners, who have had a very limited offer of flats adjusted to achieved income in recent years, without appropriate support in the form of instruments introduced under the housing policy, amounts to approx. 30-40% (depending on their location). The increasing public debt has been accompanied by relatively low budget expenditures on the housing, while focusing on supporting the more well-off part of the society. The increasing households' indebtedness from mortgage credits, partly related to the priority programmes of the housing policy aimed at encouraging residents to purchase a flat, do not counterbalance the solution that should encourage them to regularly save money for housing purposes in the long term.
- Demographic problems, which have had a more and more significant impact on the Polish economy, are related to the housing insecurity to a large extent: the lack of a differentiated offer of flats at convenient prices that enable to satisfy housing needs without the necessity to take out multi-year credits while entering the labour market and taking decisions about starting and increasing a family. Furthermore, the demographic situation does not reflect in the housing policy, including in the context of needs of the elderly whose share in age groups is to increase significantly.
- The untapped development potential of smaller towns, increasing disparities between and within regions (in particular disparities between agglomerations and the remaining part of the country), as well as differentiated access to basic goods and services in urban and rural areas, do strengthen the multi-year housing deficit to a significant extent, including the matter of sub-standard flats.
- Activities and aid instruments under the housing policy have not made any government to take a decision to implement and perform a clearly defined programme to support the housing construction, including a long-term budget. The lack of a comprehensive and long-term vision of the housing development has strengthened the lack of such an approach to planning the social and economic development of Poland. The gap of weak institutions has reflected in the lack of stable frameworks to finance the housing policy and system-based changes introduced in separation from the housing policies that reflect the lack of continuity in the performance of former priorities (with the liquidation of the National Housing Fund being an example).

## **II. HOUSING DIAGNOSIS**

### **1. Quantitative deficits**

Basic indexes describing the housing situation in Poland are an outcome of the long-term development of the housing construction and housing policy.

Aggregate data on the quantitative and qualitative status of the housing resources are published by the Central Statistical Office of Poland (GUS) when the National Population and Housing Census is carried out. The latest took place in 1988, 2002 and 2011. During inter-census periods, data for individual years are based on estimates.

The statistical deficit in flats, defined as a difference between the total number of flats and the number of households, has been the fundamental problem in terms of Polish housing for many years, the same being applicable to the statistical housing deficit, defined as a difference between the number of occupied flats and the number of households. The statistical deficit in flats was overcome in 2012 and as of the end of 2015 there were approx. 120 thousand more flats than households in Poland (approx. 0.8% of the surplus of resources). The statistical housing deficit remains a significant problem showing the number of flats that are occupied by more than one household.

*Statistical housing deficit in Poland in 1988, 2002, 2011 and 2015 (in thousand, differences in sums due to applied rounding).*

	1988	2002	2011	2015*
<b>Flats in total</b>	<b>11,608</b>	<b>12,524</b>	<b>13,495</b>	<b>14,120</b>
- city	7,419	8,365	9,106	9,516
- village	4,079	4,159	4,390	4,604
<b>Occupied flats</b>	<b>10,717</b>	<b>11,764</b>	<b>12,525</b>	<b>13,103</b>
- city	7,040	7,954	8,592	8,979
- village	3,677	3,809	3,933	4,124
<b>Households</b>	<b>11,967</b>	<b>13,337</b>	<b>13,568</b>	<b>14,000**</b>
- city	7,863	8,965	9,147	9,350
- village	4,104	4,373	4,421	4,650
<b>Statistical deficit in flats</b>	<b>-359</b>	<b>-813</b>	<b>-73</b>	<b>+120</b>
- city	-444	-600	-41	+166
- village	-25	-214	-31	-46
<b>Statistical housing deficit</b>	<b>-1,250</b>	<b>-1,573</b>	<b>-1,043</b>	<b>-897</b>
- city	-823	-1,011	-555	-371
- village	-427	-564	-488	-526

Source: National Population and Housing Census 1988, 2002 and 2011.

\* An assumption was made that occupied flats have the same share in the total number of flats as in 2011 (94.36% in cities and 89.58% in rural areas).

\*\* Estimated by the Ministry of Infrastructure and Construction on the basis of the report by the Central Statistical Office of Poland (GUS) titled "Household forecast for the years 2016-2050", Warsaw, June 2016.

As estimated, the statistical housing deficit amounted to approx. 897 thousand flats as of the end of 2015, which was the best result in the history of the relevant examinations. The decrease in the statistical housing deficit has been impacted in recent years mainly by:

- The new housing construction;
- demographic factors - stabilization of the number of population and slow increase in the number of households (slower than the increase in the number of flats), emigration of young people to Western European countries;
- an insignificant number of demolitions of housing buildings in Poland<sup>1</sup> and a low potential to carry out such activities in the light of the differentiated ownership structure of multi-family buildings.

<sup>1</sup> According to the official data of the Central Office of Construction Supervision, there were only 4,721 demolitions of housing buildings in Poland in the years 1995-2014, i.e. of approx. 236 buildings a year. However, it seems that the statistics are understated and do not cover, for example, the specifics of housing

While interpreting data concerning the housing deficit, it is worth emphasizing the following characteristics of this index on the housing situation:

- each flat being part of the housing deficit means that in case of at least two households there is a contractual deficit in the form of missing housing independence. According to the National Population and Housing Census of 2011, non-independent flats were occupied by 2,587.9 thousand households, out of which 1,514.8 thousand lived in cities (16.6% of households) and 1,073.1 thousand in rural areas (24.3% of households); while maintaining the above mentioned ratios, it may be assumed that non-independent flats were occupied by approx. 2.2 million households as of the end of 2015;
- the lack of housing independence is sometimes not related to the felt deficit and the need to move to another flat, but results from one's deliberate decision or tradition. This is probably the case in rural areas where there is a tradition that multi-generational families comprising several households live in one house. Despite of the increasing number of flats, there is a housing deficit of 0.5 million in the areas;
- the housing deficit shall be considered on a local basis. Even in case of the decreasing deficit in general there may be deficits in different locations. The problem is particularly severe in cities which attract persons migrating to start education or search for a job. As forecasted by the Central Statistical Office of Poland (GUS), the index of internal migrations will be in place in the Voivodship of Masovia, as well as in the Voivodships of Greater Poland, Lesser Poland and Lower Silesia<sup>2</sup>;
- the value of the statistical housing deficit does not take into account the scale of migration from Poland after 2004. From the analyses performed by the Central Statistical Office of Poland (GUS) as of the end of 2014, there were approx. 2,320 thousand Poles staying temporarily abroad, out of which approx. 80% for at least 12 months. The scale of migration has been constant around the level of 2,000-2,300 thousand since 2007<sup>3</sup>. Under the assumption that the average size of an emigrant's household is equal to a household in Poland (approx. 2.8) and that emigrants form households with persons migrating from Poland, there may be approx. 830 thousand Polish households abroad. If these families potentially returned to Poland, this would trigger an increase in the housing deficit and would make it necessary to increase the supply of housing resources. At the same time, the increased demand for flats is triggered by migrations to Poland. According to the data published by the Office for Foreigners, approx. 121.3 thousand foreigners were holders of permanent residence permits in Poland as of the end of 2013 (mainly from Ukraine, Russia

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investments in rural areas where a new house is constructed on a building plot after the former one has been demolished. This may explain inter alia why the increase in the total number of flats in rural areas (if compared to urban areas) is relatively lower.

<sup>2</sup> Central Statistical Office of Poland (GUS), "Population forecast for the years 2014-2050", Warsaw 2014.

<sup>3</sup> Central Statistical Office of Poland (GUS), "Report on the scale and directions of temporary migration from Poland in the years 2004-2014", Warsaw 2015.



and Vietnam). However it seems that the factual scale of migration, in particular from the East, is significantly underestimated<sup>4</sup>.

## 2. Qualitative deficits

Qualitative data concerning the statistical housing deficit do not take into account the fact that part of households possess an independent flat which may be described as sub-standard. Although the housing resource has significantly improved during the transformation period, from the National Population and Housing Census of 2011 results that approx. 1.3 million flats (10.6% of the total) with approx. 5.4 million residents (14.1% of the society) were deemed to be sub-standard.

*Sub-standard flats permanently occupied and population living in such flats in Poland in the years 1988, 2002 and 2011 per location.*

		1988		2002		2011	
		thousand	% of the total	thousand	% of the total	thousand	% of the total
<b>Sub-standard flats</b>	<b>Total</b>	<b>3,540.2</b>	<b>33.0</b>	<b>1,851.10</b>	<b>15.9</b>	<b>1,333.9</b>	<b>10.6</b>
	city	1,409.6	20.0	739.3	9.4	584.0	6.8
	village	2,130.6	57.9	1,111.80	29.6	750.0	19.1
<b>Population in sub-standard flats</b>	<b>Total</b>	<b>12,694.1</b>	<b>34.2</b>	<b>6,481.20</b>	<b>17.1</b>	<b>5,360.2</b>	<b>14.1</b>
	city	4,570.3	20.3	2,502.20	10.8	2,230.0	9.6
	village	8,123.8	55.7	3,979.00	27.4	3,130.2	21.0

Source: National Population and Housing Census 1988, 2002 and 2011.

The Central Statistical Office of Poland (GUS) differentiates between the following categories of sub-standard flats according to their classification criteria:

2) category 1: due to the poor technical condition of buildings, covering:

- flats in buildings constructed before 1979, with 1 flat and 1 room,
- flats in buildings constructed before 1945, without sewage systems and non-established information on sewage systems,
- flats in buildings constructed before 1971, without water supply systems and non-established information on water supply systems;

b) category 2: due to insufficient equipment of flats with installations; flats without a lavatory, but with a water-supply system, as well as flats without a lavatory and without a water-supply system, which are located in buildings not falling under category one;

c) category 3: due to over-population, flats with 3 and more persons per 1 room, flats not falling under category one and two.

<sup>4</sup> Konieczna-Sałamatin Joanna, *Migration to Poland in the light of official data*, Institute for Socio-Economic Enquiry, Warsaw 2015.

*Sub-standard flats permanently occupied and population living in such flats in Poland in the years 1988, 2002 and 2011 per category.*

		1988		2002		2011	
		thousand	% of the total	thousand	% of the total	thousand	% of the total
<b>Flats</b>	<b>Total</b>	<b>3,540.2</b>	<b>100.0</b>	<b>1,851.10</b>	<b>100.0</b>	<b>1,333.9</b>	<b>100.0</b>
	Poor technical condition of buildings	747.0	21.1	478.3	25.8	322.8	24.2
	Flats insufficiently equipped with installations	2,308.2	65.2	887.5	48.0	452.2	33.9
	Over-populated flats	485.0	13.7	485.3	26.2	558.9	41.9
<b>Population in flats</b>	<b>Total</b>	<b>12,694.1</b>	<b>100.0</b>	<b>6,481.20</b>	<b>100.0</b>	<b>5,360.2</b>	<b>100.0</b>
	Poor technical condition of buildings	2,259.5	17.8	1,301.8	20.1	895.2	16.7
	Flats insufficiently equipped with installations	7,971.9	62.8	2,667.4	41.1	1,195.3	22.3
	Over-populated flats	2,462.6	19.4	2,512.0	38.8	3,269.7	61.0

Source: National Population and Housing Census 1988, 2002 and 2011.

During the first period of the system transformation, insufficient equipment of flats with installations and low technical standards of flats were the most frequent case of the housing sub-standard. Basic deficits in this respect having been eliminated, the over-population of flats is the basic problem that affects approx. 3.3 million persons.

### **3. Housing standards and conditions**

During the system transformation, the increase in the number of flats was accompanied by the improvement in their quality and households' living conditions. This trend is confirmed by all indexes received under statistical surveys that reflect the surface standard of flats, residential density, or accessibility of basic sanitary and technical facilities.

*Basic parameters of flats in Poland in the years 1988, 2002, 2011 and 2014\* (flats permanently occupied).*

		1988	2002	2011	2014*
<b>Average number of rooms in a flat</b>	<b>Total</b>	<b>3.39</b>	<b>3.70</b>	<b>3.83</b>	<b>3.82</b>
	City	3.29	3.51	3.60	3.57
	Village	3.57	4.09	4.36	4.32
<b>Average surface of a flat</b>	<b>Total</b>	<b>59.1</b>	<b>68.6</b>	<b>72.4</b>	<b>73.4</b>
	City	53.8	60.8	63.7	64.2
	Village	69.3	84.9	92.0	92.3

Source: National Population and Housing Census 1988, 2002 and 2011; Central Statistical Office of Poland (GUS) "Housing in 2014".

\* Data for the total of flats (under the ongoing statistics, the Central Statistical Office of Poland does not publish data on occupied flats).

Parameters concerning the average surface of flats in Poland shall be interpreted in combination with the number of persons living therein. All indexes demonstrate a significant progress in living standards of the population. In particular, it is worth pointing out that parameters illustrating the comfort of living have been improving both in cities and rural areas.

Basic parameters illustrating living standards in Poland in the years 1988, 2002, 2011 and 2014\* (flats permanently occupied).

		1988	2002	2011	2014*
Average number of persons per one room	<b>Total</b>	<b>1.02</b>	<b>0.88</b>	<b>0.79</b>	<b>0.72</b>
	City	0.97	0.84	0.75	0.69
	Village	1.11	0.95	0.87	0.77
Average surface of a flat per person	<b>Total</b>	<b>17.1</b>	<b>21.1</b>	<b>23.8</b>	<b>26.7</b>
	City	16.8	20.6	23.6	26.1
	Village	17.4	21.9	24.0	27.6
Average number of persons in a flat	<b>Total</b>	<b>3.46</b>	<b>3.25</b>	<b>3.04</b>	<b>2.75</b>
	City	3.20	2.95	2.70	2.46
	Village	3.97	3.87	3.79	3.35

Source: National Population and Housing Census 1988, 2002 and 2011; Central Statistical Office of Poland (GUS) "Housing in 2014".

\* Data for the total of flats (under the ongoing statistics, the Central Statistical Office of Poland does not publish data on occupied flats).

During the transformation, there was a significant progress in terms of access to basic sanitary and technical facilities. The quality of living standards has improved in rural areas in particular.

Flats equipped with installations in the years 1988, 2002, 2011 and 2014\* - permanently and temporarily occupied (% of the total of flats).

	1988	2002	2011	2014*
<b>Water supply system</b>	84.3	95.6	97.0	96.7
- city	94.9	98.7	98.9	99.0
- village	63.8	89.2	92.7	91.9
<b>Flushed lavatory</b>	71.5	88.1	93.9	93.5
- city	84.9	94.6	97.1	97.1
- village	45.9	74.4	86.9	85.9
<b>Bathroom</b>	71.5	87.0	91.6	91.1
- city	82.4	92.3	95.3	95.4
- village	50.7	76.0	83.3	82.2
<b>Central heating</b>	61.4	77.8	81.7	81.6
- city	72.8	84.3	86.5	86.9
- village	39.6	64.3	71.3	70.6
<b>Gas from gas network</b>	48.5	56.4	57.7	55.8
- city	70.9	75.0	74.4	72.5
- village	5.5	17.4	21.2	21.2

Source: Results of the National Population and Housing Census 1988, 2002 and 2011 and report of the Central Statistical Office of Poland "Housing in 2014".

\* Data for the total of flats (under the ongoing statistics, the Central Statistical Office of Poland does not publish data on occupied flats).

Although living conditions of the Polish population have improved, basic parameters describing them remain below those of developed countries of the European Union.

Flats in the EU (without Malta).

No.	Country	Population (in million)	Flats		Flats per 1,000 residents		Year
			Total (in million)	Permanent residence (in million)	Total	Permanent residence	
1	Austria	8.4	4.4	3.6	528.6	434.5	2012
2	Belgium	11.0	5.3	4.5	483.4	415.7	2011
3	Bulgaria	7.3	3.8	2.6	527.8	362.1	2011
4	Croatia	4.2	2.2	1.5	524.4	349.3	2011
5	Cyprus	0.8	0.4	0.3	515.5	353.5	2011
6	Czech Republic	10.4	4.7	4.1	455.8	393.3	2011
7	Denmark	5.6	2.9	2.6	528.8	461.1	2012
8	Estonia	1.3	0.6	0.5	508.2	421.0	2011
9	Finland	5.4	2.8	2.6	528.1	475.4	2012
10	France	62.7	32.5	27.1	518.1	431.9	2010
11	Greece	10.8	6.3	4.1	590.3	381.1	2011
12	Spain	46.8	25.2	18.1	538.5	386.3	2011
13	Holland	16.6	7.3	6.9	443.5	418.9	2011
14	Ireland	4.5	1.9	1.6	434.8	359.5	2011
15	Lithuania	3.0	1.4	1.1	456.4	384.1	2011
16	Luxembourg	0.5		0.2		405.9	2011
17	Latvia	2.1	1.0	0.8	495.2	391.6	2011
18	Malta	0.4	0.2	0.1	536.3	366.0	2011
19	Germany	80.2	41.3	39.0	514.8	486.4	2011
<b>20</b>	<b>Poland</b>	<b>38.5</b>	<b>13.5</b>	<b>12.5</b>	<b>350.4</b>	<b>325.2</b>	<b>2011</b>
21	Portugal	10.5	5.1	4.0	485.2	377.9	2011
22	Romania	20.1	8.4	7.3	418.8	362.5	2011
23	Slovakia	5.4	2.0	1.7	369.6	329.2	2011
24	Slovenia	2.0	0.8	0.6	412.0	326.9	2011
25	Sweden	9.5	5.1	4.5	539.9	477.1	2011
26	Hungary	9.9	4.4	3.9	441.8	393.7	2011
27	Italy	59.4	31.2	24.1	525.1	406.1	2011
28	United Kingdom	63.1	27.6	26.3	437.1	416.1	2011
29	Europe-28 (27)	501.2	243.2	206.9	<b>485.2</b>	<b>412.8</b>	2011

Source: Eurostat.

From the statistics results that Poland is ranked 19th among 27 countries of the EU (excluding Malta) in terms of the average surface of flats, 24th in terms of the usable surface of flats per person, and 23th-26th in terms of the average number of rooms per one person. Furthermore, the factor of over-population places our country in the 18th place among 20 countries covered by the survey of Eurostat. This means that despite of the fact that the indexes have been gradually improving, there is still a large space for improvement in order to reach the average European standards.

*Average surface of flats in the EU (without Malta)*

No.	Country	Average usable surface of a flat (m <sup>2</sup> )		Average number of rooms per person**	Over-population index*****
		Total*	Per person***		
1	Austria	112.6	48.9	1.7	15.3
2	Belgium	102.3	42.5	2.2	2.0
3	Bulgaria	76.6	27.7	1.1	43.3
4	Croatia	89.0	31.1	1.1	42.1
5	Cyprus	156.4	55.3	2.0	-
6	Czech Republic	84.6	33.3	1.5	19.9
7	Denmark	132.1	60.9	2.0	8.1
8	Estonia	74.2	31.2	1.7	-
9	Finland	104	49.4	2.0	7.0
10	France	101.8	44.0	2.0	7.1
11	Greece	94.0	35.8	1.3	27.4
12	Spain	102.8	39.7	2.0	5.3
13	Holland	117.5	49.2	1.8	3.5
14	Ireland	84.2	30.3	2.2	3.6
15	Lithuania	68.1	26.2	1.5	-
16	Luxembourg	144.1	58.5	2.2	-
17	Latvia	69.1	27.1	1.3	39.8
18	Germany	106.8	52.0	1.9	6.6
19	<b>Poland</b>	<b>84.9</b>	<b>27.6</b>	<b>1.1</b>	<b>44.2</b>
20	Portugal	112.2	42.4	1.7	-
21	Romania****	46.9	17.0	1.0	52.3
22	Slovakia	93.6	30.8	1.2	38.6
23	Slovenia	89.2	29.2	1.5	-
24	Sweden	117.9	56.2	1.9	10.7
25	Hungary	83.2	32.8	1.1	44.6
26	Italy	98.7	40.1	1.4	27.2
27	United Kingdom	98.7	41.1	2.0	8.0

\* Source: Eurostat, SILC Survey - 2012, \*\* - 2014.

\*\*\* Estimated by the Ministry of Infrastructure and Construction on the basis of the SILC Survey.

\*\*\*\* Living surface.

\*\*\*\*\* According to the definition of Eurostat, a flat is deemed to be over-populated if a household has no access to at least: one room per household, one room per couple, one room per each person aged 18 or more, one room per homosexual couple aged 12-17, one room per each person aged 12-17, one person per two children aged up to 12. The definition says that a married couple with 2 children of different sexes aged 10 and 15 shall have at least 4 rooms. Otherwise, a flat is deemed by Eurostat as over-populated. The analysis covered countries in case of which data raise doubts, e.g. due to sharp changes in the indexes per annum.

#### **4. Energy consumption in the housing sector, maintenance costs of the resources**

The housing sector (called the sector of households in the statistical nomenclature) accounts for approx. 27% of the supply of energy. In the years 2002-2012, energy consumption per flat (with climate correction) decreased by 5.7%, and decreased by 11.8% if calculated per 1 m<sup>2</sup> of a flat<sup>5</sup>.

The energy standard of buildings is usually defined with the use of the value of the following indexes:

- PE - yearly demand for non-renewable primary energy,
- FE - yearly demand for final energy.

Values of the above mentioned indexes are highly differentiated depending on the year when a building was constructed. Values of the indexes for buildings constructed in individual years are presented below.

<sup>5</sup> Data published by the Central Statistical Office of Poland (GUS) in the report "Energy consumption in households in 2012", Warsaw 2014. The research is conducted every 3 years.

*Age structure of housing resources in Poland and energy consumption.*

Period when a building was constructed	Buildings		Flats		PE	FE
	thousand	%	million	%	kWh/(m <sup>2</sup> year)	kWh/(m <sup>2</sup> year)
before 1918	404.7	7.3	1.18	9.1	> 350	> 300
1918-1944	803.9	14.5	1.45	11.2	300-350	260-300
1945-1970	1,363.9	24.6	3.11	24.0	250-300	220-260
1971-1978	659.8	11.9	2.07	16.0	210-250	190-220
1979-1988	754.0	13.6	2.15	16.6	160-210	140-190
1989-2002	670.9	12.1	1.52	11.7	140-180	125-160
2003-2007	321.6	5.8	0.60	4.6	100-150	90-120
2008-2011	205.1	3.7	0.41	3.2	-----	-----
under construction	27.7	0.5	0.04	0.3	-----	-----
not established	332.7	6.0	0.43	3.3	-----	-----
<b>Total</b>	<b>5,544.3</b>	<b>100.0</b>	<b>12.96</b>	<b>100.0</b>	-----	-----

Source: Mańkowski S., Szczechowiak E. (ed.), Strategic research project titled "Integrated System for Reducing Energy Consumption in the Maintenance of Buildings", Research Task No. 2, Volume I, Part A: Circumstances of transformations in the construction, Warsaw-Poznań 2013, p. 66.

According to the National Population and Housing Census of 2011, approx. 72% of housing resources in Poland were constructed before 1989. Such buildings have poor energy parameters, which reflects not only in high heating consumption and low parameters of energy efficiency, but also in high fees paid by residents to heat flats and buildings. According to the Central Statistical Office of Poland (GUS), average monthly costs incurred by households to maintain flats and purchase energy amounted to approx. PLN 217 per person in 2014 (21% of the total expenditure incurred by a household), out of which energy products (electrical energy, gas, heating and fuels) cost approx. PLN 124 per person a month (12% of the total expenditure incurred by a household)<sup>6</sup>. Additionally, 86.7% of residents interviewed by the Central Statistical Office of Poland (GUS) in 2012 claimed that their flats are warm enough during winter, while 13.3% of them pointed that their flats are not warm enough during winter<sup>7</sup>.

There is a decreasing trend noticeable over years in terms of the value of the demand for energy in housing resources in Poland. This results from the advancement of construction technologies, better accessibility of construction products with a positive impact on the energy parameters of buildings, as well as gradual restrictions in terms of technical and construction minimum energy consumption requirements for newly constructed buildings.

It is possible to achieve further improvement in the energy parameters of housing buildings in Poland, inter alia through thermomodernization of housing buildings. Therefore, the housing sector continues to have a huge potential to reduce energy consumption. According to the data published by the Central Statistical Office of Poland (GUS)<sup>8</sup> for 2012:

- approx. 54.1% of housing buildings have been insulated,
- approx. 7.3% of housing buildings have been partly insulated,

<sup>6</sup> Central Statistical Office of Poland (GUS), Budget of Households in 2014, Warsaw 2015.

<sup>7</sup> Data published by the Central Statistical Office of Poland (GUS) in the report: "Energy consumption in households in 2012", Warsaw 2014. The research is conducted every 3 years.

<sup>8</sup> Data published by the Central Statistical Office of Poland (GUS) in the report: "Energy consumption in households in 2012", Warsaw 2014. The research is conducted every 3 years.

- approx. 37.6% of housing buildings have not been insulated<sup>9</sup>.

The above mentioned data illustrate that it necessary to carry out further works to improve the technical condition and energy parameters of housing resources. Such activities shall be a component of broader urban development programmes taking into account, for example, the revitalization of whole quarters (districts) and correct municipal tasks, including the development of green infrastructure to support the return to natural hydrological functions in urban areas.

### **5. Access to housing – factors of impact**

As basic problems of the housing policy due to existing quantitative and qualitative deficits have been overcome, the fundamental challenge facing the housing policy in Poland shall be the access to housing. It is worth pointing out that the matter is not directly a reflection of the data concerning the statistical housing deficit. Problems in accessible housing may occur even if the number of flats is high. Accessible housing is related to financial capacities of households in terms of the purchase or rent of a flat. Even if a country is the most developed one, there will always be a group of people that is not able to satisfy their housing needs independently. The fundamental problem is the lack of sufficient incomes. However, accessible housing has been more and more frequently related to social matters, e.g. the necessity to provide decent housing conditions to the elderly, persons with disabilities, refugees, etc.

Accessible housing is related to the following matters:

- the structure of housing resources in terms of the possibility to satisfy needs of persons with different level of incomes;
- the offer of entities constructing flats, including flats offered to persons that are not able to purchase or rent a flat on the market; the matter is related to costs of the housing construction that are directly correlated with purchase prices or rental fees;
- incomes of the society, including young people, and the possibility to receive a long-term mortgage credit to purchase a flat;
- the impact of demographic factors on accessible housing.

The above mentioned matters and their impact on accessible housing for households of different financial and family status are discussed in following parts of the diagnosis.

### **6. Ownership structure of the housing resources**

The structure of housing resources in Poland is dominated by owner-occupied and cooperative flats (in case of cooperative owner-occupied flats, the form of their disposal makes them similar to owner-occupied flats). Rental flats accounted for approx. 18.6% of occupied flats in 2011, for which the owner of the resource was established. Commercial rent accounted for 5.4%, social rent for 13.2%, with the majority of flats being in the possession of municipal self-governments (9.1% of resources).

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<sup>9</sup> No data are available for the remaining buildings.

*Ownership structure of flats in Poland according to the National Population and Housing Census of 2011 (occupied flats).*

	thousand units	% of resources	% of resources with established ownership
<b>Owner-occupied and cooperative flats, including</b>	<b>9,669.7</b>	<b>77.2%</b>	<b>81.1%</b>
Flats of natural persons	7,449.3	59.5%	62.4%
Cooperative owner-occupied flats	1,856.5	14.8%	15.6%
Cooperative rental flats	363.9	2.9%	3.1%
<b>Flats rented on the market (of natural persons or persons with cooperative right to the flat)</b>	<b>643.1</b>	<b>5.1%</b>	<b>5.4%</b>
<b>Flats rented outside the market (social resource of rental flats), including:</b>	<b>1,573.3</b>	<b>12.6%</b>	<b>13.2%</b>
Municipal flats	1,089.4	8.7%	9.1%
Flats of the State Treasury	195.9	1.6%	1.6%
Flats of work establishments	203.7	1.6%	1.7%
Flats of social housing associations	84.3	0.7%	0.7%
Flats of other entities	43.3	0.3%	0.4%
Flats with established ownership	11,929.4	95.2%	100%
Flats with not established ownership	596.0	4.8%	-
<b>Total</b>	<b>12,525.4</b>	<b>100%</b>	<b>-</b>

Source: Own calculations on the basis of the National Population and Housing Census 2011.

From the data collected during the National Population and Housing Census of 2011 results that the significant majority of housing resources in Poland are occupied by owners of flats and houses (approx. 77.2%). The resources include one-family houses that are typical of rural and partly sub-urban areas. What's more, these are multi-family buildings constructed mainly before 1990 by public authorities, housing cooperatives or work establishments that were afterwards privatized during the system transformation. The resources also include new housing buildings constructed from the mid-1990s, mainly by developers (defined as investors arranging the construction process and selling flats on a free market). Buildings administered by cooperatives of owners of flats (housing cooperatives). The resource is used by owners of these flats and their closest family. It is eventually placed on the market at market prices, which limits its accessibility for less affluent persons.

Flats covered by the cooperative tenancy right to the flat are a particular type of the resource. The right gives owners a possibility to live in a particular flat and ultimately purchase it after its total construction costs have been covered. At the same time, contrary to ownership rights and cooperative ownership rights to the flat, it may neither be freely traded nor inherited. The majority of flats of this category were constructed before 1990. After 1995, housing cooperatives were able to apply for preferential housing credits from the National Housing Fund (NHF). Approx. 17 thousand cooperative tenancy flats were constructed at that time. Part of them<sup>10</sup> were however transformed into ownership flats following the liquidation of the NHF in 2009.

Rental flats offered under commercial conditions account for approx. 5.1% of the total and approx. 5.4% of the resource with established owners of flats<sup>11</sup>. In Poland, such flats are rented mainly by natural persons – owners of independent flats. Such flats are offered at market rents, while contracts are concluded for short terms. Due to regulations on the protection of tenants that increase the risk incurred by owners of rental flats, rental contracts are frequently concluded in the grey economy and do not generate any tax incomes to the state budget.

<sup>10</sup> 945 flats as of 31 December 2015.

<sup>11</sup> The category covers flats in the possession of owners or holders of the cooperative ownership right to flats rented by other persons living therein.



The accessibility of flats for non-affluent persons may be impacted by the resource of social flats defined as flats that are not allocated under market principles. According to the National Population and Housing Census of 2011, the resource accounts for approx. 12.6% of all flats and 13.2% of flats with established ownership, out of which approx. 69% of flats belong to municipal self-governments (the so-called publicly-owned flats). Flats owned by municipalities shall be used to enhance accessible housing for the poorest. From the ongoing statistics of the Central Statistical Office of Poland (GUS) results that approx. 9% of such flats are social flats targeted at the poorest, persons in a particularly difficult situation and persons evicted from other flats. The main criterion to receive a municipal flat is the amount of incomes earned by potential tenants. As results from the research conducted by the Institute of Urban Development<sup>12</sup>, income threshold used in monitored cities during the selection of tenants for publicly-owned flats ranges from approx. PLN 1 to 2.9 thousand in case of one-person households and from approx. PLN 0.6 to 2.1 thousand per person in case of multi-person households. In case of renting social flats, the thresholds ranged between PLN 0.4 and 1.5 thousand for one-person households and between PLN 0.25 and 0.66 thousand per person in multi-person households. Although the thresholds are so low, from the statistics of the Central Statistical Office of Poland results that 165.2 thousand households waited for renting a municipal flat as of the end of 2015, out of which 74.9 thousand households waited for renting a publicly-owned flat, and 90.3 thousand for renting a social flat, out of which 59.2 thousand as a result of evictions.

According to the above cited analyses of the Institute of Urban Development, the ratio of the number of households that concluded a rental contract in a particular year to the number of households waiting for renting a publicly-owned flat was as high as 3.4% in 2014. In case of social flats without eviction judgments, the ratio was as high as 2.2%, while in case of social flats allocated as a result of eviction judgments – 10.4%. Assuming that the current rotation ratio in the publicly-owned resources and the number of persons waiting for renting a flat will remain on the 2014 level, the average period of waiting for renting a publicly-owned flat will be approx. 29 years, for a social flat without eviction judgment – 45 years, while for a social flat with eviction judgment – approx. 10 years. Although the waiting lists are so long, publicly-owned flats do not rotate frequently because of the missing possibility to verify incomes of their tenants, as well as regulations that allow their closest relatives to inherit the rent, even in case the income criteria for renting a municipal flat have not been met.

Social housing associations constructed flats after 1995, while this type of construction was significantly limited in 2009 following the liquidation of the National Housing Fund that used to grant them preferential credits. Social housing associations are Polish counterparts of entities that were instrumental in overcoming housing problems in Western Europe after the 2. World War. These are entities operating under the *not-for-profit* or *limited-profit* formula, constructing rental flats for specific persons, with rental fees being affordable for families with average incomes. Due to its very limited number, this type of housing resource is of marginal significance in Poland in terms of improving the accessibility of flats, although it is important in some locations. It is worth pointing out that such flats are the only ones being available to families and persons whose incomes are too high to apply for renting a municipal flat, and too low to receive a credit for purchasing their own flat.

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<sup>12</sup> Institute of Urban Development, *Housing report. Results of the monitoring for 2014*, Cracow 2015.

From the analyses result that this is the largest group, particularly among young persons starting their professional career and having the greatest demographic potential.

It is estimated that the demand for flats constructed by social housing associations amounts to approx. 50-100 thousand<sup>13</sup>. In practice, calls for tenants are carried out for specific investments (there are no waiting lists), which makes it impossible to establish the current demand for such flats on the country level in detail. The criteria for applying for such flats include the income criterion (the most important one) and the impossibility to own any other flat.

Flats owned by work establishments and the State Treasury are the non-privatized remains of the resources owned by state institutions and work establishments before 1989. The resource was partly sold to tenants or transferred to municipalities or housing cooperatives during the system transformation. They are not valuable in terms of enhancing the accessibility of housing, they may be however a component of the motivation policy of individual institutions or work establishments for their employees. For example, state flats owned by the State Treasury were usually part of the remuneration of employees of the uniformed services.

It is worth reminding that the structure of the housing resource in Poland is different from the structure of the resource in Western European countries where the housing situation is the best. In these countries, rental flats, both offered on the commercial market and rented to families whose incomes do not allow them to rent or purchase flats on the commercial market, constitute an important element of the housing market. If the rental market operates correctly, this creates an alternative to long-term burdens from mortgage credits for the purchase of one's own flat. The most developed rental market exists in Germany where it accounts for approx. 55% of the housing resources. Rental flats account for over 40% of all flats in the following countries: France, Holland and Austria. The share of rental flats exceeds 30% in the United Kingdom, Denmark, Sweden, Finland, and Luxembourg. A poor resource of rental flats is noticeable in those countries that underwent a process of system and economic transformation in the 90s of the 20. century, as Poland did. In Estonia, Slovenia, Croatia, Bulgaria, and Slovakia, the share of rental flats does not exceed 10% of their housing resources.

In order to improve living conditions and enhance accessible housing, including for households with average and low incomes, it is necessary to develop the market of rental flats, and to create social rental flats.

### ***7. Housing construction, ownership transformation of the resources***

Accessible housing is determined not only by the current housing resource, but also by its changes resulting from the new housing construction and transformations of the former resource. While taking into account the years 2011-2015 (from the last National Population and Housing Census), it is noticeable that effects of the housing construction in Poland remain on quite a stable level of 130-152 thousand flats a year.

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<sup>13</sup> Institute of Urban Development, *Housing report. Results of the monitoring for 2014*, Cracow 2015.

*Effects of the housing construction in Poland by type of investors in the years 2011-2015.*

	2011	2012	2013	2014	2015	2011-2015	
						Number	%
<b>Individuals</b>	73,553	81,050	81,228	76,129	79,778	391,738	54.4%
<b>Developers</b>	48,814	63,586	56,447	59,065	62,501	290,413	40.3%
<b>Housing cooperatives</b>	3,786	4,194	3,493	3,490	2,116	17,079	2.4%
<b>Municipalities</b>	2,500	2,389	2,218	2,177	1,700	10,984	1.5%
<b>Social housing associations</b>	1,980	1,146	1,308	1,715	1,265	7,414	1.0%
<b>Work establishments</b>	321	539	442	590	461	2,353	0.3%
<b>Total</b>	<b>130,954</b>	<b>152,904</b>	<b>145,136</b>	<b>143,166</b>	<b>147,821</b>	<b>719,981</b>	<b>100.0%</b>

Source: Central Statistical Office of Poland (GUS), stat.gov.pl.

In the years 2011-2015, approx. 720 flats were constructed, which gives a yearly average of approx. 144 thousand flats. As long as the number of newly constructed flats remains above the average level for other countries of the European Union, the level shall eliminate the most significant quantitative deficits within a number of years; in terms of the accessibility of flats, the structure of the new housing construction is not favourable. Approx. 97.1% of the total number are flats that do not enhance the accessibility of flats for persons with average and low incomes. The construction of one-family houses under an economic system do dominate in this respect (approx. 54.4% of the total resource). Developers and cooperatives generated approx. 42.7% of the outcome of the housing construction in the years 2011-2015. These are mainly flats offered on the market, available to households with high savings and appropriately high incomes (creditworthiness) to take out a credit for purchasing a flat. It is beyond any doubt that housing cooperatives have the greatest potential to deliver a higher number of new flats for persons with lower incomes than developers. While omitting the immaterial number of new flats owned by work establishments, flats available to persons with average and low incomes (municipal flats and flats owned by social housing associations accounted for only 2.5% of the newly constructed resource in the last 5 years). What's more, there was a decrease in their share of the total housing resource noticeable in the analysed period (from 3.4% in 2011 to 2.0% in 2015).

At the same time, municipal resources, which could potentially contribute to satisfying housing needs of such persons and families, are further privatized, which is unfavourable in terms of the accessibility of flats for non-affluent households. According to the Central Statistical Office of Poland (GUS), only in the years 2012-2013 municipalities privatized approx. 64.2 thousand flats and returned approx. 1.8 thousand flats to former owners or their heirs. This means that the new municipal construction removes a yearly loss in resources by approx. 7% as a maximum.

Municipal flats are sold to former tenants at highly discounted prices that may be equal to approx. 80% of the average value of the sold property, as estimated by the Institute of Urban Development (in extreme situations, discounts amounted to as much as 95% of the value of flats in monitored cities)<sup>14</sup>.

<sup>14</sup> Institute of Urban Development, *Housing report. Results of the monitoring for 2014*, Cracow 2015.

## 8. Housing prices, rental fees

The accessibility of the new housing resource is determined by prices of owner-occupied flats and rental fees for rental flats. According to the data published by the System for Analysis and Monitoring of Real Estate Market (AMRON System), kept by the Polish Bank Association, average transactional prices on the primary market were dependent on where buildings were located. Flats in the largest cities were the most expensive. The Ministry of Infrastructure and Construction commissioned the AMRON System to analyse transactional prices in 2014, in

- 18 cities where a voivode or a voivodship's sejmik have their seats,
- municipalities neighbouring with cities where a voivode or a voivodship's sejmik have their seats, and
- other municipalities in the selected voivodship.

*Average transactional prices on the housing market per location in 2014 (PLN/m<sup>2</sup>).*

	2,000-3,000	3,000-4,000	4,000-5,000	5,000-6,000	6,000-7,000	Above 7,000
Primary market						
<b>Voivodship cities</b>	0	2	11	3	1	1
<b>Neighbouring municipalities*</b>	2	6	8	1	0	0
<b>Other municipalities</b>	2	10	4	0	0	0
Secondary market						
<b>Voivodship cities</b>	1	8	4	4	0	1
<b>Neighbouring municipalities*</b>	6	4	5	2	0	0
<b>Other municipalities</b>	12	4	0	0	0	0

\*No transactions for municipalities neighbouring with Gorzów Wielkopolski.

Source: Own calculations by the Ministry of Infrastructure and Construction on the basis of the System for Analysis and Monitoring of Real Estate Market (AMRON System).

As illustrated by the data, prices on the primary market in voivodship cities usually range from PLN 4 to 5 thousand per 1 m<sup>2</sup>, and from PLN 3 to 4 thousand per 1 m<sup>2</sup> on the secondary market. Warsaw is an exception with average prices exceeding PLN 7 thousand per 1 m<sup>2</sup>. Apart from Warsaw, the highest market prices of flats are registered in Cracow, Wrocław, Poznań, and Gdańsk. Higher prices in comparison with the remaining part of the voivodship are also registered in those municipalities that neighbour with the largest cities, in particular in the most developed agglomerations. Gdansk is in a specific situation, as the neighbourhood of Sopot and Gdynia makes prices in neighbouring municipalities stay on the same average level as in the voivodship city. Lower prices are registered in other municipalities in individual voivodships. Flats on the primary market usually cost approx. PLN 3-4 thousand per 1 m<sup>2</sup>, and PLN 2-3 thousand per 1 m<sup>2</sup> on the secondary market.

While analysing market prices of flats, it is worth pointing out that there is a correlation between prices of flats and their construction costs. The average cost in the multi-family construction<sup>15</sup>, as show in the table, ranged from approx. PLN 3.8 to 4.2 thousand per 1 m<sup>2</sup> in the years 2011-2015.

<sup>15</sup> Data are submitted to the Central Statistical Office of Poland (GUS) by entities carrying out investments on the housing market in the form of multi-family houses, including developers, housing cooperatives, social housing associations, and municipal self-governments. Entities operating in the housing construction sector are obliged to fill in statistical forms B-09 that are to report housing construction costs per 1 m<sup>2</sup> of the usable surface of housing buildings. Construction costs cover all costs incurred during the construction process. According to the methodology of the Central Statistical Office of Poland (GUS), the costs include all incurred

*Average construction cost of 1 m<sup>2</sup> of the living surface in the multi-family construction in the years 2011-2015.*

	2011	2012	2013	2014	2015
<b>Average cost of housing construction (PLN/m<sup>2</sup>)</b>	3,829	3,837	4,228	3,984	3,925

Source: Central Statistical Office of Poland (GUS).

Regional data make it possible to conclude that current construction costs of flats in Poland range from approx. PLN 2.5 thousand per 1 m<sup>2</sup> in areas outside of the largest cities and increase in larger cities up to approx. PLN 5.5 thousand per 1 m<sup>2</sup> in Warsaw.

The official statistics system does not cover data on the structure of housing construction costs. As analysed by the National Bank of Poland, Sekocenbud and REAS, the value of building plots accounts for approx. 15-25%, and construction works for approx. 50-60% of the total construction costs (out of which labour costs account for approx. 5-10%, and other material and equipment costs), and project costs, general and indirect costs account for approx. 20-30% of the total construction costs.

Construction costs are highly determined by regulations on the investment and construction process that specify the length of the investment preparatory period and the very construction. The most important regulations concern spatial planning, in particular the possibility to start the construction process in areas that are not covered by local spatial development plans. As of the end of 2013, local development plans covered not more than 28.6% of the country's surface (44% in cities with powiat rights)<sup>16</sup>. The above is also related to the necessity to appropriately equip building plots for investment purposes, while related costs are usually transferred by municipal self-governments directly onto investors.

Apart from construction costs, the purchase price of flats to be paid by purchasers is also dependent on VAT rates (currently 8%) and developers' profit margin of approx. 15-20% depending on location, as estimated by the National Bank of Poland<sup>17</sup>.

In case of rental flats, their accessibility is determined by the amount of rental fees. Data on market rental fees are usually limited to the analysis of rental fees in the largest cities. The most reliable survey is conducted under a unified methodology by the National Bank of Poland which publishes average rental fees per 1 m<sup>2</sup> of flats in 17 cities. As of the 4. quarter of 2014, the average amount of rental fees was as follows:

- approx. PLN 20-25 per 1 m<sup>2</sup> in Bydgoszcz, Katowice, Kielce, Łódź, Olsztyn and Zielona Góra;
- approx. PLN 25-30 per 1 m<sup>2</sup> in Białystok, Gdynia, Lublin, Opole, Poznań, Rzeszów and Szczecin;
- approx. PLN 30-31 per 1 m<sup>2</sup> in Gdańsk, Cracow and Wrocław;
- approx. PLN 40 per 1 m<sup>2</sup> in Warsaw.

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construction-related and not construction-related costs of the building that may be settled when the building is put into use. Average construction costs include inter alia: purchase price and preparation costs of building plots, costs of external equipment of building plots, costs of technical equipment and installations, building-related construction equipment for general use, as well as other sundry construction costs and financing costs, i.e. handling fees for granting credits and interest. Construction costs also include input VAT and paid VAT in case it cannot be claimed back and deducted from output VAT.

<sup>16</sup> Institute of Geography and Spatial Organization Polish Academy of Sciences, *Analysis of the state and conditions of planning works in municipalities in 2013*, Warsaw 2015.

<sup>17</sup> National Bank of Poland, *Report on prices of flats and the situation on the market of housing and commercial properties in the 4. quarter of 2015*, Warsaw, March 2016.

From the few available analyses on the rental market in smaller towns<sup>18</sup> results that market rental fees amount to approx. PLN 15-20 per 1 m<sup>2</sup> in towns with more than 100 thousand residents and approx. PLN 12-18 per 1 m<sup>2</sup> in towns with less than 100 thousand residents. In general, it is to be pointed out that due to the underdeveloped rental market in smaller towns registered rental transactions are seldom and rental fees may be determined, for example, by the quality and location of flats. Several rental transactions of a particular type of resources within a particular period may significantly impact average data. Furthermore, rental fees are rather dependent on the number of rooms, and not the surface of flats in Poland.

According to official data published by the Central Statistical Office of Poland (GUS), the average rental fee for flats owned by social housing associations amounted to PLN 9.70 per 1 m<sup>2</sup> in 2014, out of which approx. 58%<sup>19</sup> were allocated to the repayment of credits granted by the National Housing Fund or Bank Gospodarstwa Krajowego. Rental fees for flats owned by social housing associations correspond to the size of cities and usually amount to PLN 8-11 per 1 m<sup>2</sup>. In the largest cities, rental fees for flats owned by social housing associations are approx. 3 times and in smaller towns approx. 2 times lower than average market rental fees. It is to be pointed out that the resource of social housing associations is relatively new, of satisfactory technical and energy standards (from the survey conducted by Bank Gospodarstwa Krajowego in 2014 results that 88% of the resources are in a good or very good condition).

According to official data published by the Central Statistical Office of Poland (GUS), the average rental fee for municipal flats amounted to PLN 4.69 per 1 m<sup>2</sup> in 2014 in case of publicly-owned flats (rental contracts for an indefinite period), and PLN 1.34 per 1 m<sup>2</sup> in case of social flats. The amount of rental fees is in general correlated to the size of cities, while average rates amount to approx. PLN 2.5-7.5 per 1 m<sup>2</sup>. It is to be pointed out that such rental fees do not make it possible to maintain buildings owned by municipalities in an appropriate condition. Although inflows from rental fees are supplemented by rental fees for commercial offices and housing surcharges paid to administrators of building, they are not sufficient to exploit housing resources in a correct way. The renovation gap is estimated to be as high as 60%<sup>20</sup>.

### **9. Financial capacity of the society in terms of satisfying housing needs**

Data on market prices of owner-occupied flats and rental fees for different types of resources shall be compared to the society's financial capacity. In the light of different indexes to measure the amount of incomes, it seems that data concerning the amount of remunerations are the most valuable from the point of view of the housing market. Regular inflows from remunerations for work determine the creditworthiness of people that is necessary to purchase a flat, save for purchasing a flat/constructing a house, or paying in own contributions and renting a flat on the commercial market or outside of it. The data are best to illustrate housing problems among young people, which are strictly related to the demographics and fertility rates. In the light of the above, the analysis shall be based on two important assumptions:

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<sup>18</sup> Institute of Urban Development, *Housing report. Results of the monitoring for 2014*, Cracow 2015.

<sup>19</sup> Institute of Urban Development, *Housing report. Results of the monitoring for 2014*, Cracow 2015.

<sup>20</sup> Institute of Urban Development, *Housing report. Results of the monitoring for 2014*, Cracow 2015.

- For a specific group of people, the majority of their incomes are not remunerations under employment contracts. For example, this refers to farmers and pensioners. Due to the specifics of the housing situation of the two social groups, they do not seem to grapple with the most significant problems concerning the accessibility of flats. Persons of retirement age mostly benefit from ownership transformations in the Polish housing sector after 1990 (privatization of the cooperative and public resources). Main housing problems of the elderly go beyond financial problems and may refer to, e.g. the availability of care facilities in the place of residence, or the technical adaptation of buildings for this social group's needs (liquidation of architectural barriers). On the other hand, one-family houses do dominate in rural areas, usually on private building plots that are usually built by other (older) housing buildings.
- The "Rodzina 500+" Programme will have a positive impact on the accessibility of flats. The financial aid of PLN 500 per child<sup>21</sup> will enhance the capacity of families with children to purchase or rent flats.

The basic index which allows to assess the accessibility of flats in general is the ratio between the price of flats and the level of remunerations. The most frequently used index is an index that shows how many quadrat meters (m<sup>2</sup>) of flats in a particular location may be purchased for an average remuneration. The index is dependent on locations, levels of remuneration and prices of flats. The below table was prepared on the basis of the average remuneration in the national economy in 2014 that was "converted into its net amount" under the assumption that a particular person pays PIT under general conditions. It was additionally estimated how many quadrat meters (m<sup>2</sup>) of flats may be rented on the commercial market for an average net remuneration and how many yearly remunerations are necessary to purchase a flat with the surface of 70 m<sup>2</sup>.

*Ratio of the average monthly net remuneration in the national economy in 2014 and prices of flats on the preliminary and secondary markets, number of m<sup>2</sup> of a flat which may be rented for an average remuneration in selected cities, number of average yearly net remunerations to purchase a flat with the surface of 70 m<sup>2</sup>.*

	Ratio of the average monthly net remuneration to the average transactional price of a flat		Rent on the commercial market (surface which may be rented for an average remuneration)	Number of average yearly net remunerations to purchase a flat with the surface of 70 m <sup>2</sup>	
	Primary market	Secondary market		Primary market	Secondary market
	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	units	units
<b>Białystok</b>	0.58	0.72	88.3	10.1	8.2
<b>Bydgoszcz</b>	0.57	0.76	112.4	10.2	7.7
<b>Gdańsk</b>	0.59	0.68	112.9	9.9	8.5
<b>Gdynia</b>	0.54	0.69	125.4	10.8	8.5
<b>Katowice</b>	0.75	1.10	155.7	7.8	5.3
<b>Kielce</b>	0.57	0.71	120.9	10.2	8.2
<b>Kraków</b>	0.52	0.51	95.8	11.3	11.5
<b>Lublin</b>	0.57	0.64	104.5	10.3	9.2
<b>Łódź</b>	0.59	0.79	117.1	9.9	7.4
<b>Olsztyn</b>	0.61	0.70	120.6	9.6	8.3
<b>Opole</b>	0.62	0.73	111.3	9.5	8.0
<b>Poznań</b>	0.50	0.62	107.7	11.7	9.4
<b>Rzeszów</b>	0.62	0.64	110.8	9.4	9.2
<b>Szczecin</b>	0.62	0.76	109.8	9.5	7.7
<b>Warszawa</b>	0.52	0.52	92.2	11.2	11.3

<sup>21</sup> The aid is paid for each child in families with incomes up to PLN 800, for each child with disabilities in families with incomes up to PLN 1,200, or for the second and following children in all families irrespective of their incomes.

<b>Wrocław</b>	0.53	0.59	102.6	10.9	9.8
<b>Zielona Góra</b>	0.68	0.86	113.3	8.5	6.8

Source: Own calculations by the Ministry of Infrastructure and Construction on the basis of data of the Central Statistical Office of Poland (GUS) (amount of remunerations) and the National Bank of Poland (prices, rental fees).

The data are for illustration only due to the fact that it is never possible to allocate the total remuneration to the purchase or rent of a flat only. However, they allow to understand the differentiation of the housing situation in terms of the accessibility of flats in individual cities. From the table results that the best situation in terms of the housing accessibility is in Katowice where it is possible to purchase or a rent a flat with the largest surface for an average net remuneration. The worst situation in terms of the housing accessibility - in spite of relatively higher remunerations - is in the largest cities, e.g. Warsaw, Cracow, Wrocław and Poznań.

Due to the fact that there are no detailed data for smaller towns, it is difficult to perform precise calculations. While assuming for illustration only that the average price of flats amounts to PLN 3 thousand/m<sup>2</sup> in a particular city, while remunerations amount to approx. PLN 2.1 thousand net, it is possible to purchase 0.7 m<sup>2</sup> of a flat for an average remuneration, whereby 8.3 yearly remunerations must be saved to purchase a flat with the surface of 70 m<sup>2</sup>. While assuming additionally that an average rental fee amounts to PLN 15/m<sup>2</sup>, it is theoretically possible to rent 140 m<sup>2</sup> for an average remuneration. The calculations illustrate that the housing accessibility is better in smaller cities than in the largest ones despite of relatively lower remunerations. However, the situation is highly differentiated and is always dependent on local transactional prices and rental fees.

In 2014, Deloitte<sup>22</sup> estimated how many yearly remunerations are necessary to purchase a flat with the surface of 70 m<sup>2</sup> in selected countries. As a basis to make comparisons, Deloitte's experts took the mostly published data on gross remunerations, therefore it is not possible to compare the data with the results included in the table concerning individual cities. The report prepared by Deloitte makes it possible to understand the housing accessibility in different countries in Europe.

*Average prices of flats and number of yearly remunerations to purchase a flat with the surface of 70 m<sup>2</sup> in selected countries in 2014.*

Country	Average transactional price EUR/m <sup>2</sup>	Number of average yearly remuneration for 70 m <sup>2</sup>
Austria	2,506	5.8
Belgium	2,108	3.2
Czech Republic	1,204	7.1
Denmark	2,099	3.8
France	3,932	8.0
Spain	1,517	4.4
Holland	1,979	4.2
Ireland	2,550	5.2
Germany	1,995	3.3
Poland	1,111	7.2
Portugal	1,008	5.2
Russia	960	8.8
Sweden	3,137	5.3
Hungary	966	7.8
Great Britain	4,929	10.0
Italy	2,455	6.8

Source: Deloitte, Overview of European Residential Markets, Prague 2015.

<sup>22</sup> Deloitte, *Overview of European Residential Markets*, Prague 2015.



The above mentioned data demonstrate that the best situation in terms of the accessibility of owner-occupied flats is in Belgium, Germany, and Denmark, where less than 4 average yearly remunerations are sufficient to purchase a flat with the surface of 70 m<sup>2</sup>. The situation in Poland is similar to other countries in our region (the Czech Republic and Hungary). It shall be reminded that despite of higher remunerations the housing accessibility is on average worse in France and Great Britain than in Poland. However, it shall be added at the same time that average data for these countries are highly impacted by very high prices of flats in the agglomerations of Paris and London.

As based on average values, general data do not refer to the differentiation in the amount of remunerations. From the comprehensive survey of the Central Statistical Office of Poland (GUS)<sup>23</sup> concerning the differentiation in the amount of remunerations per age and professional groups as of October 2014 results that average monthly gross remuneration in the national economy amounted to PLN 4,108 (PLN 4,482 for men and PLN 3,718 for women). However, it is worth emphasizing that 66% of employees received remunerations below the average level.

*Average monthly remunerations in the national economy as of October 2014 by employees' age (in PLN).*

Worker's age	Average monthly remuneration	
	gross	net
Up to 24 years	2,653	1,915
25-34 years	3,788	2,706
35-44 years	4,549	3,236
45-54 years	4,198	2,991
55-59 years	4,073	2,904
60-64 years	4,597	3,270
65 years and more	6,166	4,363
<b>Total</b>	<b>4,108</b>	<b>2,929</b>

Source: Own calculations by the Ministry of Infrastructure and Construction on the basis of: Central Statistical Office of Poland (GUS), Structure of remunerations by profession as of October 2014, Warsaw 2016.

The level of remuneration was determined inter alia by age and period of service. Remunerations of the youngest persons starting their professional careers were below the average remuneration. This means that they face additional difficulties in terms of the housing accessibility, in particular in case they are not able to save for housing purposes due to low remunerations and short periods of service.

From the data included in the above mentioned table results that the average remuneration earned by persons aged 25-34 years (with the greatest housing needs related to starting a family) is lower by approx. 7.8% than the average remuneration.

Another matter is the general differentiation in remunerations, which highly determines the capacities of the particular income group on the housing market. The below table presents the decile distribution<sup>24</sup> of remunerations according to the above mentioned survey of the Central Statistical Office of Poland (GUS).

<sup>23</sup> Central Statistical Office of Poland (GUS), *Structure of remunerations by profession as of October 2014*, Warsaw 2016.

<sup>24</sup> Following deciles show how many employees earn remunerations below the particular amount. The median amount is decile V, which means that 50% of employees earn remunerations below the median amount, while 50% employees above the median amount.

*Highest remunerations in the decile as of October 2014 (in PLN)*

Highest remuneration in the decile	I	II	III	IV	V	VI	VII	VIII	IX
gross	1,718	2,091	2,484	2,870	3,292	3,763	4,362	5,193	6,917
net	1,263	1,523	1,797	2,066	2,360	2,688	3,106	3,686	4,888

Source: Own calculations by the Ministry of Infrastructure and Construction on the basis of: Central Statistical Office of Poland (GUS), Structure of remunerations by profession as of October 2014, Warsaw 2016.

The possibility to allocate a specific part of the remuneration to the purchase or rental of a flat (repayment of a mortgage credit) is dependent inter alia on the amount of expenses that must be incurred. The analysis may be based on the concept of the minimum subsistence defined as an amount enabling people to reproduce their life forces, bring up their children, as well as maintain social ties during periods of work, education, or leisure. According to the data published by the Institute of Labour and Social Studies, the minimum subsistence allows to satisfy consumption needs on quite a low level, but according to the recommendations of science (e.g. in terms of nutrition), compliant with commonly accepted social and cultural norms (leisure, and participation in culture), as well as with valid legal norms (inter alia in terms of education, and health protection). The minimum subsistence is a category that determines a threshold below which there is an area of shortage or poverty, thus forming the top border of the area.

*Minimum subsistence in workers households per category of households as of December 2014 (monthly, in PLN).*

Households	Total	Per 1 person
1-person	1,057.44	1,057.44
2-person (man+woman)	1,744.02	872.01
3-person (man+woman+younger child)	2,593.62	864.54
3-person (man+woman+older child)	2,753.51	917.84
4-person (man+woman+younger child+older child)	3,348.23	837.06
5-person (man+woman+younger child+two older children)	4,104.98	821.00

Source: Institute of Labour and Social Studies.

It shall be assumed that funds, which may be allocated by households to the purchase (repayment of instalments of mortgage credits) or rental of flats, stay in the budget of households after other needs have been satisfied on the level of the minimum subsistence. At the same time, it is to be pointed out that the minimum subsistence increases with households' size. Once children have been born, a lower amount of funds may be spent for satisfying housing needs. The increase in the size of families is followed by higher needs concerning the surface standard of their flats.

The capacities to purchase or rent a flat depend, as demonstrated above, on local conditions concerning the level of remunerations and prices of flats and rental fees. If the analysis is supplemented by the assumption that each family shall cover its expenses on the level of the minimum subsistence, the accessibility of flats on the particular market may be preliminary evaluated.

While analysing the accessibility of flats in different locations on the basis of average data, additional assumptions concerning mortgage credits shall be made. According to the recommendations of the Financial Supervision Authority<sup>25</sup>, the suggested instalment of the mortgage credit for purchasing a flat shall not exceed 40% of the borrower's incomes (in case of borrowers with incomes below the

<sup>25</sup> Recommendation S concerning best practices in the management of credit exposures secured by mortgage.

average amount of remunerations), while borrowers willing to take out a credit for more than 25 years shall be recommended repayment periods of 25 years. Furthermore, starting from 1 January 2016 the value of credits must not, except for situations specified in Recommendation S, exceed 80% of the flat's value (which means that it is necessary to accumulate own contributions of at least 20% of flats' values).

The below example is for illustration purposes only and is based on the following assumptions:

- the price of the flat is PLN 4000 per 1 m<sup>2</sup>;
- the borrower's monthly remuneration amounts to PLN 2,360 (the median remuneration as of 2014), in case of married couples double the average remuneration = PLN 4,720;
- the mortgage credit is taken out for 25 years, interest rate = 4% (WIBOR 3M + 2.3% margin);
- the instalment must not exceed 40% of the household's incomes; and
- the market rental fee = PLN 20 per 1 m<sup>2</sup>, whereby the rental fee must not exceed 40% of the household's incomes.

*Housing accessibility by the size of household (analysis for illustration only).*

Household	Purchase of a flat				Rental of a flat	
	Required savings (in PLN)	Maximum instalment of repayment (in PLN)	Maximum surface of a flat (m <sup>2</sup> )	Surface per person (m <sup>2</sup> )	Maximum surface	Surface per person
1-person	44,711	944	55.9	55.9	47.2	47.2
2-person (two working persons)	89,422	1,888	111.8	55.9	94.4	47.2
2-person (lone parent with child)	29,176	616	36.5	18.3	30.8	15.4
3-person	89,422	1,888	111.8	37.3	94.4	31.5
4-person*	64,982	1,372	81.2	20.3	68.6	17.1
5-person**	29,128	615	36.4	7.3	30.8	6.2

\* Family with an older child and a younger child.

\* Family with 2 older children and 1 younger child.

From the conducted analyses results that childless married couples and married couples of two working persons with one child are in the best situation in terms of the housing accessibility. The housing accessibility, defined as the surface of a flat which may be purchased or rented for an average remuneration, sharply decreases for families with 2 and 3 children. This is particularly painful for families with many children due to the fact that they need a larger living space to develop their families correctly. It is to be pointed out that persons willing to purchase flats must also possess high savings to cover their own contributions, excluding incomes to gain creditworthiness.

With regard to the possibilities of families with many children to satisfy housing needs, the housing problem is directly related to the demographics. According to the aggregate survey by Eurostat, the average fertility of Polish women was a high as 1.29 in 2013, which ranked our country in the 26. place among 28 countries of the European Union (before Spain and Portugal). There are many surveys that demonstrate that housing conditions and the possession of independent flats are the main economic factors influencing procreation plans, excluding material conditions and employment security<sup>26</sup>. The same is also confirmed by statistical data for countries of the European Union, where

<sup>26</sup> Examples of publications: Public Opinion Research Centre (CBOS), Procreation attitudes among Poles, Warsaw 2010; Social Diagnosis 2013, Low fertility in Poland in the context of Poles' perception. Thematic

there is a correlation between the fertility level and other factors, including the overpopulation of flats and the share of persons aged 25-34 years that live together with their parents.

Therefore, it is worth performing an additional analysis on the possibilities to satisfy housing needs under the above mentioned assumptions, with families with three children serving as a model family to overcome unfavourable demographic trends. The accessibility of flats under market conditions for groups with different remunerations, particularly for persons aged 25-34 years (with the greatest demographic potential), is discussed below. An additional assumption of the analysis is the fact that the “Rodzina 500+” Programme is in operation starting from 1 April 2016, under which families may receive a monthly benefit of PLN 500 for each child (if incomes per 1 member of the family do not exceed PLN 800, or PLN 1,200 in case of children with disabilities), or of PLN 500 for the second and following children (if incomes per 1 member of the family exceed PLN 800). The financial aid will enhance the accessibility of flats for families with many children, while contributing both to enhancing their creditworthiness, and possibilities to rent a flat on the market<sup>27</sup>.

The tables below, prepared separately on the basis of general data and on the basis of data concerning persons aged 25-34 years, include a summary of the analysis on the accessibility of flats for families with three children in different financial situations. It was assumed at the same time that the level of remunerations earned by persons aged 25-34 years is by 7.8% lower than the average level for all decile groups. The table also covers the impact of the “Rodzina 500+” Programme on the enhanced accessibility of flats, while assuming that there are no children with disabilities in the family. Additionally, it was assumed that two adult persons in the household work and receive equal remunerations.

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report, Warsaw 2014; TNS Poland for the Supreme Audit Office, Poles’ attitudes to the pro-family policy, Warsaw 2014.

<sup>27</sup> It is worth pointing out that the objective of the presented analysis is to demonstrate the increase in the potential of families with regard to improved housing conditions as a result of the entry into force of the “Rodzina 500+” Programme. In reality, it is up to families - beneficiaries of the programme how they will spend the received funds. The evaluation of the impact of the “Rodzina 500+” Programme on the enhanced accessibility of flats shall be thoroughly analysed after at least several years of its operation.

Accessibility of owner-occupied flats and rental flats for families with three children with different levels of remunerations.

Decile	I	II	III	IV	V (median)	VI	VII	VIII	IX
<b>Scenario without the "Rodzina 500+" Programme</b>									
Highest gross remuneration (PLN monthly)	1,718	2,091	2,484	2,870	3,292	3,763	4,362	5,193	6,917
Highest net remuneration (PLN monthly)	1,263	1,523	1,797	2,066	2,360	2,688	3,106	3,686	4,888
Net remuneration of 2 adult persons (PLN monthly)	2,527	3,047	3,594	4,132	4,720	5,377	6,212	7,372	9,777
Highest net remuneration per person (PLN monthly)	505	609	719	826	944	1,075	1,242	1,474	1,955
Remunerations decreased by minimum subsistence (PLN 4,105 monthly)	-1,578	-1,058	-511	27	615	1,272	2,107	3,267	5,672
40% of remuneration (maximum amount to be allocated for housing purposes)	1,011	1,219	1,438	1,653	1,888	2,151	2,485	2,949	3,911
Maximum surface of a flat available for rent (m <sup>2</sup> )	0	0	0	1	31	64	105	147	196
Savings necessary to pay in own contribution while purchasing a flat with maximum available surface (in PLN)	0	0	0	1,293	29,147	60,235	99,771	139,663	185,225
Maximum available surface of purchased flat (m <sup>2</sup> )	0	0	0	2	36	75	125	175	232
Maximum available surface of purchased flat per person (m <sup>2</sup> )	0	0	0	0	7	15	25	35	46
<b>Including benefits under the "Rodzina 500+" Programme</b>									
Net remuneration of 2 adult persons (PLN monthly)	4,027	4,547	5,094	5,132	5,720	6,377	7,212	8,372	10,777
Remunerations decreased by minimum subsistence (PLN 4,105 monthly)	-78	442	989	1,027	1,615	2,272	3,107	4,267	6,672
40% of remuneration (maximum amount to be allocated for housing purposes)	1,611	1,819	2,038	2,053	2,288	2,551	2,885	3,349	4,311
Maximum surface of a flat available for rent (m <sup>2</sup> )	0	22	49	51	81	114	144	167	216
Savings necessary to pay in own contribution while purchasing a flat with maximum available surface (in PLN)	0	20,920	46,860	48,656	76,510	107,598	136,624	158,609	204,170
Maximum available surface of purchased flat (m <sup>2</sup> )	0	26	59	61	96	134	171	198	255
Maximum available surface of purchased flat per person (m <sup>2</sup> )	0	5	12	12	19	27	34	40	51
<b>Impact of the "Rodzina 500+" Programme on the accessibility of flats</b>									
Increase in maximum surface of a flat available for rent (m <sup>2</sup> )	0	22	49	50	50	50	39	20	20
Increase in maximum available surface of purchased flat(m <sup>2</sup> )	0	26	59	59	59	59	46	24	24

Source: Own calculations by the Ministry of Infrastructure and Construction on the basis of adopted assumptions and data of the Central Statistical Office of Poland (GUS).

*Accessibility of owner-occupied flats and rental flats for families aged 25-34 with three children with different levels of remunerations.*

Deciles	I	II	III	IV	V (median)	VI	VII	VIII	IX
<b>Scenario without the "Rodzina 500+" Programme</b>									
Highest gross remuneration (PLN monthly)	1,584	1,928	2,290	2,646	3,035	3,469	4,022	4,788	6,377
Highest net remuneration (PLN monthly)	1,170	1,410	1,662	1,910	2,181	2,484	2,869	3,404	4,512
Net remuneration of 2 adult persons (PLN monthly)	2,340	2,819	3,324	3,820	4,363	4,968	5,737	6,807	9,025
Net remuneration per person (PLN monthly)	468	564	665	764	873	994	1,147	1,361	1,805
Remunerations decreased by minimum subsistence (PLN 4,105 monthly)	-1,765	-1,286	-781	-285	258	863	1,632	2,702	4,920
40% of remuneration (maximum amount to be allocated for housing purposes)	936	1,128	1,330	1,528	1,745	1,987	2,295	2,723	3,610
Maximum surface of a flat available for rent (m <sup>2</sup> )	0	0	0	0	13	43	82	135	180
Savings necessary to pay in own contribution while purchasing a flat with maximum available surface (in PLN)	0	0	0	0	48,793	163,446	309,257	511,990	683,921
Maximum available surface of purchased flat (m <sup>2</sup> )	0	0	0	0	15	51	97	160	214
Maximum available surface of purchased flat per person (m <sup>2</sup> )	0	0	0	0	3	10	19	32	43
<b>Including benefits under the "Rodzina 500+" Programme</b>									
Net remuneration of 2 adult persons (PLN monthly)	3,840	4,319	4,824	5,320	5,363	5,968	6,737	7,807	10,025
Remunerations decreased by minimum subsistence (PLN 4,105 monthly)	-265	214	719	1,215	1,258	1,863	2,632	3,702	5,920
40% of remuneration (maximum amount to be allocated for housing purposes)	1,536	1,728	1,930	2,128	2,145	2,387	2,695	3,123	4,010
Maximum surface of a flat available for rent (m <sup>2</sup> )	0	11	36	61	63	93	132	156	200
Savings necessary to pay in own contribution while purchasing a flat with maximum available surface (in PLN)	0	10,155	34,071	57,562	59,561	88,225	124,677	147,915	189,926
Maximum available surface of purchased flat (m <sup>2</sup> )	0	13	43	72	74	110	156	185	237
Maximum available surface of purchased flat per person (m <sup>2</sup> )	0	3	9	14	15	22	31	37	47
<b>Impact of the "Rodzina 500+" Programme on the accessibility of flats</b>									
Increase in maximum surface of a flat available for rent (m <sup>2</sup> )	0	11	36	61	50	50	50	21	20
Increase in maximum available surface of purchased flat (m <sup>2</sup> )	0	13	43	72	59	59	59	25	24

Source: Own calculations by the Ministry of Infrastructure and Construction on the basis of adopted assumptions and data of the Central Statistical Office of Poland (GUS).

On the basis of the analysis of the above table, it is possible to formulate the following conclusions:

- Without taking into account benefits under the "Rodzina 500+" Programme, almost 40% families with three children living on the minimum subsistence level cannot afford to rent or purchase any flat. Approx. 20% of them can afford to purchase or rent a flat the surface of which is far from sufficient to satisfy needs of families with many children.
- While taking into account needs of families with many children and basing on the Eurostat's definition of overpopulation, it seems that the minimum surface of a flat to ensure an

appropriate development of such families is approx. 80 m<sup>2</sup>. The above cited analysis demonstrates that only approx. 40% of families with the highest incomes possess funds to purchase or rent such flats. It is to be added at the same time that the purchase of a flat also requires appropriate savings for paying in own contribution. For flats with the surface of 80 m<sup>2</sup> at the price of PLN 4 thousand/m<sup>2</sup>, such savings shall not be lower than PLN 64 thousand.

- The accessibility of flats for young families (aged up to 34 years) is lower due to the fact that their remunerations are below the average level.
- The “Rodzina 500+” Programme significantly improves the housing situation of families with many children, in particular those families whose remunerations are below the average level. Child benefits enable approx. 20% of additional families in general and approx. 30% of families aged up to 34 families to possess funds to rent or purchase a flat on the market (after an appropriate own contribution has been accumulated).
- Despite of benefits under the “Rodzina 500+” Programme, there are still approx. 40% of all families and approx. 50% of families aged up to 34 years will not be able to purchase or rent an appropriately big flat to satisfy needs a family with many children. Therefore, such families will need other instruments to support them in the satisfaction of housing needs on an appropriate level.

### **10. Housing needs of persons in a specific situation**

Apart from problems related to the accessibility of flats, which result from high prices and high market rental fees on one side, and from the insufficient level of remunerations to satisfy housing needs on the other side, the housing policy requires a particular attention to be drawn to persons and families in a particularly difficult situation on the housing market, which is due not only to financial difficulties.

Protected flats are one of the basic forms of care over persons who need to be supported in their daily life due to a particularly difficult situation, age, disability, or sickness, but who do not require any services provided by 24-hour care units. Under the care of specialists, they facilitate them to function independently in their environment, being integrated with the local community. Due to demographic trends, ageing population, changes in the family model, etc., the demand for such flats is likely to increase. There are currently not more than approx. 2.6 thousand places in protected flats, which is far below existing needs.

*Number of protected flats and number of their users per their operator as of the end of 2014.*

	Municipality	Powiat	Other	Total
Number of institutions	397	199	86	682
Number of places	1,473	708	480	2,661
Number of users	1,597	639	473	2,709

Source: Own calculations by the Ministry of Infrastructure and Construction on the basis of data by the Ministry of Family, Labour and Social Policy.

Homeless persons are a specific group which shall be covered by housing support. The housing problem is also related to the re-integration of the homeless into the remaining society. The very definition of a homeless person is subject to controversy, which reflects in the calculations concerning these persons that range from approx. 30 to 100 thousand persons.

*Number of night shelters and hostels for homeless persons and number of their users, as estimated by their operator, as of the end of 2014.*

	Municipality	Other	Total
Number of institutions	92	182	274
Number of places	2,901	8,239	11,140
Number of users	7,254	19,384	26,638

Source: Own calculations by the Ministry of Infrastructure and Construction on the basis of data by the Ministry of Family, Labour and Social Policy.

In terms of housing-related matters, the most important is to provide homeless persons with shelters, in particular during winters. Apart from the matter concerning the provision of an appropriate number of social flats, e.g. for persons with low incomes or persons evicted from other resources, which is strictly related to the problems in the management of municipal flats, as outlined above, homeless persons may use night shelters and shelters for the homeless. As of the end of 2014, there were 274 units, operated mainly by social organizations, with a total of 11.1 thousand night places and 26.6 thousand users.

Due to dynamic changes in the demographic structure of the Polish population, the increasing problem in the coming years will be also to provide the elderly with appropriate housing conditions. Current European societies are marked by dynamic changes in the demographic structure. Due to two parallel events, i.e. low fertility rate and longer life expectancy, the share of the elderly (60+) in the population is increasing. From the data published by Eurostat results that the elderly accounted for 23.9% of the population of the EU-27 as of the end of 2011. Similar trends may be observed in Poland. The share of the elderly in the Polish society has been growing systematically. In 1988, 14.5% of the population were persons aged 60+, while 19.6% of the population in 2010, which means an increase by 2 million persons (37.3%)<sup>28</sup>.

From the data published by Eurostat results that persons aged 60 and more will account for almost 25% of the Polish society by 2020, while estimates by the Central Statistical Office of Poland (GUS) confirm a significant increase in the number of persons in the highest age groups.

*Forecasted share of persons of different age groups in the total population in Poland until 2035.*

Age	2015	2020	2025	2030	2035
0-14	15.2	15.6	15.0	13.7	12.5
15-64	69.2	66.0	64.1	64.0	64.2
60-64	7.1	7.0	5.8	5.7	6.8
60+	22.7	25.4	26.8	28.0	30.0
65+	15.6	18.4	21.0	22.3	23.2
85+	1.8	2.0	2.1	2.1	3.1

Source: Central Statistical Office of Poland (GUS).

There are currently not more than 1% of Polish seniors living in the institutionalized sector, with the majority of them (approx. 85%) living independently.

<sup>28</sup> According to the diagnosis formulated in the document titled "Assumptions of the Long-Term Senior Policy in Poland for the years 2014-2020".



*Independence of households in terms of their place of living per age groups of households.*

	Total		60-69 years		70-79 years		Above 80 years	
	thousand	%	thousand	%	thousand	%	thousand	%
Total	13,568.0	100.0	2,123.1	100.0	1,407.2	100.0	685.6	100.0
Persons living independently	10,980.1	80.9	1,794.7	84.5	1,196.7	85.0	585.2	85.4
Persons living together	2,587.9	19.1	328.4	14.5	210.5	15.0	100.5	14.6

Source: Own calculations on the basis of the National Population and Housing Census 2011.

The higher age, the higher share of 1-person households. Among persons aged 80 and more, approx. 60% live in 1-person households, while demographic forecast suggest that their number is likely to increase swiftly. This creates further challenges concerning the provision of such persons with appropriate care in their places of residence.

*Households per number of members and age.*

	Total		60-69 years		70-79 years		Above 80 years	
	thousand	%	thousand	%	thousand	%	thousand	%
Total	13,568.0	100.0	2,123.1	100.0	1,407.2	100.0	685.6	100.0
1-person	3,254.7	24.0%	567.0	26.7%	591.3	42.0%	409.6	59.7%
Multi-person	10,313.3	76.0%	1,556.1	73.3%	815.8	58.0%	276.1	40.3%

Source: Own calculations on the basis of the National Population and Housing Census 2011.

The majority of households aged 60 and more live in their own house or flat. There are approx. 12% of such households living in the social rental sector. Taking into account data for the whole population, it is more frequent that elder households own flats or cooperative rights to flats, while it is less frequent that they do rent flats on the commercial market.

*Households per age and title to occupied flats.*

	Total		60-69 years		70-79 years		Above 80 years	
	thousand	%	thousand	%	thousand	%	thousand	%
Total	13,568.0	100.0	2,123.1	100.0	1,407.2	100.0	685.6	100.0
Owner-occupied	7,509.0	55.3	1,235.7	58.2	791.0	56.2	402.2	58.7
Cooperative	2,180.8	16.1	451.9	21.3	298.1	21.2	111.3	16.2
Social rent	1,615.0	11.9	232.7	11.0	164.6	11.7	83.7	12.2
Private rent	643.1	4.7	73.2	3.4	47.1	3.3	26.6	3.9
Relationship	1,282.9	9.5	104.2	4.9	93.1	6.6	55.5	8.1
Other/sub-rent/not established	337.2	2.5	25.3	1.2	13.3	0.9	6.3	0.9

Source: Own calculations on the basis of the National Population and Housing Census 2011.

The “Assumptions of the Long-Term Senior Policy in Poland for the years 2014-2020”, adopted by Resolution No. 238 of the Council of Ministers of 24 December 2013, are a valid document on which the senior policy in Poland is based. (Official Journal of the Republic of Poland of 2014, item 118).

Being of a framework nature, the assumptions refer to housing matters to a marginal extent. According to the above mentioned document, the housing shall be adjusted to the situation, capacities (including financial capacities) and needs of the elderly, not only in terms of individual flats, but groups of flats (housing estates) with appropriate infrastructure and services for their residents. Formulating the objective under the “Space and place of residence” as supporting the spatial architectural planning adjusted to all groups (universal designing), including needs of different age groups (including the elderly), the senior policy does not propose concrete solutions concerning housing needs of the eldest social group.

In the international survey on living conditions of the elderly<sup>29</sup>, Poland was ranked in the 62. place among 91 countries. Flats occupied by Polish seniors are not adjusted to their needs and capabilities. The most frequent problems include inter alia high maintenance costs, barriers in accessibility, as well as limited access to networks of public transport. Living conditions of the elderly affect other spheres of life to a large extent. By reaching a certain age, such persons spend more and more time at home. Therefore, one of key elements of the state social policy shall be to adjust to and ensure appropriate living conditions according to needs of the elderly (including in terms of their limited mobility).

### ***11. Former state housing policies in the context of existing needs and problems***

The housing policy in Poland has not addressed sector-based challenges and housing problems of more than ten years. In terms of financial instruments, it has been based on programmes that were implemented or systematically extended in the years 2006-2007 (supporting social housing, supporting repairs and thermomodernization, the “Rodzina na swoim” Programme), extended afterwards to support only the purchase of flats as a rule (the “Mieszkanie dla młodych” Programme), with the state’s withdrawing fully from programmes directly supporting the social tenancy construction at the same time (liquidation of the National Housing Fund in 2009).

Despite of declarations made by following governments concerning the support for persons whose incomes do not allow them to satisfy their housing needs independently, the factually implemented programmes and instrument of support focused on supporting the owner-occupied housing, targeted at the relatively most affluent part of the society being in possession of appropriate assets or incomes. The factual housing policy of the state was not coherent with strategic documents concerning housing matters.

The document titled “Main problems, objectives and directions to support the development of the housing construction until 2020”, adopted by the Council of Ministers as of 30 November 2010, was the only document that fully focused on housing-related matters. The document was an answer to the resolution adopted by the Sejm of the Republic of Poland, which called for elaborating a housing programme. In reality, the document adopted by the former government was not a programme, e.g. due to the lack of resources allocated to the implementation of different instruments of the housing policy, as well as the lack of indexes to monitor the achievement of assumed objectives. In its

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<sup>29</sup> Global Age Watch Index – report commissioned by the Organization of the United Nations.

diagnostic part, the document correctly identified main problems of the Polish housing with regard to:

- the dominant nature of instruments to support the ownership of flats with the lack of appropriate instruments and financial resources allocated to support the housing accessible for families and persons with average and low incomes;
- the unfavourable structure of budget expenditure, which resulted in the concentration on supporting owners of flats and persons willing to purchase flats, with a large share of liabilities from the former system era in the budget expenditure;
- the low flexibility of public resources (in particular municipal) that shall formally serve to satisfy housing needs of persons with average and low incomes;
- the poor technical condition of existing housing resources.

Due to the above mentioned problems, activities mentioned in this document shall focus on removing quantitative deficits in the segment of flats at affordable prices, developing the construction of rental flats, improving the technical condition of housing resources and rationalizing principles for managing the existing housing resource. The document also pointed out the significance of regulatory amendments affecting the construction costs of flats, spatial order and the accessibility of land for construction purposes. In certain situations, such changes shall be preceded by proposals of concrete instruments of support.

The document titled “Main problems, objectives and directions to support the development of the housing construction until 2020” preceded works on strategic documents that were to correspond to new principles for conducting a policy of development and that were to help in the reduction of the number of documents of a strategic and programme nature. Under the new system of strategic documents, housing matters were included in broader strategic documents (development strategies). One of the respective documents is the “National Development Strategy 2020. Active society, competitive economy, efficient state (NDS 2020)”<sup>30</sup>. Housing matters were considered in this document:

- in terms of enhancing professional and spatial mobility, including the requested activity to create an effective rental system of flats,
- in terms of enhancing energy efficiency, including the requested activity to support thermomodernization of buildings and modernizing existing heating systems with the use of available and proved technologies,
- in terms of reducing poverty among groups that are mostly threatened by it, including the requested activity to create an effective flat rental system, the development of the social construction, the rationalization of principles for managing the public housing resource and resources owned by social housing associations, etc.

The above mentioned threads were considered more in detail in integrated strategies in which matters related to enhancing professional mobility and accessible housing for non-affluent persons were covered by the Human Capital Development Strategy<sup>31</sup>, while matters concerning Energy

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<sup>30</sup> Adopted by the Council of Ministers as of 25 September 2012.

<sup>31</sup> Adopted by the Council of Ministers as of 18 June 2013.

efficiency in the housing sector were covered by the Innovation and Economy Efficiency Strategy “Dynamic Poland 2020”<sup>32</sup> and the Energy Safety and Environment Strategy<sup>33</sup>.

To sum up the thread of the consideration of housing matters in strategic documents, it shall be pointed out that they correctly identified basic problems of the Polish housing. However, real activities that shall be aimed at implementing the assumed objectives are fragmented. Following the adoption of the new strategic system, the basic instrument of the housing policy turned out to be the “Mieszkanie dla młodych” Programme that targeted support at persons that are relatively affluent and intend to gain the ownership of a flat or house. Simultaneously in the years 2009-2015 (after the liquidation of the National Housing Fund), there were no instruments to support housing needs of persons whose incomes do not allow for the purchase of a flat on the market. A new instrument in this respect – the social construction programme based on preferential credits granted by BGK to investors of the social construction – was put into use not earlier than November 2015 (the 1. call for applications for credits finished in February 2016). It shall be also pointed out that there were no activities to rationalize the management of municipal resources that are quite a large resource of flats, with the possibility to address needs of the poorest.

The disparity between strategic and programme-based declarations and the factually implemented housing policy reflects in the structure of expenditure from the central budget for supporting the housing, in particular by considering existing tax instruments (preferential VAT for the housing sector (8%)), covering fully flats with the surface of up to 150 m<sup>2</sup> and one-family houses with the surface of up to 300 m<sup>2</sup>)<sup>34</sup>.

Direct spending from the state budget allocated to financing the housing are planned in part 18 of the state budget to be managed by the minister responsible for construction, spatial planning and development and housing. In the parallel schedule of the state budget per function, the amounts are planned in function 7 as a rule (Spatial development, construction and housing), while resources to finance the social housing support programme in function 13 (Social security and supporting families), assigned to the spending under the social policy.

Under the budget related to the direct or indirect support for the housing construction, over 90% of resources are allocated to supporting the owner-occupied housing. Additionally, old liabilities, which are not related to current objectives of the housing policy, still account for a large share of the budget<sup>35</sup>.

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<sup>32</sup> Adopted by the Council of Ministers as of 15 January 2013.

<sup>33</sup> Adopted by the Council of Ministers as of 15 April 2014.

<sup>34</sup> The analysis does not cover expenditure incurred by municipal self-governments; however, it is to be pointed out that they are used for satisfying housing needs of the poorest to a large extent, while delivering publicly-owned and social flats, cooperating with social housing associations, paying out housing benefits, and caring for technical infrastructure accompanying the housing. Self-governments spend a total of approx. PLN 20 billion for these objectives a year.

<sup>35</sup> It shall be emphasized that apart from general programmes of support, the state budget also incurs costs related to the operation of selective housing programmes – addressed to specific professional groups, in particular the uniformed services. There are three basic instruments of support mentioned in the regulations on individual professional groups: the right to a flat in the place of service, if an officer or professional soldier does not own a flat; pecuniary equivalents; financial aid to gain a flat or one-family house. The largest programme is addressed to professional soldiers. Professional soldiers are entitled to accommodation, which is guaranteed in one of the three below forms:

The table below shows indirect spending for the housing purposes in part 18 of the state budget.

*Indirect spending for housing purposes planned by the Ministry of Infrastructure and Construction in part 18 of the state budget (in PLN million, rounded to PLN 1 million).*

	2010	2011	2012	2013	2014	2015	2016*
<b>Housing construction</b>							
The "Rodzina na swoim" Programme	255	439	689	800	595	360	384
The "Mieszkanie dla młodych" Programme	-	-	-	-	207	521	730
Social housing construction	40	80	120	90	80	80	100
<b>Thermomodernization and renovations</b>							
Programme of thermomodernization and renovations	0	260	120	133	330	120	0**
"Flooding" credits	1	1	2	1	1	0	-
<b>Old liabilities</b>							
Refund of guarantee bonuses	429	445	435	398	303	242	300
Overdue housing credits	138	143	119	75	52	40	35
<b>Total</b>	<b>863</b>	<b>1,368</b>	<b>1,485</b>	<b>1,497</b>	<b>1,568</b>	<b>1,363</b>	<b>1,549</b>
% of GDP	0.06	0.09	0.09	0.09	0.09	0.08	0.08
% of the total budget expenditure	0.29	0.45	0.47	0.47	0.50	0.41	0.42

\* The 2016 Budget Act.

\*\* In 2016, the programme of thermomodernization of renovations is financed from savings accumulated in the Fund of Thermomodernization and Renovations in previous years. It was not necessary to increase the budget of the Fund.

However, it shall be pointed out that public spending on the housing in Poland may not be limited only to the catalogue of expenditure planned by the Minister of Infrastructure and Construction in part 18 of the state budget. The structure of budget expenditure shall be extended at least by such items, as lost tax incomes (mainly from VAT), due to preferential rates for the housing sector, as well as the refund of part of expenditure related to the purchase of construction materials for housing purposes (the so-called VAT refund).

As demonstrated by the data included in the following table, direct and tax instruments based on budget resources aimed at developing the housing are currently focused on the development of the owner-occupied housing. Their beneficiaries are persons that are willing to own their own flat or house (the "Rodzina na swoim" Programme, the "Mieszkanie dla młodych" Programme, VAT refund, interest allowance, or VAT preferential rate), or already own a house/flat and intend to carry out, for example, renovation works.

The support for the housing rental market is symbolic; in the years 2010-2015, it was limited only to the support for municipal self-governments and public-utility organizations in the creation of the

- 
- allocating accommodation or a flat,
  - allocating a place in a student hostel or a similar unit, or
  - paying out a housing benefit, whereby the form is dependent inter alia on the form of the service and the soldier's family and housing situation.

In practice, soldiers prefer the so-called housing benefit, which is to be paid out if they satisfy their housing needs independently. In this sense, the programme operates as a system to increase soldiers' remuneration to a large extent, and it factually supports them in the satisfaction of their housing needs only to a limited extent. Therefore, the programme was not included separately in the structure of the state's spending for housing purposes. However, it is worth reminding that in the years 2010-2015, approx. PLN 600 million a year were allocated for tasks assigned to the Military Housing Agency (the Military Property Agency from 1 October 2015), i.e. approx. 7 times more than for supporting the rental housing.

resource of publicly-owned flats, social flats, protected flats, night shelters, and houses for the homeless. This glaring disparity in the level of support:

- makes basic problems of the Polish housing system related to the accessibility of flats for households living on average or low incomes remain unresolved, and
- causes the lack of coherence between objectives declared in strategic and programme-based documents and factual priorities of the housing policy.

*Summary of state expenditure for housing purposes (in PLN million) in the years 2010-2015.*

	2010	2011	2012	2013	2014	2015
<b>Supporting the ownership of flats (% of the total)</b>	<b>94.9%</b>	<b>93.2%</b>	<b>94.3%</b>	<b>95.0%</b>	<b>94.6%</b>	<b>96.3%</b>
- expenditure by the Ministry of Infrastructure and Construction (the "Rodina na swoim" and "Mieszkanie dla młodych" Programmes")	255	439	689	800	802	881
- reduced VAT rate	9,883	11,004	11,204	11,320	11,320*	11,320*
- VAT refund	1,024	1,065	1,038	1,040	1,340	148
- tax credits (acquired rights)	157	141	133	71	79	53
<b>Supporting the construction of rental flats (% of the total)</b>	<b>0.3%</b>	<b>0.6%</b>	<b>0.9%</b>	<b>0.6%</b>	<b>0.6%</b>	<b>0.6%</b>
- expenditure by the Ministry of Infrastructure and Construction	40	80	120	90	80	80
<b>Supporting thermomodernization and renovations (% of the total)</b>	<b>0.0%</b>	<b>1.9%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>2.3%</b>	<b>0.9%</b>
- expenditure by the Ministry of Infrastructure and Construction	1	261	122	134	331	120
<b>Overdue liabilities (%)</b>	<b>4.8%</b>	<b>4.3%</b>	<b>4.0%</b>	<b>3.4%</b>	<b>2.5%</b>	<b>2.2%</b>
- expenditure by the Ministry of Infrastructure and Construction	567	588	554	473	355	282
<b>Total</b>	<b>11,927</b>	<b>13,578</b>	<b>13,860</b>	<b>13,935</b>	<b>14,278</b>	<b>12,861</b>

Source: Own calculations by the Ministry of Infrastructure and Construction.

\* Estimates.

Apart from instruments to finance the housing, strategic and programme-based declarations also point out the necessity to reduce legal barriers that limit the development of the housing, including the accessibility of flats for persons living on average and low incomes. Basic legal regulations impacting the supply of flats referred to:

- the location of housing investments, the operation of the spatial planning system, including local spatial management plans and decisions on building development conditions and land management;
- the performance of construction processes;
- the requirement concerning the delivery of technical infrastructure accompanying the housing construction;
- possibilities to determine the supply of land to be used for housing construction purposes.

The above mentioned regulations had a direct impact on the cost of new flats, while determining:

- the length of the preparatory phase to start construction works;
- the insecurity of investors as to the possibility to fulfil any and all formalities that enable the construction, in particular when part of necessary documents were dependent on the way offices interpret legal provisions;
- the limited supply of land that increased market prices of land, which directly reflected in the prices of flats; this is also related to the possibility to use plots of land in urban areas that have the status of agricultural land;

- the spatial chaos influencing not only the aesthetics of cities, their urban development, but also contributing to the increase in costs, e.g. to deliver appropriate technical and social infrastructure;
- the transfer of costs by municipalities onto investors to equip new buildings with appropriate technical infrastructure.

An intent to resolve the above mentioned problems in a system way was to create a codification commission with the objective to elaborate an urban planning and construction code. However, works of the commission, terminated by a decision of the government in 2015, did not bring any results in the form of concrete legislative initiatives. The uncertainty as to respective solutions made it more difficult to plan new housing investments, while the upholding of former provisions adversely impacted costs of the new housing construction, and in consequence prices of flats and their accessibility for the society.

Regulatory barriers are also commonly indicated as the main barrier in the development of the housing rental market. The excessive protection of tenants' rights and the fact that the owner of a flat (lessor) incurs the risk related to the unreliable behaviour of tenants cause that:

- rental transactions executed in the grey economy are the dominant ones, which inter alia does not guarantee any security to parties of the transactions;
- most owners of flats suspend decisions to place a flat on the market, which limits the supply of such flats and adversely influences rental fees;
- institutional and financial investors (developers, investment funds) are limited in their investing on the housing rental market.<sup>36</sup>

On the other hand, specific solutions addressed to public owners of flats (mainly municipal self-governments) affect the missing rotation in such resources, which prevents municipalities from satisfying housing needs of persons waiting for renting a flat, including persons that have been evicted from other resources. There have been no statutory amendments in recent years to facilitate self-governments to conduct local housing policies.

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<sup>36</sup> An intent to research the possibilities to create an institutional market of rental flats is the activity of Bank Gospodarstwa Krajowego, which founded the Fund of Rental Flats. The objective of the Fund is to purchase housing buildings and rent flats under commercial conditions. As of the end of 2015, the Fund rented 380 flats, while further 2,020 flats were under construction.

*Description of basic financial instruments to support the housing - evaluation of the adequacy of adopted solutions in the context of the diagnosis of basic housing problems (summary).*

<b>Supporting the social housing construction</b>	
<p><u>Legal basis:</u></p> <p><i>The Act of 8 December 2006 on financial support to create social flats, protected flats, night shelters and houses for the homeless (Journal of Laws of 2015, item 833, as amended).</i></p> <p><u>Rules of implementation:</u></p> <ul style="list-style-type: none"> <li>– <i>objective:</i> increasing the number of flats and rooms to satisfy housing needs of the poorest and persons that need public support due to a particularly difficult situation; combating social exclusion and stigmatisation due to their place of residence;</li> <li>– <i>investors:</i> municipalities, poviats, inter-municipal associations, public-utility organizations, municipal companies;</li> <li>– <i>amount of financial support:</i> 30-55% of project costs;</li> <li>– <i>types of supported projects:</i> construction, renovation, rebuilding, changing the method of using a building, purchase of buildings and flats (including former flats owned by work establishments), participating in investments (construction, renovation, rebuilding) performed by social housing associations;</li> <li>– <i>types of the created resource:</i> social flats, protected flats, publicly-owned flats, excluding social flats (including flats owned by social housing associations for this purpose), night shelters, houses for the homeless;</li> <li>– <i>frequency of submitting applications for financial support:</i> two times per calendar year (March, September);</li> <li>– <i>source of provided support:</i> Fund for Subsidies kept by Bank Gospodarstwa Krajowego (BGK).</li> </ul>	<p><u>Effectiveness and adequacy of solutions:</u></p> <p>There were 18 calls for applications in the years 2007-2015. During over 8 years of the programme's operation, the construction of 11,249 social flats, 132 protected flats and 1,232 places in night shelters and houses for the homeless were co-financed. Starting from the 2. edition in 2009, municipalities may also apply for financial support to create publicly-owned flats, excluding social flats. There were 5,446 publicly-owned flats co-financed during that period (including 88 flats for persons affected by flooding). Eligible entities submitted a total of 96 applications in the amount of approx. PLN 88 million under the 2016 spring call for applications for financial support, out of which 84 applications in the amount of approx. PLN 75 million were qualified for financing the construction of 1,341 flats.</p> <p>Municipalities' interest in the above mentioned programme shall be evaluated as relatively low while taking into account the deficit of social and publicly-owned flats. The adopted legal solutions created one of the basic barriers: investors pointed out the obligation to sort out an equivalent, in terms of the number and surface, of social flats in case of publicly-owned flats, as well as the insufficient share of state budget subsidies in the investment costs.</p> <p>After the last amendment of the statute whose provisions were applicable to applications submitted from the 1. edition in 2016, the solution was softened and investors received a possibility to choose the form of implementing the equivalent resource in a number or with a surface corresponding to the constructed publicly-owned flats (with the equivalent having been fully excluded in case of the purchase of flats formerly owned by work establishments).</p> <p>The fact that the interest in the programme was relatively low, and did not exceed the limit of funds in recent years, did not justify - despite of the deficit in social flats within the municipal resources - the need to increase the amount of state funds to be paid to the Fund for Subsidies. As estimated by the Institute of Urban Development, the estimated demand for publicly-owned flats in Poland amounted to approx. 250 thousand flats in 2014, including approx. 125 thousand social flats.</p>
<b>Supporting the social rental construction on the basis of preferential financing granted by Bank Gospodarstwa Krajowego</b>	
<p><u>Legal basis:</u></p> <p><i>The Act of 26 October 1995 on certain forms of supporting the housing construction (Journal of Laws of 2015, item 2071, as amended).</i></p> <p><u>Rules of implementation:</u></p> <ul style="list-style-type: none"> <li>– <i>objective:</i> enhanced access to rental flats for persons with moderate incomes;</li> <li>– <i>budget:</i> PLN 4.5 billion of own funds by Bank Gospodarstwa Krajowego (PLN 450 million per year for refundable</li> </ul>	<p><u>Effectiveness and adequacy of solutions:</u></p> <p>Starting from 2009, when the National Housing Fund was liquidated, the programme activated in the 4. quarter of 2015 has been the first initiative to support the sector of rental flats with moderate rental fees after a period of several years where there was no system-based solutions in this respect.</p> <p>The objective of the new programme is to construct at least 30 thousand flats for rent during 10 years, as well as to enhance the role of social housing associations in the development of the institutional rent in Poland. Under the first call for applications for refundable financing which finished as of 29 February 2016,</p>



<p>financing) + PLN 751.9 million of the state budget (for additional payments to cover preferential interest of refundable financing) + potential refund of uncovered part of programme service costs (under Art. 10(2) of the Act of 10 September 2015 on amending the Act on certain forms of supporting the housing construction and certain other acts);</p> <ul style="list-style-type: none"> <li>– <i>period of implementation</i>: 10 years (2015 - 2025);</li> <li>– <i>geographical scope</i>: territory of Poland (depending on local needs, both large and small localities may be beneficiaries);</li> <li>– <i>beneficiaries</i>: social housing associations, housing cooperatives, municipal companies (i.e. companies with limited liability or joint-stock companies, in which a municipality or municipalities possess over 50% of votes at the meeting of shareholders or at the general meeting accordingly, not operating in the form of social housing associations);</li> <li>– <i>instruments</i>: refundable financing to be granted by Bank Gospodarstwa Krajowego under preferential terms and conditions, in the form of credits or guarantees of the subscription of an issue of bonds;</li> <li>– <i>basic assumptions</i> of the credit product granted by Bank Gospodarstwa Krajowego under the new programme: <ul style="list-style-type: none"> <li>• financing the construction of new flats or the adaptation of rooms to flats whose terms of rent will comply with the terms and conditions, as specified in the statute of certain forms of supporting the housing construction;</li> <li>• preferential refundable financing will cover up to 75% of costs of the planned projects of the social rental construction;</li> <li>• term of repayment up to 30 years as a maximum;</li> <li>• credit interest or bond interest rates will be equal to the preferential interest rate equal to WIBOR 3M.</li> </ul> </li> </ul>	<p>59 applications in the total amount of PLN 374 million were submitted by 45 investors. Applications concern the financing of the construction of 2,996 flats under investments with the total value of PLN 591 million.</p> <p>However, the social rental construction still requires to be significantly strengthened. The assumed effects of the new programme to support the social rental construction (30 thousand flats during 10 years) are not sufficient in the context of estimated needs in the sector of rental flats with moderate rental fees for persons with limited incomes (approx. 100 thousand flats). A chance to develop the social rental construction may be to use lands owned by the State Treasury (which will reduce costs of the investments), as well as to use the existing, however not sufficiently appreciated in recent years, potential of investors of the social rental construction, in particular of housing cooperatives.</p>
<p><b>The “Mieszkanie dla młodych” Programme</b></p>	
<p><u>Legal basis:</u></p> <p><i>The Act of 27 September 2013 on the state’s assistance to young people to purchase their first flat (Journal of Laws of 2015, item 1865, as amended).</i></p> <p><u>Rules of implementation:</u></p> <ul style="list-style-type: none"> <li>– <i>objectives</i>: enhancing the accessibility of flats for young people, family-friendly (enhanced support for persons with children), increasing investments on the housing market;</li> <li>– <i>target group</i>: married couples and persons up to 35 years (in case of married couples, the age of the younger spouse counts) that purchase their first flat with the use of a mortgage credit, families bringing up at least three children (without any age limitations and restrictions concerning the ownership of the flat);</li> <li>– <i>main form of support</i>: co-financing own contribution while taking up a credit for the purchase of own flats;</li> <li>– <i>period of implementation</i>: 2014-2018 (+5 years for paying out an additional one-off support in the form of the repayment of part of a credit);</li> </ul>	<p><u>Effectiveness and adequacy of solutions:</u></p> <p>As of the end of the 1. quarter of 2016, approx. 55 thousand credits in the amount of PLN 9,663.1 million have been granted under the programme. The value of investments (transactions) covered by the credits has amounted to PLN 12,179.2 million.</p> <p>Until 1 September 2015, it was possible to apply only for the co-financing to purchase flats on the primary market under the programme. Therefore, this market dominates the programme’s statistics by creating 73.7% of the number of the granted credits and 81.1% of the amount of the granted credits.</p> <p>Transactions on the secondary markets have been executed by 25.6% of beneficiaries (18.2% of the amount of credits). The remaining credit contracts have been concluded by persons paying in a contribution to a housing cooperative in relation to the construction of a flat (0.7% of the number and amount of granted credits). The majority of beneficiaries are childless persons and married couples (73.4%). The share of beneficiaries bringing up 1 child amounted to 19.4% of all beneficiaries, 2 children - 4.6%, while at least 3 children - 2.6% of all beneficiaries using the co-financing of own contribution. Until 31 March 2016, 50 applications for additional support in the form of</p>

<ul style="list-style-type: none"> <li>– <i>budget support</i>: planned in the special-purpose reserve, yearly maximum limits of support, the total amount of PLN 3,557 million planned for the years 2014-2018;</li> <li>– <i>amount of co-financing</i>: 10% of the restoration value for childless beneficiaries, 15% for beneficiaries with 1 child, 20% for beneficiaries with 2 children, 30% for beneficiaries with at least 3 children; calculation surface: 50 m<sup>2</sup>, excluding families with at least 3 children – 65 m<sup>2</sup>;</li> <li>– <i>additional one-time support</i>: in the form of the repayment of part of a credit for the programme’s beneficiaries that will give birth or adopt a third (or following) child within 5 years from the date they have purchased a flat;</li> <li>– <i>subject of co-financing</i>: purchase of a flat (or a one-family house) on the primary or secondary market, building contribution to a housing cooperative in order to receive the ownership right to a flat. Flats with the surface of up to 75 m<sup>2</sup> and one-family houses with the surface of up to 100 m<sup>2</sup>, with the option to increase the surface by 10 m<sup>2</sup> in case of families with at least 3 children; price limits dependent on local costs of the housing construction and the factor of 1.1 for the primary market and construction contribution, and the factor of 0.9 for the secondary market;</li> <li>– <i>mode of applying for support</i>: applications for co-financing own contributions submitted together with applications for granting a credit by credit institutions under the programme, by signing a contract with Bank Gospodarstwa Krajowego. Applications may concern payments planned until the end of 2018. The conditions and granting of co-financing to be verified through a credit institution. The co-financing will be paid out as the last part of the price of a flat, after a credit institution has made available the respective credit.</li> </ul>	<p>the repayment of part of a credit have been submitted due to the birth or adoption of a third (or following) child to be brought up. The average amount of support amounted to PLN 10.7 thousand.</p> <p>The “Mieszkanie dla młodych” Programme was planned to be implemented in the years 2014-2018, under statutory frameworks of financing (maximum limits of expenditure from the co-financing paid out in the particular year). While evaluating the up-to-date period of the programme’s operation, it is possible to draw the following conclusions:</p> <ul style="list-style-type: none"> <li>- the programme does not implement priorities of the government with regard to supporting persons with incomes that do not allow them to purchase or rent a flat on the market (the programme assumes that eligible persons to receive support are those who have taken out a mortgage credit to purchase their own flat, which refers to persons with higher incomes as a rule), as well as supporting the rental construction (the programme is targeted at the market of owner-occupied flats);</li> <li>- until the 4. quarter of 2015, the programme has selectively promoted the satisfaction of housing needs by focusing exclusively on the areas with an offer of the primary market that fulfils specific requirements (on these local markets, the programme contributed to an increase in the share of flats with lower prices and lower surface standards);</li> <li>- within the scope, in which the granted support corresponded to the new housing construction, a disadvantage of the “Mieszkanie dla Młodych” Programme was the fact that persons constructing a flat under the economic system were deprived of the possibility to use the state’s aid (the instrument allocating financial aid is exclusively the mechanism of the so-called “VAT refund for materials” under the Act on the “Mieszkanie dla Młodych” Programme, which was limited to an analogically defined target group of the programme after the “Mieszkanie dla Młodych” Programme had entered into force);</li> <li>- in terms of the potential impact of the programme on demography, the current period of the programme’s operation is too short to make any evaluations in this respect. However, it is worth pointing out that the scope of support for families with many children will increase after the entrance into force of the amendment to the statute (1 September 2015).</li> </ul>
<b>Programme of thermomodernization and renovations</b>	
<p><u>Legal basis:</u> The Act of 21 October 2008 on supporting thermomodernization and renovations (Journal of Laws of 2014, item 712, as amended).</p> <p><u>Rules of implementation:</u></p> <ul style="list-style-type: none"> <li>– <i>objective</i>: improving the technical condition of existing housing resources, increasing the demand for heating at the same time (the programme is to refinance part of thermomodernization and renovation project costs in the form of the so-called thermomodernization bonus, renovation bonus, and compensatory bonus);</li> <li>– <i>thermomodernization bonuses</i> may be granted to all owners or administrators of housing buildings, collective residential buildings, building serving units of the self-</li> </ul>	<p><u>Effectiveness and adequacy of solutions:</u></p> <p>As of 31 March 2016, there were 31,604 thermomodernization bonuses in the amount of PLN 1,699.7 million granted under the programme to perform projects with the value of PLN 11,099.2 million. Furthermore, 3,772 renovation bonuses in the amount of PLN 172.6 million were granted to perform projects with the value of PLN 1,226.2 million, as well as 763 compensatory bonuses in the amount of PLN 111.2 million were granted to perform projects with the value of PLN 124.0 million.</p> <p>The programme to support thermomodernization and renovations is the basic instrument to support operators of housing resources in the performance of activities to improve the technical condition of the resources, in particular activities to decrease energy consumption. In this way, the programme</p>

<p>government to perform public tasks, local heating network or local source of heating, excluding budgetary units and budgetary establishments. Its amount is equal to 20% of the used amount of the credit taken out to perform a thermomodernization project, however not more than</p> <ul style="list-style-type: none"> <li>• 16% of costs incurred to perform a thermomodernization project, and</li> <li>• double the expected amount of savings from energy costs, as established by an energy audit;</li> </ul> <p>– <i>renovation bonuses</i> may be granted for the performance of renovation projects; eligible persons are exclusively natural persons, housing cooperatives with the majority participation of natural persons, housing cooperatives and social housing associations. Renovation projects may include exclusively multi-family buildings that were put into use before 14 August 1961. The amount of the renovation bonus is equal to 20% of the used amount of the credit taken out to perform a renovation project, however not more than 15% of the total project costs;</p> <p>– <i>compensatory bonuses</i> are an instrument to compensate losses incurred by owners of buildings with council flats as a result of the regulated rent system that was in place from 12 November 1994 until 25 April 2005. The instrument was implemented according to the judgment of the European Court of Human Rights in case <i>Hutten-Czapska vs. Poland</i>. Compensatory bonuses may be granted for the performance of renovation projects or renovations to be undertaken by investors being natural persons, which are owners of buildings or part of housing buildings with at least one council flat, which were also owners of the building or this part of the building as of 25 April 2005, or which purchased the building or this part of the building as a result of inheritance from a person being owner as of that date. The amount of the due compensatory bonus is established on the basis of the usable surface of a council flat, number of such flats in the building, period during which the eligible investor was owner of the housing building, as well as periods of time when the rights were related to individual council flats, as well as on the basis of a conversion factor of the costs to restore 1 m<sup>2</sup> of the usable surface of housing buildings.</p>	<p>contributes both to the implementation of the objectives of the energy policy (enhancing energy efficiency, reducing greenhouse gas emissions), and impacts the improved situation of residents living in buildings covered by the support (greater comfort of living, including the heating comfort, ultimately lower costs of heating energy). In this context, it is assumed to maintain the current instrument and guarantee financial stability of its operation (therefore, the Minister of Infrastructure and Construction took a decision to allocate an additional PLN 100 million to the programme's implementation from savings in part 18 of the 2015 budget). The decision does not exclude any modifications to the instrument, which may result from, for example, the external evaluation of the programme's operation in 2016. The basic reservation during the former period of the programme's operation was the missing flow of funds to the Fund of Thermomodernization and Renovations. In case there are no free resources in the Fund of Thermomodernization and Renovations, Bank Gospodarstwa Krajowego is obliged to suspend calls for further applications. In recent years, funds allocated to the Fund of Thermomodernization and Renovations under the Budget Act were much lower than the necessary amounts to maintain the continuity of calls for applications and did not amount to more than PLN 20 million.</p> <p>As a result, since the entrance into force of the Act on supporting thermomodernization and renovations in March 2009, in four years (2010, 2011, 2012 and 2013) it was necessary to suspend calls for applications for thermomodernization or renovation bonuses, whereby the 2013 limit of financial resources for thermomodernization bonuses was exhausted already in January, while for renovation bonuses in March.</p> <p>Evaluating the effectiveness of the programme under current circumstances, it shall be reminded that the Act on supporting thermomodernization and renovations was adopted on 21 November 2008. Provisions on thermomodernization or renovation bonuses have not changed since then. Former circumstances have changed significantly, in particular the legal ones, both on the level of the EU and national level. This justifies the necessity to analyse the adequacy of principles for granting public aid from the Fund of Thermomodernization and Renovations due to the role and significance of thermomodernization for Poland's fulfilment of international obligations and the implementation of strategic national objectives concerning energy efficiency. An external audit of the programme shall be aimed at summing up former effects of its operation in the years 2009-2015 in terms of aid granted in the form of thermomodernization and renovation bonuses (excluding aid in the form of compensatory bonuses), as well as formulating conclusions and recommendations as to proposed changes. The evaluation might be carried out in 2016 from the Fund of Thermomodernization and Renovations.</p>
<b>The "Rodzina na swoim" Programme</b>	
<p><u>Legal basis:</u></p> <p><i>The Act of 8 September 2006 on financial aid for families and the persons in the purchase of their own flat (Journal of Laws of 2012, item 90, as amended).</i></p>	<p><u>Effectiveness and adequacy of solutions:</u></p> <p>Under the programme, 192,155 preferential credits were granted in the amount of PLN 34,961.6 million. There were mainly transactions executed on the secondary market (54.1% of the number of credits and 45.7% of the amount of credits). Flats</p>

<p><u>Rules of implementation:</u></p> <ul style="list-style-type: none"> <li>– subsidies to interest on credits taken out by natural persons inter alia for the purchase of flats, cooperative ownership rights to flats, and for the purchase or construction of one-family houses;</li> <li>– subsidies are granted during the first 8 years of repaying preferential credits and are equal to 50% of interest accrued at the reference rate defined in the statute as a variable interest rate, equal to the WIBOR 3M average rate, increased by 2 percentage points;</li> <li>– applications for preferential credits were to be submitted in the years 2007-2012, while the last credits were granted in 2013;</li> <li>– due to the formula of aid (8-year subsidies to interest), the state will incur respective expenditure until 2021 as a minimum;</li> <li>– beneficiaries of the programme were married couples aged up to 35 years (the age of the younger spouse counted), lone parents with children without any age limits, childless single persons aged up to 35 years;</li> <li>– subsidies were applicable in case the usable surface of one-family houses did not exceed 140 m<sup>2</sup>, 75 m<sup>2</sup> for flats, for married couples and lone parents with children; 50 m<sup>2</sup> for flats, for childless single persons; the purchase price or construction cost of the investment financed from the preferential credit did not exceed the statutory limit.</li> </ul>	<p>purchased on the primary market accounted for 27.1% of the effects of the programme in terms of the number of credits and 33.5% in terms of the amount of credits, while credits for the construction of one-family houses accounted for 18.8% of the number of credits and 20.8% of the amount of credits. Until the end of 2015, subsidies to interest in the amount of PLN 3,244.5 million have been paid out. Subsidies will be paid out until 2021 under the programme. It is estimated that the total amount of payments will amount to PLN 1,753 million in the years 2016-2021.</p> <p>Under the programme, flats and houses with average price and surface parameters were financed, provided that in the years 2009-2011 there were high indexes that restricted price thresholds on a regular basis, which meant that the programme also included an option to finance the purchase of high-standard flats and houses. The majority of beneficiaries of the programme (approx. 75%) were persons of up to 34 years of age. Until 2011, only married couples and lone parents with children could benefit from the programme, therefore married couples dominate the structure of beneficiaries (81.5%). There were no instruments promoting fertility. Therefore, its impact on improved demographic statistics is limited, as the purchase or construction of flats/houses always makes it easier to start and develop families.</p> <p>Due to the restriction that credits could be taken out only in PLN, the “Rodzina na swoim” Programme was an alternative to credits taken out in foreign currencies (mainly in Swiss franc). It can be noted that its operation significantly limited the number of persons taking out credits in foreign currencies and being now in a “debt trap” due to a sharp appreciation in foreign currencies since 2008.</p>
<b>Refunding part of expenditure on the construction of a house or flat</b>	
<p><u>Legal basis:</u></p> <p><i>The Act of 27 September 2013 on the state's assistance to young people to purchase their first flat (Journal of Laws of 2015, item 1865, as amended).</i></p> <p><u>Rules of implementation:</u></p> <ul style="list-style-type: none"> <li>– <i>target group:</i> married couples and persons aged up to 35 years (in case of married couples, the age of the younger spouse counts) that construct their first one-family house or flat on their own; families bringing up at least three children (without any age limits and restrictions concerning the ownership of the flat);</li> <li>– <i>form of support:</i> refund of part of expenditure incurred on the purchase of construction materials;</li> <li>– <i>amount of support:</i> determined depending on the housing construction costs (the current maximum amounts to approx. PLN 33 thousand);</li> <li>– <i>subject of support:</i> constructing one-family houses, adding a storey/extending buildings for housing purposes or rebuilding non-housing buildings for housing purposes. Flats with the surface of up to 75 m<sup>2</sup> and one-family houses with the surface of up to 100 m<sup>2</sup>, with the option to increase the surface by 10 m<sup>2</sup> in case of families with at least 3 children;</li> </ul>	<p><u>Effectiveness and adequacy of solutions:</u></p> <p>Due to the structure of the programme (refund to be paid out in the year the flat or house is put into use), as well as the investment and construction cycle, effects of the programme will come into existence with a delay of 2-3 years. It is expected that higher refunds will be paid out starting from 2016.</p> <p>The instrument is addressed to persons possessing funds for the construction of their own one-family house. Therefore, it may be assumed that it does not implement any objectives related to delivering rental flats at convenient prices for persons with low and average incomes. On the other hand, the only way to get one's own place to live in rural areas in particular is to construct a one-family house.</p> <p>Until the end of 2015, 107 refunds in the amount of PLN 689.9 thousand were paid out.</p>

<ul style="list-style-type: none"> <li>– <i>mode of applying for support:</i> applications for refunding expenditure are submitted to a tax office in the year when the constructed house or flat is put into use, as determined by law.</li> </ul>	
<b>Programme of subsidies to interest on flooding credits granted for the removal of the effects of flooding</b>	
<p><u>Legal basis:</u> <i>The Act of 8 July 1999 on subsidies to bank credits for the removal of the effects of flooding (Journal of Laws item 690, as amended).</i></p> <p><u>Rules of implementation:</u></p> <ul style="list-style-type: none"> <li>– <i>objective:</i> assistance to satisfy housing needs for persons affected by natural catastrophes (including flooding, landslides, gales);</li> <li>– the programme includes subsidies to interest on preferential credits taken out by: (a) owners and operators of flats, housing buildings and objects of technical infrastructure accompanying the housing construction, inter alia for renovating flats, renovating or restoring housing buildings or their parts, renovating or restoring objects of technical infrastructure, purchasing flats or housing buildings or their restoration in any other place, and (b) municipalities for constructing or purchasing publicly-owned flats for persons affected by natural catastrophes, including flooding, gales, landslides;</li> <li>– flooding credits are granted by Bank Gospodarstwa Krajowego and banks cooperating by the programme (currently: PKO BP S.A., Bank Polskiej Spółdzielczości S.A., SGB-Bank S.A.) not later than within 24 months from the month when a damage occurred. After granting a credit, subsidies to interest are paid out during the following 10 years, with an option of extension up to 24 months (in case the 2-year grace period in the credit repayment is applicable). The credit amounts may be different.</li> </ul> <p>The state aid takes the form of extra payments to interest on flooding credits to cover the difference between interest accrued by the bank at the interest rate, as specified in Art. 5(1)(3) of the statute (1.1 of the discount rate as a maximum), and interest paid by the borrower at the interest rate of 2% per annum (Art. 5(3)).</p>	<p><u>Effectiveness and adequacy of solutions:</u></p> <p>The programme is of an intervention nature.</p> <p>From the beginning of the programme's operation until the end of 2015, subsidies from the budget amount to a total of PLN 39 million. The highest demand for flooding credits was in the years 1999 and 2001. Credits granted at that time have already been repaid. Credits, which are being repaid at the moment, were granted for removing damages caused by the flooding in 2010 and they shall be repaid by 2022. In 2015, subsidies from the state budget amounted to PLN 0.1 million, while the number of flooding credits subject to subsidies was equal to 836 as of the end of the year.</p>
<b>Refunding guarantee premiums concerning closed housing saving books from the state budget (governmental programme concerning old liabilities incurred in the era of the People's Republic of Poland )</b>	
<p><u>Legal basis:</u> <i>The Act of 30 November 1995 on state aid in the repayment of certain mortgage credits, granting guarantee premiums and refunding paid guarantee premiums to banks (Journal of Laws of 2013, item 763, as amended).</i></p> <p><u>Rules of implementation:</u></p> <ul style="list-style-type: none"> <li>– guarantee premiums are paid out by banks to holders of housing saving books issued before 23 October 1990;</li> <li>– holders of housing saving books may apply for guarantee premiums, if they incur expenditure (at least part of them) for certain investments, satisfying their housing needs, as defined in Art. 3(1) of the above mentioned statute;</li> </ul>	<p><u>Effectiveness and adequacy of solutions:</u></p> <p>In the years 2011-2015, the amount of PLN 1,822.3 million was spent from the state budget for refunding paid guarantee premiums to banks, 173.2 thousand housing saving books with paid guarantee premiums were closed. The average amount of premiums amounted to PLN 10,095. During that period, a systematic decrease in respective spending and in the average amount of guarantee premiums was noticeable.</p> <p>According to currently valid provisions, it is possible to receive a guarantee premium, inter alia under all forms of the purchase of flats or houses, including from natural persons. As a result of the amendment of the statute in 2008 (initiated in 2007), holders of housing saving books can receive a guarantee premium, inter alia for the renovation of houses or flats taking the form of</p>

<ul style="list-style-type: none"> <li>– guarantee premiums are paid out by banks from the state budget in the mode specified in the statute and under trilateral contracts with the following banks: PKO BP S.A., BPS S.A., SGB S.A., and BGŻ BNP Paribas S.A.;</li> <li>– the minister responsible for construction, spatial planning and development and housing refunds paid guarantee premiums from the state budget;</li> <li>– the higher number of housing saving books, measured by the number of open accounts, is kept by Bank PKO BP S.A. – 1,102.5 thousand books (as of 31 December 2015).</li> </ul>	<p>exchanging windows, gas or electrical installations, and for payments to renovation funds kept by housing communities or cooperatives, repayment of the so-called old mortgage credits from cooperatives, and may use funds accumulated in the books with guarantee premiums as own contributions under mortgage credits. The extension of the scope of investments to receive guarantee premiums by ventures, which are limited in scope, made it factually possible to spend funds accumulated in the books, even if housing needs of their holders have been satisfied in any form after a long-term period of systematic saving.</p> <p>In the years 2011-2015, a further decrease in the number of closed housing saving books with rights to premium is noticeable and results from a lower number of holders of such books, which are financially capable to perform the so-called large housing ventures eligible for guarantee premiums (e.g. the purchase of flats or the construction of houses). At the same time, a higher number of holders of housing saving books perform renovations (exchange windows, pay in to renovation funds), which requires relatively lower funds for housing purposes.</p>
<p><b>State aid in the repayment of certain housing credits concerning the so-called old housing credits taken out by housing cooperatives</b></p>	
<p><u>Legal basis:</u></p> <ul style="list-style-type: none"> <li>– <i>The Act of 30 November 1995 on state aid in the repayment of certain mortgage credits, granting guarantee premiums and refunding paid guarantee premiums to banks (Journal of Laws of 2013, item 763, as amended).</i></li> </ul> <p><u>Rules of implementation:</u></p> <ul style="list-style-type: none"> <li>– the aid programme for borrowers is aimed at preventing the accumulation of borrowers' debt towards banks. Interest accrued on bank credits is temporarily repurchased from the state budget funds;</li> <li>– forms of the state's support for borrowers: (a) the temporary repurchase of interest on housing credits from the state budget funds, (b) the redemption of part of borrowers' debt from the temporary repurchase of interest on housing credits, subject to the repayment of debt under Art. 10(1), Art. 10a and Art. 11(6) of the statute, (c) the repurchase of part of borrowers' debt from accrued interest from the state budget funds;</li> <li>– under Art. 4(3) of the statute, the minister responsible for construction, spatial planning and development and housing concluded trilateral contracts with the following banks: PKO BP S.A., BPS S.A., SGB S.A. BGŻ BNP Paribas S.A., BZ WBK S.A., and Pekao S.A., on settlements under the above mentioned forms of aid and due remuneration.</li> </ul>	<p><u>Effectiveness and adequacy of solutions:</u></p> <p>After 19 years of the statute's operation, the number of flats covered by the state budget's aid decreased from 296,629 to 51,113 (as of the end of the 2. quarter of 2016).</p> <p>In recent years, the government has not undertaken any significant activities to increase aid for those repaying credit, while focusing on the ongoing management of the programme. The Act of 9 November 2012 <i>on amending the Act on state aid (...)</i> (Journal of Laws of 2012, item 1413) prolonged the validity period of provisions under which borrowers could repay their full debt under preferential terms until the end of 2017 (formerly the end of 2012) (repayment of debt under Art. 10(1)(5), Art. 11(6) and Art. 11b of the Act <i>on state aid</i>), but due to the coming period of statutory preferential redemptions (as below) the solution is not used rarely.</p> <p>The statute says the majority of borrowers repaying credits under the so-called "old portfolio" of credits granted to housing cooperatives will become entitled to apply for the redemption of the debt towards banks from accrued interest on credits and the debt towards the state budget from the temporary repurchase of interest on credits to the expense of the state budget, once they have met the conditions of systematic, timely repayment during a period of 20 years. For the majority of borrowers covered by the state aid, the 20-year period of paying credit liabilities may expire as of the end of 2017. During this period, the redemption will apply to approx. 800 housing cooperatives, which is equal to over 40 thousand flats. The preliminarily estimated amount of debt from the temporary repurchase of interest on credits from the state budget funds may amount to approx. PLN 3.2 billion (to be redeemed), and approx. PLN 450.6 million from interest accrued on credits (to be repurchased from the state budget funds).</p>

### III. OBJECTIVES AND PRIORITIES OF THE PROGRAMME

#### 1. *Circumstances to improve the housing situation – CONCLUSIONS FROM THE DIAGNOSIS*

The evaluation of the current housing situation makes it possible to indicate the following interdependencies and circumstances that shall be taken into account in the specification of priority areas of activities and detailed solutions that define the state housing programme:

- **Housing arrears are of a generational problem nature**, which requires the housing policy to introduce **multi-year activities that take into account both the development of the new housing construction and, to a larger and larger extent, the quality of living standards with the possibility to provide all households with better access to flats**, under the consideration of social discrepancies that exist in Poland.
- **Quantitative and qualitative deficits in the housing situation in Poland have been a basic benchmark for formulated diagnoses for years now. However, the location, dimensions and character of these deficits are subject to changes under changing demographic, social and economic circumstances.** The statistical deficit in flats continues to be an unresolved problem of the housing policy in Poland, which makes many households (over 1 million, as estimated) to live in non-independent flats (together with other households). **Within a number of years, the development of the housing construction will contribute to decreasing the problem of general housing deficits; however, structural deficits will persist on a local basis, the same being applicable to potential deficits related to the return of Polish migrants from abroad and the inflow of migrants from other countries to Poland.**
- Despite the decrease in quantitative housing deficits, there are still significant qualitative deficits that make **approx. 14% of households live in flats that are of a poor technical condition, with insufficient installations or overpopulated.** Sub-standard flats must be renovated and modernized and equipped with technical installations. In extreme situations, some buildings shall be demolished. This refers in particular to buildings located in rural areas. There is a gradual increase in basic parameters characterising living conditions of the population, but the situation in Poland still lags behind average European standards in this respect. **The improvement in basic housing indexes requires investments in the new housing construction and activities to improve living conditions for persons and families that currently live in flats that fail to fulfil modern standards.**
- Energy consumption in housing resources is dependent on the period when a building was constructed. The greatest space for thermomodernization activities exists in the oldest resources, as well as those constructed with the use of the large-panel technology in the years 1971-1990. **Thermomodernization activities shall be supported if they contribute, apart from enhanced energy efficiency, to improving living conditions** by increasing heating comfort and decreasing maintenance costs of flats.
- **Basic challenges for the housing policy are currently – apart from the deficits in flats, considered jointly with new effects of the construction in the context of the renovation gap and low living standards to a larger extent – the poor accessibility of flats, demographic challenges and the need to improve the quality of the space.**

- The poor accessibility of flats for persons and families whose incomes or assets do not allow for the purchase or rent of a flat under market conditions is a complex matter. **In the context of the housing policy, activities to enhance the accessibility of flats require many factors and their interdependencies to be taken into account**, in particular:
  - circumstances concerning the structure of housing resources and the new housing construction in terms of the possibility to satisfy needs of persons with different levels of incomes;
  - the ratio of incomes earned by households to construction costs and prices of flats (including rental fees);
  - large burdens for the household budget related to the satisfaction of housing needs, in terms of the limited availability of solutions that ensure the adaptation of sources of financing to the nature of the expenditure;
  - the significant impact of demographic factors on the accessibility of flats.
- The housing resource in Poland is marked by flats that are owned by persons living therein. The trading in such flats takes place under market conditions and at market prices. Rental flats account only for approx. 18.6% of occupied flats, out of which flats under commercial rent account for approx. 4-5%, while social flats – that may potentially serve to satisfy housing needs of non-affluent persons – account for only 13.2% of occupied flats. In this situation, **there is a huge unsatisfied demand for municipal flats self-governments are not able to cope with, inter alia due to a low rotation in resources caused by regulations concerning the protection of tenants' rights**. Flats of social housing associations, which shall be attractive above all for young people whose incomes do not allow them to purchase or rent a flat on the market, are a marginal part of the resource. **The accessibility of flats for persons with average and low incomes is also adversely influenced by the ongoing privatization of municipal flats**.
- The general number of newly constructed flats stabilized on a level that facilitates to overcome basic quantitative deficits in the Polish housing within a number of years. **In terms of the accessibility of flats for households with average and low incomes, the structure of newly constructed flats is however not convenient**. Not more than approx. 2.5% of new housing resources are accessible to persons that do not dispose of funds that allow for the purchase of a flat on the market or the construction of their own house. **In terms of the possibility to increase the number of newly constructed flats for non-affluent persons, a particular potential lies with housing cooperatives, social housing associations and municipal self-governments**.
- The accessibility of flats in Poland is determined by prices of flats that differ depending on the location and market (primary or secondary). The highest prices are characteristic for the largest cities. **The level of market prices corresponds to the amount of costs necessary to construct new flats**. The costs are determined by labour costs and the price of building plots of land. The amount of costs is also determined by regulations concerning the investment and construction process, as well as principles for the delivery of technical infrastructure accompanying the housing construction. Once these interdependencies have been clearly identified in the framework of the state housing policy, this may efficiently influence the decrease in the adverse relation between incomes earned by households and prices of flats.



Activities undertaken in this respect may lead to **decreasing costs related to the purchase of land, the occurrence of effects of scale from the organized forms of housing estates that create the emerging urban space (the repetitive type of building)**, as well as the promotion of accessible housing to be performed from public funds, **cost-effective technologies and mechanisms to limit the profit margin** to be earned by operators of such programmes.

- **The limited accessibility of flats is a particularly significant problem for your people that earn less on average and families with at least two children.** In case of families with many children, an additional problem is the lack of capacities to purchase or rent a flat with a surface that could appropriately satisfy their housing needs. The housing problem is strictly related to the demographic problem in this context. **The “Rodzina 500+” Programme may have a positive impact on enhancing the accessibility of flats, in particular for families with many children.** Benefits paid out under this programme will increase the creditworthiness of families by the purchase of flats (although the matter of collecting funds required as own contribution continues to be a problem) and the possibility to rent sufficiently large flats.
- Rental fees on the rental market correspond to the size of cities. **Rental fees for flats of social housing associations are approx. 2-3 times lower than market fees, while fees for municipal flats are approx. 5-8 times lower than market fees.** Therefore, municipal resources and flats of social housing associations may be used to satisfy housing needs of households living on average and low incomes.
- While considering problems related to the accessibility of flats, it is necessary to take into account **the specifics of groups that grapple with additional difficulties on the housing market, in particular require additional forms of care, for example, due to their age and disability.** The scope of activities and interventions undertaken under overlapping problem areas of the housing policy and other policies requires to be extended. Considered mostly in the context of the social policy, **the necessity to provide places in night shelters and hostels for homeless persons affected by social exclusion due to their homelessness** needs to be extended beyond the problem areas of the activity the effect of which will also be to **increase the share in the housing segment of supported flats, inter alia protected flats.**
- A separate challenge facing the state social policies is also the problem of the ageing society. **Matters concerning the so-called senior housing shall be considered on a system basis, as a resource that is adapted to the needs of the elderly in terms of space, environment and technology.** The matters have been reflected in the senior and housing policies of the state to a very limited extent so far.
- Basing on strategic and programme-related documents, it shall be concluded that **the up-to-date housing policy has addressed fundamental challenges related to the accessibility of flats for households with average and low incomes.** The most important instruments of the housing policy, with the greatest consequences for the budget, focus on supporting the ownership construction. **Beneficiaries of the state aid are persons that are relatively in the best financial situation.** The aid directed to the social construction targeted at persons with average and low incomes was marginal in the structure of state expenditure.
- **Under undertaken activities, the focus was on financial solutions, while omitting regulatory amendments** that could contribute to decreasing costs in the housing construction, creating an effective rental market and releasing part of the public resource for the purposes of

persons with the lowest incomes. Due to persisting barriers and legal limitations, **the introduction of instruments to financially support the housing, without formerly or timely improving the regulatory environment of the market, as a process dependent exclusively on public authorities would be in collision with the effective model of the public policies.**

- **The housing policy shall be more strictly, than it was before, related to the planning policy, while public interventions on the housing market shall be considered in terms of supporting the space order, in particular by emphasizing assets of the cultural and natural landscape.** Modern instruments to support demand in the segment of flats defined on the basis of a maximum price for a square meter, i.e. the “Mieszkanie dla młodych” Programme, focus first exclusively on the primary market, while omitting the location of new investments. Targeted at young people, the programme could have an adverse impact on the quality of life by cutting them from the access to city creating functions, as well as difficulties in the access to social infrastructure or public transport.

## **2. OBJECTIVES AND AREAS OF PRIORITY INTERVENTIONS (SYSTEMATISATION)**

As indicated in the introduction, the National Housing Programme is one of the autonomous tools to implement the “Responsible Development Plan”. While taking into account the relationship, the main objective of the National Housing Programme is to **use the investing potential of the Polish economy in order to achieve such a situation under the economic and social sustainable development when residents’ housing needs will be satisfied in quantitative and qualitative terms on such a level that takes into account demographic, social and economic challenges facing our country.**

Conclusions resulting from the diagnosis demonstrate that basic housing problems of Polish families are not addressed by the state’s activities and instruments under the broadly understood system of supporting the housing. This makes it possible to swiftly reduce basic housing deficits and achieve a situation when basic parameters describing the satisfaction level of housing needs do not lag behind average values that are characteristic for developed countries of the European Union. While taking into account conclusions of the housing diagnoses, it was assumed that detailed objectives of the housing policy that are related to key problems and challenges shall be the following.

### **OBJECTIVE 1.**

**Enhancing access to flats for persons with incomes that do not allow for the purchase or rent of a flat under commercial terms and conditions.**

Activities to achieve objective 1 will include:

- activities to increase the supply of flats with low rental fees and to activate entities that deliver such flats;
- activities to reduce costs of the housing construction, in particular by creating regulatory conditions, making use of the supply of available public land to be used for the housing construction, as well as promoting optimal technologies and architectural designs under the broadly understood social construction;
- activities to enhance systematic saving for housing purposes.
- activities to provide institutional entities with facilitations to invest on the market of rental flats;
- activities to increase the financial capacity of families (including the “Rodzina 500+” Programme).

### **OBJECTIVE 2.**

**Enhancing the possibility to satisfy basic housing needs of persons threatened by social exclusion, due to low incomes or a particularly difficult situation.**

Activities to achieve objective 2 will include:

- increasing the capacity of municipalities to deliver social flats/publicly-owned flats;
- activities to develop the assisted housing (e.g. protected flats);

- activities to mitigate effects of the homelessness by providing an appropriate number of places in night shelters and hostels for homeless persons;
- activities to work out and implement a strategic approach of the housing policy to the housing needs of groups with specific housing needs, in particular the elderly and persons with disabilities;
- activities to provide assistance to persons being temporarily in a difficult financial situation that impacts inter alia their capacity to service fees for a flat or repay a mortgage credit.

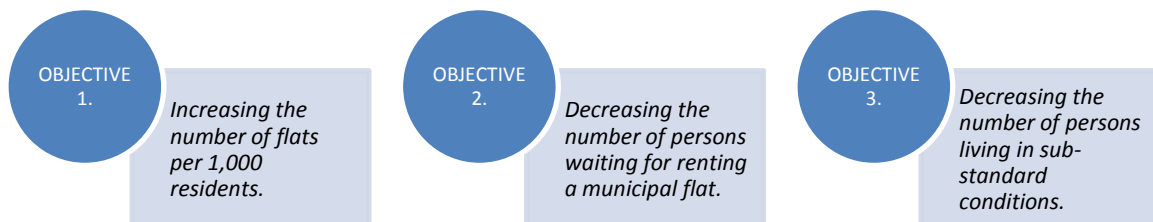
**OBJECTIVE  
3.**

**Improving living conditions for the society, the technical condition of housing resources and enhancing energy efficiency.**

Activities to achieve objective 3 will include:

- activities to rationalize principles according to which buildings and flats are managed in the public resource;
- activities to support thermomodernization and renovation investments, including broader investments undertaken under projects to revitalize degraded areas;
- activities to provide technical infrastructure accompanying the housing construction.

Three basic measures were adopted for individual objectives of the National Housing Programme:



**Objective 1.**

Until 2030, the target number of flats per 1,000 residents shall achieve the current EU average. This means an increase from the current level of 363 to 435 flats per 1,000 persons.

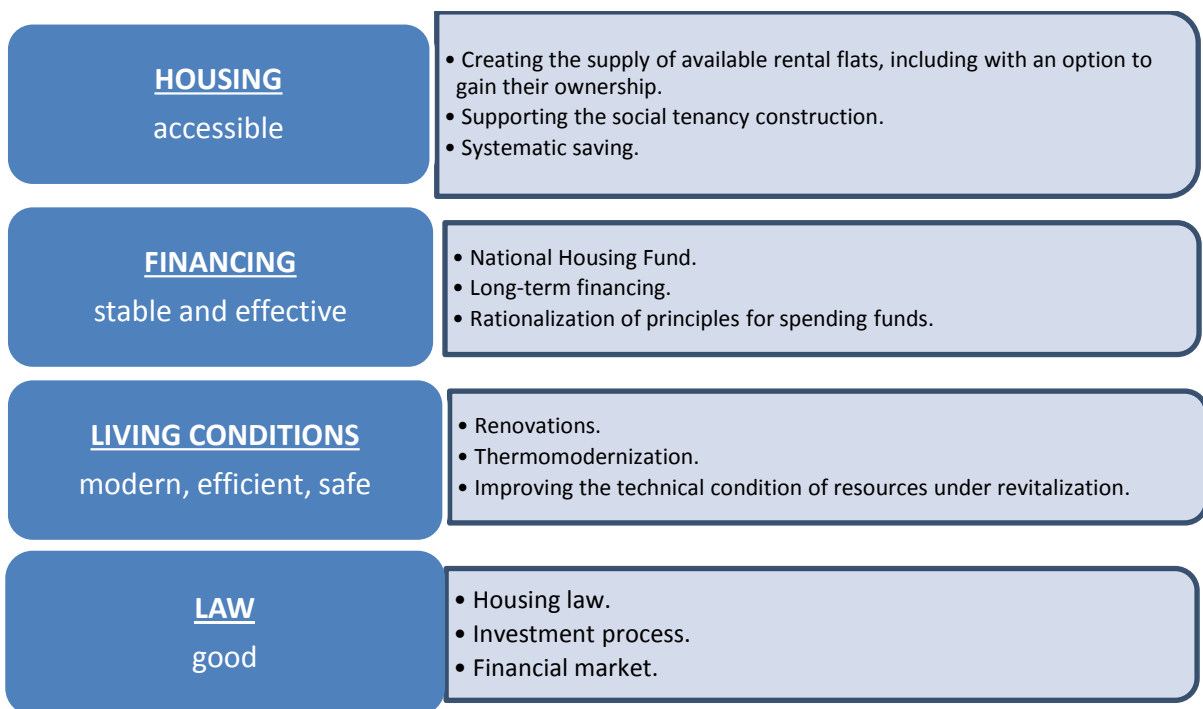
**Objective 2.**

Until 2030, municipal self-governments shall be able to satisfy housing needs of all households currently waiting to rent a flat from a municipality. As of the end of 2014, 165.2 thousand households waited for renting a municipal flat.

### Objective 3.

Until 2030, the number of persons living in sub-standard conditions (due to the poor technical condition of buildings, the lack of basic technical installations, or overpopulation) shall decrease by 2 million persons (from approx. 5.3 million to approx. 3.3 million).

In order to achieve the objectives of the housing policy, it is necessary to undertake regulatory activities and to implement appropriate accompanying financial instruments. Activities and instruments to implement the National Housing Programme will focus on four priority areas.



Basic instruments to implement the Programme were specified under individual priorities in the first place, followed by their supplementary instruments.

#### Priority 1. ACCESSIBLE HOUSING (The “Mieszkanie+” Package)

The priority focusing on enhancing the accessibility of flats will include activities to support the satisfaction of housing needs of those households whose incomes or particular situation do not allow them to independently purchase or rent a flat under market conditions. Main regulatory activities and financial instruments that affect the enhanced accessibility of flats are to:

- **implement a new system to satisfy housing needs inter alia on the basis of the operation of a state housing operator that increases the supply of available flats under projects where land of the State Treasury is used** (the supply system of flats for rent with an option to ultimately gain the ownership of the rented flat);
- **strengthen the support directed to local self-governments and public-utility organizations in relation to the creation of flats for the poorest, protected flats and night shelters and hostels for homeless persons** (during the implementation period of the programme, the

objective is to ensure financial support on a level that is proportionate to the current and forecasted deficit);

- **extend the support of the social tenancy construction addressed to persons whose incomes are too high to rent a flat from a municipality and too low to purchase or rent a flat on the market** (during the implementation period of the programme, the objective is to ensure financial support on a level that is proportionate to the current and forecasted deficit);
- **enhance systematic saving for housing purposes;**
- strengthen the financial potential of families, including under the “Rodzina 500+” Programme and modified and new instruments to support households so that they can pay their rental liabilities;
- maintain tax preferences for the housing construction, including the reduced VAT rate.

## Priority 2. STABLE AND EFFECTIVE FINANCING

In order to implement planned instruments to support the housing, it is necessary to ensure stable budget financing in the long-term. In order to factually improve the living conditions, it is necessary to undertake decisive and long-term activities related to the construction of new flats and improve the technical condition of existing resources. Activities addressed to households with average and low incomes must be supported by central and self-governmental authorities, as this is the only way to influence the increase in burdens related to the satisfaction of housing needs and simultaneously enhance the accessibility of flats for groups that are priority groups under the housing policy. At the same time, planned activities and instruments must take into account the reality in terms of public finances and possibilities to increase – under existing budget limitations – direct expenditure on the implementation of the housing policy. Therefore, the ultimate objective is to phase out those instruments that generate financial burdens for the budget, and do not contribute to the implementation of the housing policy’s objectives.

In order to ensure stable financing for activities and instruments under the programme, it is assumed jointly that:

- **the institutional foundations to support projects under the housing construction will be constituted in the resource of accessible housing (moderate prices and rental fees) through the creation of the National Housing Fund to which land of the State Treasury will be contributed;**
- **the current model of spending budget funds will be amended under instruments of support that are addressed directly to entities delivering flats through the correlation of terms where investments are performed and budget funds are spent** (activities compliant with the “Accessible housing” priority, in particular with the assumed ensuring of financing on a level that is proportionate to the forecasted deficit under programmes to support the social tenancy construction, the ultimate adoption of similar principles under the programme to support thermomodernization and renovations);
- closed time frameworks will be established when funds will be spent from the budget to refund guarantee bonuses, and new expenditure titles will be introduced that refer to the improvement of energy efficiency in the existing housing resource to a larger extent;

- financing will be ensured to cover budget liabilities from former housing programmes (subsidies to interest on credits granted under the “Rodzina na swoim” Programme, co-financing of own contribution will be paid out, additional support in the form of reduced credit balance under the “Mieszkanie dla młodych” Programme will be ensured, part of expenditure on construction materials in relation to the construction of one-family houses will be refunded), however they will not be continued starting from 2019.

### Priority 3. MODERN, ENERGY EFFICIENT AND TECHNICALLY SAFE HOUSING

This group of instruments includes regulatory activities concerning technical standards for new and existing housing buildings and activities to support the improvement in the technical condition of housing resources that affect the enhanced energy efficiency of resources and their reduced maintenance costs, inter alia with the use of green construction products. Planned regulatory activities and financial instruments assume that:

- **renovation and thermomodernization investments will receive financial support, both from domestic funds and the EU funds;**
- **instruments will be implemented to support revitalization of degraded areas;**
- the technical condition of housing resources constructed with the use of the large-panel technology will be examined;
- regulations concerning technical parameters impacting energy efficiency of housing buildings will be reviewed;
- entities delivering technical infrastructure accompanying the housing construction will be supported.

### Priority 4. GOOD LAW

Regulatory amendments are a starting point to sort out the situation on the housing market and a basis to propose new instruments. Regulatory activities include amendments to key provisions concerning the operation of the housing market and affecting housing investments, with particular regard to:

- **the housing rental market;**
- **the investment and construction process, including principles on the length and cost of the process of investing on the housing market and the performance of construction works;**
- **the supply of building plots of land, including principles concerning the process of changing the status of agricultural land and the management of land of the State Treasury to develop the available housing construction;**
- the operation of the housing financing market, including the market of debentures, the secondary market of mortgage receivables and the market of real estate investment funds;
- the operation of housing cooperatives, municipalities and social housing associations, including principles affecting the possibility to implement the objectives under the satisfaction of housing needs;

- the protection of rights of purchasers of flats and one-family houses, including the principles to ensure the protection of funds paid in by the purchasers in relation to developers' performance of investments.



## IV. PROGRAMME IMPLEMENTATION

### 1. PRIORITY ACTIVITIES AND INSTRUMENTS

#### A. *Introduction of complex legal amendments to facilitate the investment and construction process*

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Enhancing the accessibility of flats and living conditions at the stage a flat is used by establishing a complex, coherent and transparent legal system to regulate the investment and construction process that covers legal matters concerning the performance of a construction investment formerly included in separate statutes.

**Method of implementation:** A new statute to regulate the investment and construction process in the form of an urban planning and construction code.

**ASSUMPTIONS:**

**Subject of regulation:** comprehensive regulation of matters concerning the performance of construction investments, covering the subject of current statutory regulations in this respect: the Act on spatial planning and management, the Act – Construction Law, the so-called special statute on the performance of a public-utility investment.

**Basic solutions:**

- With regard to spatial planning:
  - a) enhancing the safety of investing as to the certain possibility to locate investments and their further effective operation, thanks to:
    - promoting clearly the locating of investments according to the local plan, which will contribute to enhancing the open nature and transparency of procedures, as well as will ensure that decisions concerning the space are taken in a complex way, by taking into account all consequences of the located investments, and will enhance the safety and certainty of investing, including with regard to investments located in neighbouring areas;
    - striving to locate investments in areas that are equipped with necessary technical and social infrastructure, according to the spatial policy of municipalities;
    - limiting strictly the locating of new investments in areas that are not covered by local plans, by allowing the development of existing investments to a limited extent, including activities that are necessary inter alia to ensure the accessibility for persons with disabilities;
    - ensuring the maintaining of the spatial order and economic values of the space and the nature of specific areas, in particular due to their landscape, cultural and natural assets;
  - b) enhancing the participation of local communities in the decision-making process concerning spatial management matters;

- c) ensuring the financing of the urbanization by dividing costs of investments to service properties between municipalities and owners of the properties in a clear and foreseeable way;
  - d) striving to simplify procedures by ensuring authorizations of organs to agree and issue opinions on planning documents at the same time;
  - e) creating regulations that take into account the specifics of rural areas and are aimed at sustainable development;
  - f) removing existing barriers in the spatial planning, identified inter alia during the performance of system-based analyses and research of provisions made in participation of the self-government, in particular municipalities;
  - g) introducing detailed regulations concerning the supra-local planning and mutual relationships between the content of planning documents on different levels (national, regional, functional (metropolitan) and local);
  - h) introducing effective regulations concerning the locating of public-utility investments and their combination with the local spatial order.
- With regard to construction:
    - a) adjusting formal requirements to receive investment consents and administrative obligations imposed on investors in the course of the investment process to the “size and significance” of the investment (the higher the scale of the investment and its impact on neighbourhood areas, the proportionally more complex the procedure);
    - b) reducing formal requirements to receive investment consents for non-complex investments;
    - c) sorting out and specifying in the code all decisions and arrangements to be collected by investors before investment consents may be issued;
    - d) simplifying and regulating clearly principles for establishing parties to a proceeding;
    - e) strengthening the role of designers in the investment process, including its extended responsibility;
    - f) enhancing the efficiency of operation by organs of the investment administration and organs of the investment supervision;
    - g) enhancing the efficiency and effectiveness of combating illegal construction investments;
    - h) introducing simplifications and preferences for the performance of investments with the prevailing housing function on properties that fulfil certain criteria.

**Term of implementation:** A draft urban planning and construction code will be submitted for consultation and agreement during the 4. quarter of 2016, while legislative works will be commenced by the Sejm in 2017.

***B. Amending regulations concerning the principles of the rental market: rationalizing the principles for managing the resource of publicly-owned flats***

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Enhancing the accessibility of flats by introducing legal amendments that are aimed at satisfying housing needs of non-affluent persons and persons in a difficult situation to a larger extent, which under current principles for renting publicly-owned flats, used also by relatively affluent households, are deprived of the possibility to receive housing aid from municipalities.

While ensuring socially fairer principles for the use of flats under the publicly-owned resource, making rental fees more real in order to improve the technical condition of the housing resource and rationalizing the spending by self-governments to maintain their housing resources.

The undertaken activities shall reflect in the better use of municipal resources to satisfy housing needs of the local community. Self-governments will get a larger number of flats to rent to households with low incomes and to those being in a difficult situation and waiting for renting a municipal flat. This will lead to decreasing the number of waiting persons and shortening the waiting time for renting a flat.

**Method of implementation:** Amending the Act on the protection of tenants' rights, the housing resource of municipalities and amending the Civil Code.

**ASSUMPTIONS:**

**Subject of regulation:** introducing amendments to rationalize principles for managing flats in the municipal housing resources in terms of the implementation of objectives the public resource shall serve for.

**Basic solutions:**

- Introducing an obligation for municipalities and other units of the self-government to conclude contracts for a definite period, not shorter than a year and not longer than 5 years, with the possibility to conclude contracts for another period by taking into account the current financial and family situation of respective applicants. According to the principle of respect for acquired rights, the amendment will refer to contracts that will be concluded upon the entry into force of amended provisions.
- Making courts fully competent for adjudicating on the right to a social flat, which means the abandonment of a catalogue of privileged persons the court is currently obliged to assign a flat to irrespective of their financial and family situation. Due to the fact that some groups must be obligatory granted the right to a social flat, it is not possible to perform a court evaluation whether or not the granting of the right is factually justified by their financial and individual situation.
- With regard to flats under the public housing resource, introducing specific solutions concerning the provisions of the Civil Code on entering into the rental contract upon the death of a landlord, which will mean the elimination of automatism in the entering into the rental contract upon the death of a landlord. Current solutions result in a particular "inheritance" of the rent of flats, as the acquiring of the right to a publicly-owned flat is not dependent on the financial situation of those entering into the rental contract. Upon the amendment of provisions, rental contracts on publicly-owned flats will be concluded with persons that fulfil financial criteria to be specified by the municipality by a respective resolution.
- Introducing the possibility to terminate rental contracts on publicly-owned flats in case tenants have a legal title to a different flat not only in the same locality, but also in any near-by locality. Formulating a definition of a "near-by locality" in the provisions that takes into account differentiated space and urban status in order to ensure that the provisions are applied correctly (a locality within a poviát where a flat is located or within a poviát neighbouring with the poviát or

a locality whose administrative borders in a straight line are in the maximum distance, as specified in the resolution by the municipality's council).

- Introducing an obligation for persons applying for renting a flat under the municipal housing resource to submit declarations on the amount of incomes of the household and a certificate on the financial situation under criminal liability. The evaluation of the right to conclude a rental contract on a publicly-owned flat would take into account not only incomes of a particular person, but also its financial situation that the applicant will be obliged to disclose in a statement.
- Introducing a provision to the statute to oblige municipalities to adopt resolutions to regulate the principles for renting flats under the municipal housing resource which conditions are to be fulfilled by flats for persons with disabilities, including their specific needs.
- Amending Art. 1046(4) of the Code of Civil Procedure to eliminate the possibility to evict a debtor to a night shelter, hostel or any other institution providing accommodation in case the debtor is entitled to get a temporary room. The amendment of Art. 1046(4) will be also accompanied by the introduction of financial support for municipalities to adapt the already existing building in order to create temporary rooms therein.

**Term of implementation:** A draft statute to be adopted by the Council of Ministers in the 4. quarter of 2016.

### ***C. Developing the housing cooperative model in the segment of accessible housing – activating new tenancy construction***

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#### **Instrument 1**

Enhancing the accessibility of flats by making the operation of housing cooperatives more effective and increasing their possibilities to perform new investments that increase the supply of flats to be used under the cooperative tenancy right to flats.

**Method of implementation:** Amending the Act on housing cooperatives.

#### **ASSUMPTIONS:**

- Eliminating legal barriers for housing cooperatives in the segment of tenancy rights as an instrument to supplement the National Housing Programme with regard to financial instrument to support the available housing construction under the “Mieszkanie+” package, including the enhancement of the accessibility of flats on the basis of the operation of housing cooperatives.

#### **Basic solutions:**

- Amending provisions that allow housing cooperatives to limit the possibilities to transform cooperative tenancy rights to flats constructed upon the entry into force of the respective amendments, including under the “Mieszkanie+” support instruments.
- Housing cooperatives will be able to decide on the transformation of cooperative tenancy rights to flats with regard to an investment or a flat. The flat construction contracts will specify whether or not the particular flat may be transformed and after which period.

- While deciding on the possibility to transform flats in a particular property and the date when holders of cooperative tenancy rights to flats will be entitled to apply for the transformation, cooperatives will be able to determine the period when they will manage the constructed housing resource and be its owner.

**Term of implementation:** A draft statute to be adopted by the Council of Ministers in the 1. quarter of 2017.

### **Instrument 2**

Enhancing the accessibility of flats by amending provisions on the principles for the operation of housing cooperatives, which will result in an increase in the share of such organizational and legal units in the housing construction.

Current regulations on the operation of housing cooperatives make existing cooperatives face practical obstacles in the starting of new construction investments, for example, due to the unfavourable evaluation of such investments by members with satisfied housing needs; there are limited possibilities to create new cooperatives, and this legal institution is not used by groups interested in the gaining of common flats to perform a common construction investment.

**Method of implementation:** A new statute on housing cooperatives.

#### **ASSUMPTIONS:**

- Reviewing valid legal solutions on the operation of housing cooperatives in a thorough way to identify amendments that shall be made in order to increase the activity of existing cooperatives in the performance of housing investments and the broader application of this organizational and legal institution by newly established entities in the housing construction segment (e.g. housing cooperative societies), including in the satisfaction of housing needs.
- Preparing assumptions of statutory amendments on the basis of recommendations of scientific and expert communities.

**Term of implementation:** Under the recommendation concerning the introduction of system-based amendments, submitting draft assumptions to the statute to be considered by the Council of Ministers in the 2. quarter of 2018.

***D. The “Mieszkanie+” Package: Increasing the supply of affordable housing by direct investments performed in particular with the use of properties of the State Treasury under the rental housing system, including with the option to ultimately transfer the ownership right***

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### **Instrument 1**

Enhancing the supply of available land for housing purposes, in particular lands owned by the State Treasury under the objectives of the Programme.

**Method of implementation:** A new statute on the National Housing Fund and the transfer of lands owned by the State Treasury for housing construction purposes.

ASSUMPTIONS:

**Subject of regulation:** the statute will lay down:

- principles for selecting and transferring lands owned by the State Treasury to support the objectives of the housing construction;
- principles for creating and operation of the National Housing Fund (NHF);
- principles for granting, on the basis of assets and funds of the NHF, aid to housing construction projects to enhance the accessibility of flats;
- objectives, tasks and basic principles of the National Housing Operator and entities with the statues of housing operators, arranging housing investments on the lands under the NHF and the lands owned by the self-government.

**The National Housing Fund:** will be a state legal person founded by statute, as specified in Art. 9(14) of the Act of 27 August 2009 on public finances, or an entity founded with the use of existing or planed institutional frameworks to finance the country’s development policy, as combined with the “Sustainable Development Plan”.

The fundamental objective of the National Housing fund will be to enhance the accessibility of flats with the use of lands owned by the State Treasury, contributed by statute to the assets of the National Housing Fund, for housing construction purposes.

The use of a particular plot of land of the State Treasury under the creation of the resource of the National Housing Fund will be dependent on the evaluation of quality requirements, i.e. the adaptation of land to housing building.

In the process of creating the resource of assets to be managed by the NHF, the whole resource of lands owned by the State Treasury will be taken into account, which is currently managed by heads of districts performing tasks under the governmental administration, the Agricultural Property Agency, the Military Property Agency, and other units of the State Treasury.

The use of so broadly defined types of lands owned by the State Treasury to develop the market of affordable rental flats will focus on the direct use of these plots for housing construction purposes: until the above mentioned properties, which fulfil the conditions for their direct transfer for housing construction purposes, have been transferred to the assets of the NHF, funds from their sale will not be an additional source to finance the Fund.

There will be an absolute ban on financing the NHF from funds coming from the sale of properties of the State Treasury before their transfer to the Fund. At the same time, under the formulation of principles for managing the assets of the National Housing Fund, legal and institutional solutions will make it possible to use the potential of lands owned under the NHF only for housing construction purposes. The establishment of the NHF as a “bank of land” will also make it possible to execute exchanges in the possessed assets with other plots of land that are more suitable for housing

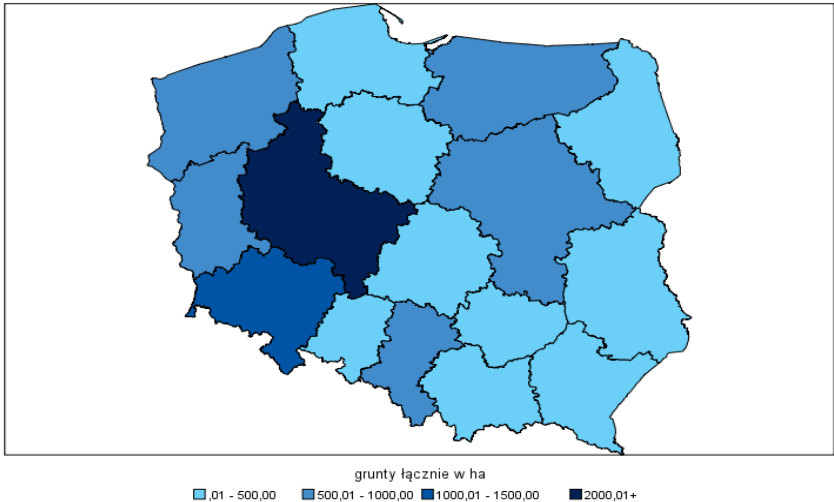
purposes, as well as to collect – through the sale of part of these assets – financial resources to be used for financing tasks under the National Housing Programme.

The completed research of lands owned by the State Treasury or companies with State Treasury shareholding, carried out by the Ministry of Infrastructure and Construction, revealed that there are approx. 8,942.2 ha of land (as of 30 March 2016 ), out of which approx. 6,558.1 ha are owned by the Agricultural Property Agency, while 1,078.0 ha are managed by heads of districts, 1,306.0 ha by companies controlled by the Ministry of State Treasury, the Ministry of Energy and the Ministry of Infrastructure and Construction. It shall be pointed out that the above mentioned data are based on data submitted by units and must be supplemented on an ongoing basis. For example, they do not include lands owned by the Military Property Agency.

According to the guidelines issued by the Ministry of Infrastructure and Construction, mentioned in the statement initiating the research, land properties owned by the State Treasury, which are reported by individual entities, may be used for housing construction purposes. Although not all of them have now access to the technical infrastructure, the entities involved in the research are of the opinion that their locality and characteristics confirm that it will be possible to develop them for housing purposes in future. The location of these properties is not threatened by mining damages or other factors making the housing more difficult. The National Housing Fund will perform a detailed verification in this respect.

Land properties are scattered across the whole country, mainly in western voivodships. Planned activities will be mainly based on plots of land directly owned by the State Treasury or state entities. It will be also possible to use plots of land owned by companies of the State Treasury for housing purposes, under the principles of cooperation and equivalence of services between different companies and the National Housing Operator (NHO).

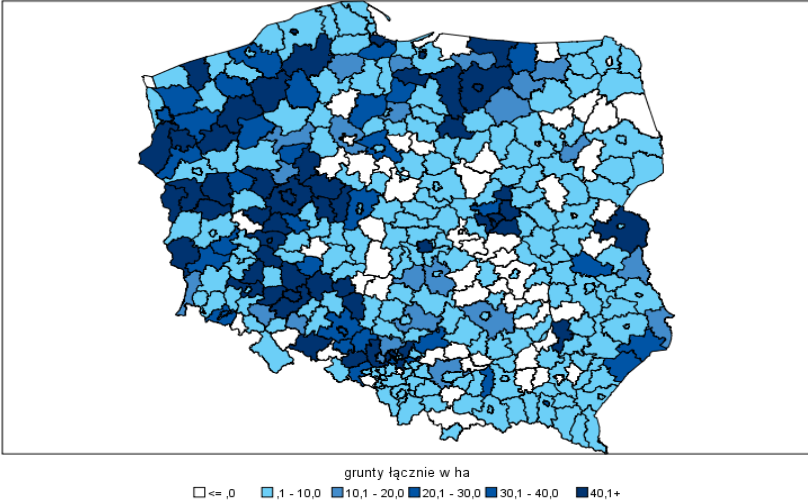
*Geographical location of lands owned by the State Treasury\* per voivodships.*



\* Lands owned by the Agricultural Property Agency, heads of districts and part of companies with State Treasury shareholdings under the control of the Ministry of the State Treasury, the Ministry of Energy and the Ministry of Infrastructure and Construction.

A more detailed analysis of available lands owned by the State Treasury demonstrates that they are located in the majority of poviats, mainly in Western and Northern Poland and in the vicinity of large cities.

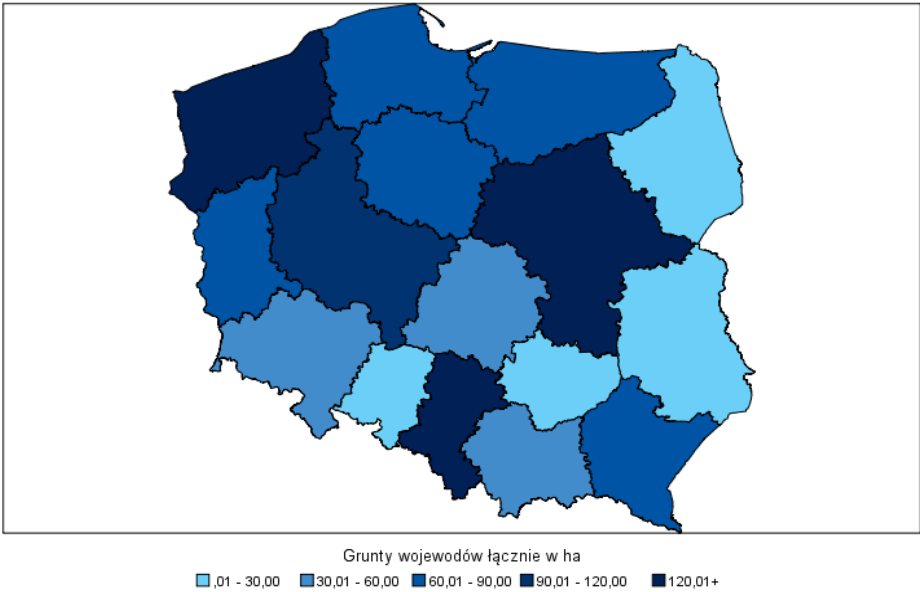
*Geographical location of lands owned by the State Treasury\* per poviats.*



\* Lands owned by the Agricultural Property Agency, heads of districts and part of companies with State Treasury shareholdings under the control of the Ministry of the State Treasury, the Ministry of Energy and the Ministry of Infrastructure and Construction.

The resources of land reported by voivodes under the research, which are currently managed by heads of districts, are available in all voivodships. They are mostly located in the Voivodships of Western Pomerania, Silesia and Masovia.

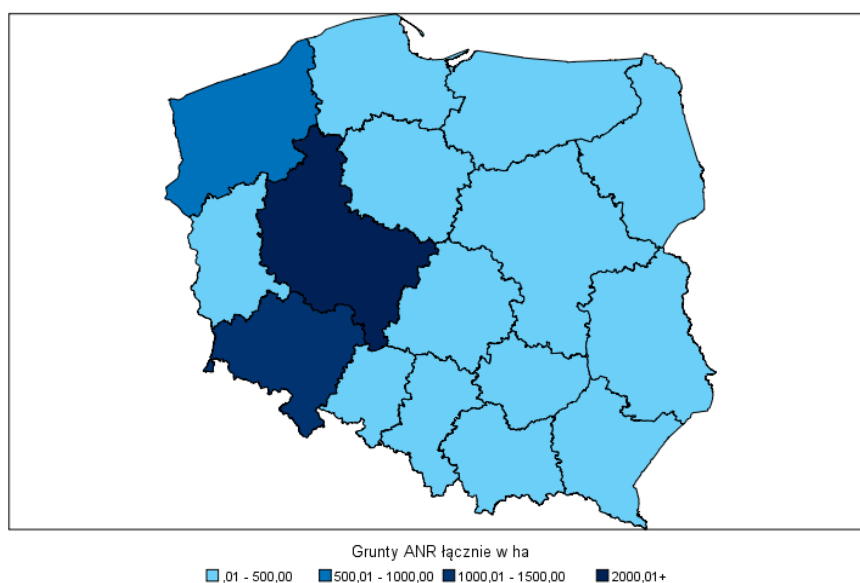
*Geographical location of lands owned by the State Treasury managed by heads of districts per voivodships.*





Lands owned by the Agricultural Property Agency are located mainly in western voivodships.

*Geographical location of lands owned by the Agricultural Property Agency per voivodships.*



From the preliminary identification of lands owned by the State Treasury results that there is a potential in terms of its use in housing investments carried out almost all over the country. It is worth reminding that the potential related to the possession of this resource is not limited only to the use of building plots, but it may also serve to gain financial resources to be allocated to the performance of investments in those locations where there is no lands owned by the State Treasury.

### **Supporting the affordable housing construction on the basis of material assets of the NHF**

Properties owned by the NHF will be used to perform housing investments, inter alia:

- by transferring properties for the construction of rental flats, with an option to gain their ownership, to the National Housing Operator and entities with the status of housing operators (e.g. through the transfer of land to the investment fund in exchange for investment certificates to be issued to the NHF);
- by transferring properties for the construction of social tenancy flats to investors (future owners of tenancy flats).

### **Supporting the affordable housing construction on the basis of financial resources of the NHF**

It will be possible to use financial resources inter alia from the sale of part of land of the NHF to finance other instruments of support for the housing, including programmes aimed at enhancing the accessibility of flats, implemented under own tasks of the NHF or programmes of the housing policy implemented under separate legal regulations.

### **Stimulating the market of rental flats through the NHF**

Operating as an institution managing lands owned by the State Treasury and receiving inflows from its management, the NHF will be able to conduct an investment policy, which will inter alia include the equipment of land with technical installations in order to increase its value and attractiveness for future housing investors. The NHF will also carry out analytical and operational activities to promote the knowledge on available rental flats in different locations (including those performed by the NHO). Entities, which will contractually undertake to apply certain criteria to promote target groups of the housing policy in the selection of tenants, will be able to gain the status that will enable them to perform investments under principles analogous to the NHO. The NHF will be also able to act as a promoter of different housing projects, e.g. the establishment of small housing cooperatives.

**Term of implementation:** A draft statute to be adopted by the Council of Ministers in the 4. quarter of 2016.

### **Instrument 2**

Constructing affordable rental flats under pilotage investments carried out by Bank Gospodarstwa Krajowego.

#### **Method of implementation:**

Until the entrance into force of the Act on the National Housing Fund, pilotage investments will be performed within the institutional and financial structures of Bank Gospodarstwa Krajowego.

It is assumed that the implementation of this part of the programme will be based on the investment activity with the use of the structures of Bank Gospodarstwa Krajowego, which will arrange the investment process and manage the constructed housing resource. Fundamental objectives of the activity will be to:

- increase the supply of rental flats with moderate rental fees by creating a unique and flexible product in the form of renting a flat, with the possibility to ultimately gain the ownership through its purchase;
- create possibilities to satisfy housing needs of persons that do not fulfil requirements to receive a credit;
- cooperate with the National Housing Fund to perform investments in specific areas for target groups of the housing policy.

#### **Assumptions and method of implementation:**

A practical model, which will be available under the programme by statute, as well as a model, under which the programme will be activated at the stage of pilotage investments (before the entrance into force of the Act on the National Housing Fund) will take the formula of closed-end non-public investment funds under the structure of BGK. In this scenario, the assumptions of the “Mieszkanie+” Package are that a commercial company under the capital structure of BGK will be an entity responsible for managing properties, initiating, supervising and coordinating the construction of rental flats with an option to gain their ownership (the market pillar of the “Mieszkanie+” Programme), as well as servicing tenants satisfying their housing needs thanks to these flats.

Housing investments will be performed:

- on properties sold by investors to institutions managed by BGK for the construction of rental flats (opened investment funds) in exchange for financial assets (or investment certificates in case of closed-end investment funds); with investors being in particular: the NHF, state-owned enterprises, companies with State Treasury shareholding;
- on properties gained on the market through the direct investment activity of BGK.

Referring to the institutional and capital structure of BGK, the potential model of pilotage activities will also enable to co-finance projects implemented in cooperation with other investors, including self-governmental units, social housing associations, housing cooperatives, as well as – as an option for smaller localities – to perform housing investments by purchasing projects, which fulfil certain criteria, from entities operating on the housing market.

In the above mentioned model of operation under the management of a portfolio of closed-end investment funds, investment certificates of the funds will be subscribed in exchange for pecuniary payments or the contribution of securities, shares and property rights (under the Act on investment funds). The funds will be managed under market conditions with an objective to gain a return on investment by shaping an optimal financial structure of the programme. Resources gained from the sale of assets owned by the funds, which cannot be used for such investments, and from the sale of other assets owned by the funds will also be used to carry out planned housing projects. In case tenants declare that they are interested in gaining the ownership of flats, the rental fee paid by them will be increased by a capital part.

By selecting properties, preference will be given to locations where the cost of land is moderate and which are well communicated and have good access to the social infrastructure. Projects will be carried out with the use of the effects of scale in order to minimize construction costs. It is assumed that the enhanced supply of flats will have a positive impact on decreasing rental fees and prices of flats on the market, while making them more accessible.

Investments will be located in all regions of Poland where there is a demand for rental flats. In smaller locations, the formula of constructing flats in cooperation with local partners will be promoted.

The construction of flats will be based on innovative construction technologies, which guarantee low construction costs, including the necessity to minimize exploitation costs during the whole life cycle of buildings. It is assumed that local construction companies will be promoted in order to minimize construction costs.

The planned amount of rental fees will be dependent on construction costs (usually corresponding to the location) and financing costs of investments. It is assumed for illustration purposes that rental fees will be approx. PLN 10-20 per 1 m<sup>2</sup> and approx. PLN 12-24 per 1 m<sup>2</sup> with the option of ownership. The above mentioned values, which include financing costs, shall be increased by exploitation costs of buildings and fees for utilities.

All citizens will be eligible to apply for renting flats constructed under the investment activity. In case the demand exceeds the supply, there will be eligibility criteria introduced in cooperation with the

NHF. Preference will be given to families with many children and persons living on incomes which do not allow them to purchase or rent flats under market conditions.

It is assumed that the performance of investments will be supported by legislative amendments, as mentioned in this document, in particular in the performance of construction investments and the rental and gaining of the ownership through the execution of the purchase option.

**Term of implementation:** A database of persons interested in renting flats will be created starting from the 2. quarter of 2017.

***E. The “Mieszkanie+” Package: Activating an integrated programme to support the social rental housing that takes into account available instruments of support and effects of amendments planned in the regulatory environment***

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A complementary set of instruments under the “Mieszkanie+” Package, which will supplement the programme of constructing affordable rental flats under market conditions, including the option of ultimate ownership, consists of solutions to carry out a complex programme to support the construction of flats with low or moderate rental fees, under the formula of the tenancy construction, as defined in the Act of 9 October 2015 on revitalization (Journal of Laws item 1777, as amended). According to the above mentioned statute, the tenancy construction means the housing construction performed under the joint fulfilment of all of the following conditions:

- flats are accessed under non-market conditions according to the criteria specified by organs of the public authorities;
- at the stage of constructing, reconstructing or exploiting buildings, entities carrying out the investments are beneficiaries of public funds;
- investors in the social tenancy construction are entities whose main objective is not limited to generating a profit.

Instruments of this activity will enhance the supply of flats for households with limited capacities to satisfy their housing needs, including:

- the leading role of local self-governments in the development and initiation of the social tenancy construction, including the publicly-owned construction;
- the forecasted deficit in flats within the social tenancy resource, including effects of regulatory changes, estimated to amount to approx. 150 thousand flats in total.

***Instrument 1***

Enhancing the accessibility of flats through the elaboration and implementation of obligatory standards concerning flats constructed under the social tenancy construction under programmes based on partial non-refundable financing of investment costs from the state budget funds.

The effect will be the maximum effectiveness of public resources by ensuring such forms of designing buildings, construction and technologies to optimize construction costs, minimize costs incurred by residents at the stage of exploiting flats, respect the spatial order, and ensure high utility of flats.

**Method of implementation:** A regulation of the Minister of Infrastructure and Construction concerning standards to be fulfilled by investments carried out under social tenancy construction programmes, with partial non-refundable financing of costs.

ASSUMPTIONS:

- Elaborating solutions resulting in the optimization of costs of the social tenancy construction, on the basis of recommendations of scientific and expert communities, as well as conclusions from the evaluation of former programmes carried out to support the publicly-owned and social tenancy construction.
- By elaborating solutions aimed at limiting construction costs, ensuring the appropriate quality of the created housing resource, including low energy needs.
- Elaborating standards of construction which will favour the spatial order. Optimizing construction costs in the social tenancy construction by taking into account the maintenance of the spatial order and counteracting adverse phenomena related to the urban sprawl process (higher infrastructural costs, lack of basic services).
- The instrument will be implemented in the form of an implementing act to the statute on instruments supporting municipalities in the creation of the resource for the poorest and persons with average incomes that do not allow them to satisfy housing needs on the commercial market independently.

**Term of implementation:** Elaborating and implementing regulations so that they can apply to applications submitted starting from 2018.

***Instrument 2***

Enhancing the accessibility of flats by enhancing the effects of the social tenancy construction in the segment of publicly-owned flats to satisfy housing needs of persons living on the lowest incomes.

**Method of implementation:** Amending the Act on the financial support in the creation of social flats, protected flats, night shelters and houses for homeless persons.

ASSUMPTIONS:

**Target group:** households entitled to rent municipal flats, including the effect of legal amendments which will limit the use of flats in the new resource of publicly-owned flats only to those households whose objective situation justifies the granting of housing aid (contracts for a definite period, regular verification of incomes and the financial situation).

**Subject of regulation:** The statute will enhance the effectiveness of budget funds, and thus material effects of the programme by rationalizing current principles of financing of the programme to financially support the social construction, which is in operation since 2006, as well as will take into account consequences of legal amendments as to the principles for managing flats in the municipal resources of flats.

Legal amendments will refer to:

- amending procedures of allocating budget funds to the financing of the programme;

- abolishing the obligation to sort out the so-called equivalent resource of social flats in case the project covered by the support consists of the construction of publicly-owned flats, excluding social flats;
- adjusting provisions to amendments in the Act on the protection of tenants' rights, the housing resource of municipalities and amending the Civil Code, which take into account the introduction of the institution of social rental to replace "social flats" sorted out permanently from the municipal resources, and enable municipalities publicly-owned flats for the purposes of social rental, as needed;
- amending principles for settling projects in case investments are performed by public-utility organizations.

There will be also amendments to increase the scope of projects aimed at providing resources that temporarily satisfy housing needs for those affected by homelessness.

**Mechanism of co-financing:** Apart from correcting provisions due to the introduction of the institution of the "social rental contract" into the system of law to replace the currently valid provisions related to the obligation to sort out social flats from the municipal resources of flats, upholding the current mechanism of support: non-refundable support for municipalities and municipal companies granted from the state budget for certain types of projects, under which flats are constructed to create the municipal resources of flats. Irrespective of the instruments supporting the social tenancy construction, there will be a parallel scope of support granted according to the statute to persons affected by poverty, i.e. the support targeted at persons threatened by social exclusion due to homeless, by co-financing the creation of night shelters and shelters for homeless persons – it is assumed in this respect that it will be possible to gain co-financing in relation to the adaptation of non-housing building to temporarily rooms.

The amount of the financial support investors may apply for will remain unchanged, ranging from 35% to 55% of the project costs, depending on the objective and type of the co-financed project.

**Principles for providing support:**

- There will be a possibility to finance housing investments on a level that covers the estimated deficit in publicly-owned flats, subject to the fulfilment of two conditions that are not included in current solutions:
  - expenditure from the state budget will be incurred during the period of their factual maturity related to the periods when co-financed investments are performed;
  - under each edition of the programme, all formally correct applications submitted by investors will be qualified for financing, by systematically ensuring the investment optimization of projects (the principle will be applicable starting from the first edition of the programme obligatory standards concerning flats under the social tenancy construction will apply to, based on the non-refundable financing programmes covering part of investment costs – the first instrument identified under the implementation of the discussed activity).
- In terms of amending procedures for granting support, it is assumed that the date of transferring budget funds (yearly settlement from the special-purpose reserve) will correspond to the dates of paying out financial support, as declared by investors, which will enable to factually react to investment needs of municipalities in terms of the publicly-owned construction.

- Furthermore, the amendment will prolong the deadline for settling projects carried out by public-utility organizations in order to promote the programme among those entities, and in consequence ensure a broader implementation of projects aimed at satisfying housing needs of persons with specific needs or persons threatened by homelessness.

**Principles for using new flats:**

- Flats covered by the programme will form a new resource: as a rule, all rental contracts concerning the constructed flats will be covered by the scope of amendments aimed at delivering publicly-owned flats only for those households whose objective situation does not justify the granting of housing aid (contracts for a definite period, regular verification of incomes and the financial situation).
- As a result of the planned introduction of the institution of social rental, municipalities will become entitled to conclude social rental contracts under the possessed resource, which will replace the current practice to permanently sort out social flats from the municipal resources of flats in order to manage the resources of publicly-owned flats in a more flexible way.

**Term of implementation:** A draft statute to be adopted by the Council of Ministers in the 1. quarter of 2017.

**Instrument 3**

Enhancing the accessibility of flats by introducing, by the state’s activity, the financial engagement of self-governmental units and available forms of conducting the construction activity on the housing market, mechanisms of implementing and financing to increase the supply of rental flats with affordable rental fees, which create a coherent offer of flats under the social tenancy construction addressed to households that do not want to purchase flats due to low incomes or housing preferences, including for:

- less affluent families or young people willing to start a family (living currently with parents or satisfying their housing needs in a way that does not guarantee the family’s stability, e.g. living with several flatmates in private flats for rent);
- persons leaving publicly-owned flats as a result of the reform of the principles for managing the municipal resources of flats.

Under the solutions increasing the resource of the social tenancy construction in the segment of new rental flats (ultimate rental, rental fees limited by statute), it is assumed on the basis of instrument 3 that the potential and experiences of housing cooperatives and investors in the rental segment will be used.

**Method of implementation:** Amending the Act of on the financial support in the creation of social flats, protected flats, night shelters and houses for homeless persons.

**ASSUMPTIONS:**

**Target group:** Households whose incomes are too low to satisfy housing needs under commercial conditions and under the rental system of flats offered under market conditions, with an option to

gain their ownership, and are too high at the same time to apply for publicly-owned flats. The rental fee for a flat will not exceed 4% of the restoration value per annum.

**Subject of regulation:** The statute will lay down principles for granting financial aid to municipalities from the state budget, to be used for covering part of municipalities' costs in the investment costs under the social tenancy construction, to be performed by housing cooperatives, social housing associations, or other entities under contracts concluded with municipalities.

**Mechanism of support:** Non-refundable participation in the investment costs – co-financing the participation of municipalities in the construction costs of rental flats, equivalent to 20% of the investment costs. De to the subject and nature of the granted financial aid, the provisions will specify mechanisms of support analogous to those under instrument 2.

**Principles for providing support:**

- Municipal self-governments will be direct beneficiaries of the aid granted from the state budget.
- Co-financed investments will create a new resource of flats occupied under the principles of ultimate rental, including investments in the form of the construction of buildings, rental or reconstruction of buildings or their parts, or the amended way of using buildings or their parts, if they must be renovated or reconstructed.
- In order to receive financial aid, the beneficiary will be obliged to conclude a contract with the investor, which shall specify the share of the self-governmental unit in the investment costs, the beneficiary's right to select tenants of flats created with its participation, as well as – within the scope not covered by the statute – other detailed criteria for using and renting flats created under the project.
  - The statute will lay down general conditions which will enable to combine the financial aid with the refundable financial aid granted under the Act of 26 October 1995 on certain forms of supporting the housing construction (instrument 4), including the ensured compliance of the public aid with the provisions of public aid.

**Principles for using new flats:**

- Legal provisions will lay down criteria that will entitle households to conclude rental contracts, including income-related criteria.
- Rental contracts will be concluded for a definite period by ensuring conditions to verify the rights of the tenant to occupy the flat under the resource of social tenancy flats.
- Certain criteria for selecting tenants will be specified by self-governmental units in the form of contracts concluded with investors in order to take into account, as far as possible, local conditions of the housing market and objectives of the municipal policy in this respect.

**Term of implementation:** A draft statute to be adopted by the Council of Ministers in the 1. quarter of 2017.

**Instrument 4**

Enhancing the accessibility of flats by enhancing effects of the social tenancy construction in the segment of social tenancy flats that satisfy housing needs of persons with moderate incomes.



The implementation of the instrument is aimed at increasing the resource of social flats with affordable rental fees for households living on average incomes, i.e. that are too low to satisfy housing needs under commercial conditions, and too high at the same time to apply for publicly-owned flats, as well as households with specific housing needs, inter alia young married couples wishing to satisfy their housing needs under the rental and not ownership system.

**Method of implementation:** Amending the Act of 26 October 1995 on certain forms of supporting the housing construction.

ASSUMPTIONS:

**Target group:** households earning incomes that are too low to satisfy their housing needs under commercial conditions, and too high at the same time to apply for a publicly-owned flat. The rental fee for a flat will not exceed 5% of the restoration value per annum.

**Subject of regulation:** The amendment will modify conditions and principles for granting refundable financing, by taking into account conclusions from the first edition of the programme under which the call for application was closed in February 2016, as well as the placing of the instrument within the structure of all instruments of support under the “Mieszkanie+” Package. Amendments will refer in particular to:

- the content of contracts between investors and municipalities;
- the type of the created resource (by allowing the financing of the construction of flats to which a cooperative tenancy right will be established);
- tenants’ income limits;
- the amount of tenants’ own contribution.

**Mechanism of support:** Adopted under the instrument of financing the social tenancy construction implemented in the period 2015/2016, the mechanism of refundable financing granted by Bank Gospodarstwa Krajowego under preferential conditions to eligible investors (social housing associations, housing cooperatives, municipal companies). The extra payments covering the difference between the nominal and preferential interest on credits by BGK or bonds issued by investors are financed from the state budget on the level of 1.3 percentage points above the preferential interest rate according to the statute (the basis for establishing the amount of interest paid by creditors, equal to the WIBOR 3M interest rate).

**Principles for providing support:**

- The amendment will uphold the majority of principles for granting refundable financing under the social tenancy construction programme.
- As far as the granting of support is concerned, it is assumed in particular to:
  - extend the scope of financing housing cooperatives’ construction of flats to which cooperative tenants’ rights will be established (currently, the financing is applicable only to rental flats), by ensuring the principles for using such flats analogous to the remaining part of the co-financed resource (the ultimate form is the cooperative tenant’s right to the flat, rental fee equal to a maximum of 5% of the restoration value per annum);

- abandon the obligation to extend the content of contracts concluded by borrowers and municipalities by an obligation to sort out a minimum number of flats created under the project for tenants being lone parents with at least one own or adopted child, and replace it by the obligation to extend the content of contracts by a provision specifying the planned number of such flats (in the moment they are occupied for the first time);
- abandon the specification by statute of the minimum share of flats rented by families with children on a level of at least 50% of all flats constructed under the project. From the experiences gathered during the first 2015/16 edition results that the obligation could never be taken up by a large number of applications due to the risk related to the impossibility to fulfil the condition in the moment new resources are occupied, as well as the risk resulting from the omission of random events that may happen and infringe on the condition;
- increase tenants' own contribution from 25% to 30% of costs related to the construction of a flat in order to facilitate investors to finance their projects, and in consequence decrease rental fees for tenants.

**Principles for using newly constructed flats:**

- The amendment will uphold the majority of principles for using newly created flats that are valid under the programme of the social tenancy construction.
- It is assumed to adjust the limit of maximum incomes of households giving the right to rent a flat, which takes into account individual components of the new system to support the social tenancy construction (in case of instrument 4, it is planned to introduce a possibility to rent a flat under the social tenancy housing resources by families with average incomes, with a stable source of incomes, but preferring to satisfy their housing needs outside of the system of the ultimate gaining of the ownership right to the flat).

**Term of implementation:** A draft statute to be adopted by the Council of Ministers in the 1. quarter of 2017.

**Expenditure from the state budget (in PLN million) and material effects of the programmes - estimates for illustration purposes\*.**

Social rental housing programme	Years		Starting from 2019, up to the amount altogether
	2017	2018	
<b>Budget expenditure for the implementation of the programme (in PLN million), including:</b>	<b>150.0</b>	<b>12.8</b>	<b>PLN 6,730.4 million</b>
Instrument 2 Public construction	150	-	PLN 3,500 million
Instrument 3 Rental flats with low rent	-	-	PLN 2,500 million
Instrument 4 Preferential credits by Bank Gospodarstwa Krajowego	0	12.8	PLN 730.4 million
<b>Number of flats eligible for financing in the particular period, with provided state budget funds (in thousand), including</b>	<b>7.0</b>	<b>13.0</b>	<b>179.0 thousand flats</b>
Instrument 2 Public construction	4.0	5.0	85.5 thousand
Instrument 3 Rental flats with low rent	-	5.0	72.5 thousand
Instrument 4 Preferential credits by Bank Gospodarstwa Krajowego	3.0	3.0	21.0 thousand

\* The level of the programme's performance in the years 2017-2018 and following years results from the evaluation of real capacities of investors, including municipalities, to prepare projects to be performed. It is assumed in the National Housing Programme that starting from 2018 calls for applications for support under instruments 2 and 3 will be open, while ensuring - without limiting the number of calls in particular years - a possibility to make available the co-financing of investments on a level that corresponds to the estimated deficits of flats in individual segments of the market (starting from 2018, instruments 2 and 3 jointly provide for a possibility to make available the financing of projects up to the level of approx. 158 thousand flats, provided that the financing from the budget will be made available starting from 2019, in relation to the combination of the maturity term of budget funds with the terms when supported investments are to be performed). Forecasted total effects of instruments of the social rental construction (approx. 179 thousand flats) correspond with deficits diagnosed in terms of social, municipal and social rental flats on the level of approx. 300 thousand flats, provided that changes to the principles for managing the current housing resource of municipalities and the "Mieszkanie+" Programme will be introduced simultaneously. Changes to the principles of the municipal housing resource shall increase the rotation of publicly-owned flats, which will make it possible to offer a larger number of flats to persons from waiting lists. It was assumed that approx. 20 thousand flats would be regained in this way until 2030. The remaining part of the estimated deficit will be eliminated through other regulatory activities and financial instruments under the National Housing Programme.

**Assumptions:**

- The limit for applications to be accepted for financial support from the Fund for Subsidies under the programme to support the social construction in 2017 under current conditions, in the amount equal to 150% of the demand, as stated in the applications submitted under the first call of the programme in 2016, i.e. in the total amount of approx. PLN 150 million.
- Under instrument 2:
  - The maximum amount of aid will be equal to: 30-55% of project costs.
  - The average surface of a flat constructed with financial aid for the calculation of expenditure: 40 m<sup>2</sup>.

- The maximum cost of 1 m<sup>2</sup> of a flat, which assumes the elaboration of standards of the social rental housing during the coming two years in order to maximize effects of invested budget funds by maintaining appropriate living and technical norms: PLN 3 thousand.
- Under instrument 3:
  - The maximum amount of aid will be equal to: 20% of investment costs
  - The average surface of a flat constructed with financial aid for the calculation of expenditure: 50 m<sup>2</sup>.
  - The maximum cost of 1 m<sup>2</sup> of a flat, which assumes the elaboration of standards of the social rental housing during the coming two years in order to maximize effects of invested budget funds by maintaining appropriate living and technical norms: PLN 3.5 thousand.

- Under instrument 4:

According to the former assumptions of the programme, Bank Gospodarstwa Krajowego will invest PLN 4.5 billion in the construction of flats under the 10. edition of the social tenancy construction programme. The amount of PLN 751.9 million will be allocated as a maximum to this objective from the state budget. The funds will serve as additional payments to the bank to cover the difference between nominal and preferential interest rates for refundable financing for investors. They will make it possible to finance the construction of at least 30 thousand flats with moderate rental fees, lower than the market rate by 40% on average, during a period of 10 years. The below assumptions have been made on the basis of a statute introducing preferential credits covered by subsidies to interest according to the evaluation of the consequences of the regulations of 2015:

- Average surface of a flat: 50 m<sup>2</sup>.
- Average construction cost of 1 m<sup>2</sup> of a flat (including land): PLN 4 thousand.
- Share of credit in the investment costs: 75%.

Funds for the performance of instrument 4 will be planned in part 18 of the state budget, as assumed in the Act of 10 September 2015 on amending the Act on certain forms of supporting the housing construction and certain other acts.

- The estimated consequences for the state budget, as included in the table, have been calculated under a conservative scenario, without taking into account positive effects of activities related to the use of the State Treasury's land to perform part of projects.

#### ***F. The “Mieszkanie+” Package: Enhancing systematic saving for housing purposes***

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Enhancing the accessibility of flats and the technical condition of housing resources by assisting natural persons in accumulating funds to cover expenditure related to the implemented housing objective. The support to increase chances to perform own housing projects will be an instrument to promote the ownership of flats upon the completion of the “Mieszkanie dla młodych” Programme and liquidation of refunds of part of expenditure on the purchase of construction materials (the so-called VAT refund), as well as will make it possible to activate savings by residents under the assumptions of the “Sustainable Development Plan”. The instrument will be a basis to support the construction of one-family houses, in particular in rural areas.

**Method of implementation:** A new statute on enhancing systematic saving for housing purposes.

ASSUMPTIONS:

**Subject of regulation:** The statute will lay down principles for accumulating and rewarding the accumulation of savings in individual housing saving accounts, hereinafter referred to as the “IHSAs”, as well as for paying in and out funds accumulated in these accounts for housing purposes and refunding the received public support in case the funds have been used for any other purpose, excluding the statutory housing purpose.

**Mechanism of support:** This is a common incentive to encourage all those saving funds in IHSAs - it is assumed that interest on saving deposits accumulated by natural persons in individual housing saving accounts, kept by institutions that are authorized to collect deposits by statute (banks and cooperative saving and credit unions) will be exempt from income tax on capital gains.

Additional support in the form of bonuses will be available to all those fulfilling statutory income criteria, saving funds in order to satisfy basic housing needs (to purchase a flat, construct a one-family house, pay in a contribution while renting a flat from a social housing association, or to pay in a housing contribution to a housing cooperative). The amount of the bonus may be differentiated depending, for example, on the number of children being brought up.

**Statutory housing objectives:** will facilitate savers to accumulate funds for different purposes in order to satisfy basic housing needs or improve their living conditions.

a) Objectives related to gaining the ownership of a flat/one-family house:

- the purchase of a plot of land to construct a one-family house thereon;
- the construction of a one-family house, performed directly by the saver or through a substitute investor;
- the purchase of a one-family house or a flat (on the primary or secondary market);
- the purchase of the cooperative ownership right to a flat or one-family house in a housing cooperative;
- the own contribution while taking out a credit for the purchase or construction of a flat/one-family house.

b) Objective related to gaining an independent flat/one-family house for rent or a cooperative tenancy flat/one-family house:

- the payment of own contribution to the construction costs of a social housing association;
- the housing contribution made to gain a cooperative tenancy right to a flat.

c) Objectives related to improving the former living standards:

- the rebuilding of, extension of, adding of a storey to a house or flat;
- the finishing, renovation, modernization of a house or flat.

**Principles for saving:**

- The statute will not limit the period of saving.
- Savers will be allowed to possess one IHSAs during the term of validity of the statute.

- The minimum period of saving will be as long as 60 months as a rule, there will be however exceptions specified in the statute, when expenditure on a housing objective are incurred over a period of time (e.g. the construction of a one-family house).

**Principles for determining the amount of support:**

- Depending on the capacity of the state budget, the statute will lay down a maximum threshold of funds whose accumulation in an IHSA will give the right to benefit from the exemption from income tax on capital gains.
- The nature of the additional bonus for saving will be determined in the statute, inter alia during discussions on the target structure of the tax system in Poland.
- The statute will lay down a maximum amount of the bonus, as well as principles for its calculation and payment by taking into account the budget and savers' interest.
- The programme will be financed from budget savings from the completion of the co-financing of own contribution under the "Mieszkanie dla młodych" Programme in 2019, the completion of the refunding of part of expenditure on the purchase of construction materials (the so-called VAT refund) in 2019, as well as from the decreased number of applications for subsidies to credits granted under the "Rodzina na swoim" Programme. Without taking into account unrealized inflows from taxes due to the exemption from tax on capital gains, the state budget will ultimately allocate approx. 1 billion to the support of saving on a yearly basis. The amount may be lower during first years of the system's operation (budget expenditure will gradually accumulate after new savers have joined the system).

**Paying out funds accumulated in IHSA:**

- Savers will have the right to pay out savings in part or in whole upon the expiry of the minimum period of saving whose starting day is the date the first payment has been made. If savings are paid out of an IHSA, this does not mean the termination of the contract.
- If so required by statute, e.g. when savers receive a credit for paying their contribution to the construction costs of a flat under social rental housing programmes (housing contribution, contribution to a project performed by a social housing association), or for satisfying their housing needs by renting a flat with an option to claim its ownership or by constructing a one-family house, there will be a possibility to allocate up-to-date savings accumulated in an IHSA for this purpose at an earlier date, with the shortening of the minimum period of saving to 12 months. Savers will be obliged to return the received public support, including statutory interest, proportionate to the part of savings paid out before the expiry of the minimum period of saving or paid out for another purpose.
- Savers will be entitled to transfer their IHSA to a different financial institution free of charge, including the balance of accumulated funds, provided that at least one of the following requirements has been fulfilled:
  - fees for keeping an IHSA have increased or the yearly interest rate for savings has been decreased,
  - a period of 12 months have elapsed from the date the first payment has been made to an IHSA or from the last transfer of an IHSA.

**Term of implementation:** A draft statute will be adopted by the Council of Ministers in the 2. quarter of 2017, individual housing saving accounts will be available starting from 2008, funds from the state budget will be available from 2009 (upon completion of the implementation of applications for co-financing own contribution under the “Mieszkanie dla młodych” Programme).

***G. Supporting less well-off households when incurring expenditure to satisfy housing needs***

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Enhancing accessibility of housing resources and ensuring a good technical condition of existing housing resources by enhancing the effectiveness of support in the form of housing benefits. By allocating housing benefits in a more effective way, accessible housing for persons with lower incomes will be enhanced by contributing to the decrease in their financial burdens from rental and other fees for flats. By supporting tenants, the technical condition of housing resources will be improved by facilitating owners of housing buildings to appropriately use their resources and carry out necessary renovation works.

**Method of implementation:** Amending the Act on housing benefits.

**ASSUMPTIONS:**

- Verification of the system of housing benefits, including in terms of:
  - the combination of the received amount of benefit with costs incurred to satisfy housing needs (e.g. costs of renting a flat on the commercial market and current costs to maintain a flat under the ownership formula),
  - persons eligible to receive support in the form of a housing benefit (ensuring the coherence of the instrument with other solutions adopted under the National Housing Programme),
  - a parameter adopted as a benchmark while setting out the amount of due housing benefits, in case of eligible persons living in flats, excluding publicly-owned flats (currently, benchmarked against the amount of rental fees in the municipal housing resource as a factor that may be contradictory to the rationalization of the municipal rental policy).

**Term of implementation:** A draft amendment to the statute to be adopted by the Council of Ministers in the 2. quarter of 2017

***H. Supporting the implementation of projects to improve the technical condition of existing housing resources and housing conditions, including the aspects of the integrated revitalization projects to restore housing functions in urbanized and socially degraded areas***

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**Instrument 1**

Improving the technical condition of existing housing resources and decreasing costs of energy demand in the publicly-owned housing through the enhanced effectiveness of public interventions implemented from funds of the Fund of Thermomodernization and Renovations by Bank Gospodarstwa Krajowego, including results of the examination of the technical condition of housing resources constructed with the use of the large-panel technology.

**Method of implementation:** Amending the Act on supporting thermomodernization and renovations.

**ASSUMPTIONS:**

- Adjusting principles for granting public support to changes in circumstances, in particular of a legal nature, both on the EU and domestic level from the adoption of the resolution of 21 November 2008 on supporting thermomodernization and renovations. The performance of the programme of thermomodernization and renovations in the period 2009-2015 will be evaluated by experts and recommendations concerning its amendment will be formulated.
- A report to evaluate the up-to-date performance of the governmental programme of thermomodernization and renovations will be adopted by Bank Gospodarstwa Krajowego and the Ministry of Infrastructure and Construction in the 4. quarter of 2016, including recommendations concerning potential legislative amendments. The programme evaluation will include results and conclusions from the performed examinations of the technical condition of housing resources constructed with the use of the large panel technology and the possibility to support thermomodernization of one-family houses.

**State budget expenditure (in million PLN)**

Programme of thermomodernization and renovations					Until 2020 inclusive	In the years 2021-2025
	2017	2018	2019	2020		
	66	240	250	250	806	1,250

**Term of implementation:** Under the recommendation to introduce amendments, the draft Act on amending the Act on supporting thermomodernization and renovations to be adopted by the Council of Ministers in the 2. quarter of 2017.

***Instrument 2***

Improving the technical condition of existing housing resources and decreasing costs of energy demand in the housing sector under activities for the low-carbon economy by allocating financial support to the complex energy modernization of multi-family housing buildings together with the exchange of their equipment with the energy-efficient one.

**Method of implementation:** Making use of sources of financing under: the Operational Programme “Infrastructure and Environment”, regional operational programmes and system of institutions of the Funds for Environmental Protection and Water Management.

**ASSUMPTIONS:**

- Housing communities, housing cooperatives, as well as other entities possessing multi-family buildings will be beneficiaries of support.
- Projects shall promote energy efficiency.
- Eligible projects will have to guarantee that energy efficiency will improve by at least 25%.
- Preference will be given to projects to enhance energy efficiency to above 60%.

**Term of implementation:** Activities performed under the financial perspective for the years 2014-2020 and under priority programmes of the National Fund for Environmental Protection and Water



Management, as well as programmes of Voivodship Funds for Environmental Protection and Water Management.

### **Instrument 3**

#### **Supporting the creation of technical infrastructure accompanying the housing construction.**

Reducing costs related to the new housing construction, as well as improving technical standards of existing housing resources and living conditions for population through access to basic facilitations in houses and flats (water, sewage system, heating, and Internet).

**Method of implementation:** Making use of possibilities under instruments to support the creation of technical infrastructure by the co-financing from the EU and domestic funds, in order to create infrastructure accompanying the housing construction, with the use of:

- instruments under the National Programme for Municipal Wastewater Treatment, and its part concerning the construction and modernization of sewage networks;
- instruments under the Rural Development Programme, and its part concerning the creation of sewage and water-supply system and the construction of local roads;
- instruments under the National Broadband Plan, and its part concerning the construction of networks delivering broadband Internet access in the areas where it may not be delivered under commercial terms and conditions;
- funds under the Operational Programme “Infrastructure and Environment” allocated to the modernization and reconstruction of heating networks, as well as the liquidation of group and individual sources of the so-called low emission in housing buildings.

**Term of implementation:** Activities performed under the financial perspective for the years 2014-2020 and under priority programmes of the National Fund for Environmental Protection and Water Management.

#### ***1. Senior policy: qualitative and quantitative optimization of the housing resources with accompanying infrastructure according to the specifics of challenges due to the changing age structure of the society***

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Enhanced accessibility of housing, including enhanced living conditions in the existing housing resources, through the implementation of an integrated programme under the following policies: social and housing, which address living problems of the elderly and the specifics of seniors’ housing needs.

**Method of implementation:** Legal changes and new financial instruments on the basis of the actualised “Assumptions of the Long-Term Senior Policy in Poland for the years 2014-2020”.

#### **ASSUMPTIONS:**

- Formulating proposals of detailed activities and instruments under the implementation of the National Housing Programme with the actualisation of the document “Assumptions of the Long-Term Senior Policy in Poland for the years 2014-2020” on the basis of recommendations by scientific and expert communities.

- System-based approach of the social and housing policies to the problem of the ageing society shall be of a complex nature. Matters concerning the evaluation of existing housing resources and the model on the basis of which the new housing construction for senior shall be developed, in terms of the adequacy of resources against common needs of the elderly: mobile accessibility, provision of decent living conditions by decreasing incomes, social integration, intergenerational solidarity, supporting and care.
- The matters to be considered will take into account the relationship between an effective senior policy in the housing with the urban policy, spatial planning, urban development and revitalization:
  - public space in cities to be senior-friendly,
  - adapting the housing resource,
  - designing new flats adjusted to the needs and capabilities of the elderly,
  - evaluation of circumstances concerning the location of flats and houses for seniors, which takes into account costs and benefits for the elderly living in cities and outside of urban centres, inter alia access to medical services and social infrastructure, access to family, senior housing under the conditions of the Polish housing market.
- The implementation of programmes under the “Mieszkanie+” package will be evaluated in terms of projects related to the construction of flats that satisfy housing needs of the elderly.
- Instruments of support will be determined by taking into account the social and economic calculation of the post-senior adaptation of housing resources (low costs of medical treatment and rehabilitation), which takes into account both the existing housing resource (adapting flats for persons living independently, lifts in multi-storey buildings), as well as new housing resources (technical conditions for the new construction).

**Term of implementation:** Preparing preliminary proposals of activities and instruments together with the actualisation of the document “Assumptions of the Long-Term Senior Policy in Poland for the years 2014-2020” - to be adopted by the Council of Ministers in the 2. quarter of 2018.

*Programme implementation - summing up priority activities in the context of the programme objectives.*

	<b>Priority activities/objectives</b>	<b>Objective 1.</b> Enhancing access to flats for persons with incomes that do not allow for the purchase or rent of a flat under commercial terms and conditions.	<b>Objective 2.</b> Enhancing the possibility to satisfy basic housing needs of persons threatened by social exclusion, due to low incomes or a particularly difficult situation.	<b>Objective 3.</b> Enhancing housing conditions for the society, improving the technical condition of housing resources and enhancing energy efficiency.
A	Facilitating the investment and construction process.	X	X	X
B	Amending regulations concerning principles of the rental market: rationalization of principles for managing the publicly-owned housing and verifications of regulations to ensure balanced protection of parties.	X	X	X
C	Amending regulations concerning principles of housing cooperatives: activation of new tenancy construction.	X		
D	Increasing the supply of affordable housing by direct investments by a national housing operator, performed in particular with the use of properties of the State Treasury under the rental housing system, including with the option to ultimately transfer the ownership right.	X		
E	Activating an integrated programme to support the social rental housing.	X	X	X
F	Enhancing systematic saving for housing purposes.	X		X
G	Supporting less well-off households when incurring expenditure to satisfy housing needs.	X	X	X
H	Supporting projects of thermomodernization and renovation, including as one of the aspects accompanying the implementation of integrated projects of revitalization.			X
I	Senior policy: qualitative and quantitative optimization of the housing resources with accompanying infrastructure.	X	X	X

## 2. FINANCIAL FRAMEWORK OF THE PROGRAMME

Assumptions to priority activities, as described in the former chapter of this document, specify a framework level of budget expenditure on the implementation of new instruments on which the first set of activities will focus in order to implement objectives of the National Housing Programme.

As a whole, the financial framework of the implementation of the Programme will be also determined by other activities undertaken under individual priorities of the Programme, in particular the continued instruments of financial intervention by the state, as well as activities concerning complex matters falling under the competencies of ministries cooperating with the Ministry of Infrastructure and Construction, to be specified more in detail at the stage of regular evaluation of the Programme. The table below includes a schedule of main activities to be performed in the above mentioned respect.

*Other activities to achieve objectives under the National Housing Programme*

Activity/instrument	Implementation of objectives of the National Housing Programme			Responsible and cooperating entities
	Objective 1	Objective 2	Objective 3	
<b>Accessible housing</b>				
Assistance to persons affected by natural catastrophes		X		Ministry of the Interior and Administration, Ministry of Infrastructure and Construction, Bank Gospodarstwa Krajowego (BGK)
Maintaining a reduced VAT rate for the housing construction.	X		X	Ministry of Finance (MF)
Programme to support green construction (instrument by the National Fund for Environmental Protection and Water Management)	X		X	National Fund for Environmental Protection and Water Management
Financial support for families with children under the "Rodzina 500+" Programme	X	X	X	Ministry of Family, Labour and Social Policy
Continuing instruments to support mortgage borrowers that are temporarily not able to regularly service their credits (Fund for Supporting Borrowers).		X		Ministry of Finance in cooperation with Bank Gospodarstwa Krajowego
<b>Stable and effective financing</b>				
Specifying a definite time framework to incur budget expenditure on the refund of guarantee bonuses and the introduction of new expenditure titles that refer to enhance energy efficiency of the existing housing resource to a larger extent.	X	X	X	Ministry of Infrastructure and Construction in cooperation with Ministry of Finance
Providing funds to finance budget liabilities under former housing programmes (subsidies to interest on credits granted under the "Rodzina na swoim" Programme, payment of co-financing to own contribution, and additional support in the form of a decreased credit balance under the "Mieszkanie dla młodych" Programme").	X			Ministry of Infrastructure and Construction
Phasing out the "Mieszkanie dla młodych" Programme after 2018 (in the part concerning the co-financing of own contribution) and the programme to refund part of expenditure on the purchase of construction materials during the construction of a one-family house.	X			Ministry of Infrastructure and Construction in cooperation with Ministry of Finance
<b>Modern, energy efficient and technically safe housing</b>				
Performing evaluations of the technical condition of housing resources constructed with the use of the large panel technology.			X	Ministry of Infrastructure and Construction in cooperation with the Building Research Institute
Financing thermomodernization investments from the funds of the National Fund for			X	National Fund for Environmental Protection and Water Management

Activity/instrument	Implementation of objectives of the National Housing Programme			Responsible and cooperating entities
	Objective 1	Objective 2	Objective 3	
Environmental Protection and Water Management and from the funds of the Voivodship Funds for Environmental Protection and Water Management.				
Implementing solutions to support revitalization of cities, related to the housing, excluding activities focused on the technical condition of housing resources.			X	Ministry of Infrastructure and Construction, Ministry of Economic Development
Supporting the creation of technical infrastructure accompanying the housing construction.	X		X	Ministry of Infrastructure and Construction, Ministry of the Environment, Ministry of Digital Affairs, Ministry of Agriculture and Rural Development
<b>Good law</b>				
Inventory of land resources of the State Treasury and their transfer to an entity implementing the state housing policy.	X	X		Ministry of Infrastructure and Construction, Ministry of Treasury, other ministries and entities possessing resources of public land
Adjusting vocational education to actual requirements of the construction market.	X		X	Ministry of Infrastructure and Construction, Ministry of National Education
Promoting innovation and technological progress in construction.	X	X	X	Ministry of Infrastructure and Construction, Building Research Institute, Bank Gospodarstwa Krajowego, and other operators of governmental programmes under the servicing of programmes to support social rental housing
Enhancing the safety of consumers on the housing market - review of legal solutions and introducing amendments to ensure the protection of consumers' rights in housing transactions (rights of buyers of flats and one-family housing, including at the stage of living in the purchased flat).	X	X	X	Office of Competition and Consumer Protection, Ministry of Infrastructure and Construction, Ministry of Finance, Ministry of Justice
Review of regulations concerning the financing of the housing market by mortgage banks and through the development of the market of covered bonds, the development of the secondary market of mortgage receivables, and the financing of the housing markets by investment funds, including the possibility to introduce specialist property funds and REITs onto the market in Poland <sup>37</sup> .	X		X	Ministry of Finance
Analysis of possibilities to introduce an institution of land charge as an alternative form of securing receivables against mortgage	X			Ministry of Justice

Framework declarations concerning state budget expenditure on the performance of activities under the National Housing Programme are presented below, provided that priority activities – both regulatory and financial - come into force, as assumed.

It is worth pointing out in this context that the modification of regulatory activities that limit chances of municipal self-governments to release part of the possessed housing resource in order to satisfy housing needs of persons waiting for renting a flat, shall automatically trigger an increase in expenditure on financial instruments to support self-governments in the construction of new flats.

*Forecasted state budget expenditure for the implementation of housing programmes (in PLN million)*

<sup>37</sup> REIT (Real Estate Investment Trust) - an investment vehicle in the form of a joint-stock company with shares listed on a stock exchange and investing funds from issues of share on the property market only. REIT pays yearly dividends in the amount of up to 95% of profit (from 80 to 95% depending on regulations in different countries).

	2017	2018	2019	2020	2017-2020	2021-2025
<b>Basis expenditure instruments under the National Housing Programme</b>						
Enhancing systematic saving for housing purposes*.	-	-	200	400	600	4,400
Social rental housing - providing funds for covering part of investment costs under the scale of financing established on a level proportionate to the deficit	150	-	Up to the amount of PLN 6,000 million altogether			
Programme of thermomodernization and renovations	66	240	250	250	806	1,250
<b>Continuation of former supporting programmes</b>						
Subsidies to interest on credits granted by Bank Gospodarstwa Krajowego to social housing investors	7	13	18	346	384	366
Assistance to persons affected by natural catastrophes	1	5	5	5	16	25
<b>Providing funds to service budget liabilities related to supporting programmed being phased out</b>						
The "Rodzina na swoim" Programme	319	371	305	186	1,181	1
The "Mieszkanie dla młodych" Programme	746	762	15	12	1,535	12
Guarantee bonuses	250	325	345	365	1,285	1,930
Overdue cooperative credits	35	455	31	15	536	55
<b>Tax preferences in the housing - current solutions to be continued</b>						
Reduced VAT rate	11,320	11,320	11,320	11,320	45,280	56,600

Source: Estimates by the Ministry of Infrastructure and Construction.

\*Direct budget expenditure.

As mentioned above, the "Rodzina 500+" Programme will supplement expenditure from the state budget allocated for housing purposes in order to implement objectives of the housing policy. The direct monthly financial support of PLN 500 for first child (in case of families with low incomes) or for second child will increase financial capacity of families, in particular those with low and average incomes. The increase monthly incomes will enable such families to inter alia satisfy their housing needs, improve their living conditions or increase their savings (e.g. for housing purposes). This means that budget funds allocated to the implementation of the "Rodzina 500+" Programme will partly contribute to the implementation of the National Housing Programme in an indirect way, provided that the final allocation of the funds will be determined by the very families - beneficiaries of the programme, while the thorough evaluation of its impact on enhanced accessibility of flats will be possible at a later term, appropriate experiences and data concerning the "Rodzina 500+" Programme having been gathered.

Additionally, some housing objectives may be implemented from other funds. The objective of improved technical condition of housing resources, combined with enhanced energy efficiency of housing buildings may be financed from the EU funds. In the financial perspective 2014-2020, approx. EURO 720 million are allocated to its implementation. What's more, it is possible to finance the construction of technical infrastructure accompanying the housing construction in some areas from the EU funds. The funds are provided under broader programmes to support the low carbon economy, water and sewage management, construction or modernization of local roads, access to broadband networks, and rural development.

Furthermore, activities related to thermomodernization of buildings may be partly financed from the funds of the National and Voivodship Funds for Environmental Protection and Water Management.

The newly created National Housing Fund (NHF) will also be a source to support proposed activities; as announced in activity D, the NHF will operate as a "bank of land" and will allocate its properties to:

- the construction of housing buildings,

- the sale or any other form of use of properties to gain funds that will be allocated to the implementation of housing objectives.

It is assumed that lands owned by the State Treasury will be contributed to the NHF under appropriate statutes. Land properties, whose specifics do justify such investments (e.g. location, development, accessible social infrastructure) will be allocated to direct buildings. What's more, works under individual legal solutions will include a possibility to allocate some incomes of the NHF to the equipment of plots of land with basic technical installations.

The potential of the NHF, as well as its capacity to finance housing activities, will be determined after a thorough inventory of available lands owned by the State Treasury has been completed.

### **3. SCHEDULE OF THE PROGRAMME IMPLEMENTATION**

The schedule of activities contains expected dates when individual drafts of legal acts will be adopted or activities will be performed that do not require legislative amendments. Individual activities under the Programme will be implemented in the following terms:

#### **Continuous activities (continued or modified)**

- Municipalities will be further supported to deliver night shelters, hostels for homeless persons and flats for the poorest
- Local self-governments and public-utility organizations will be further supported to create protected flats and hostels for homeless persons.
- Bank Gospodarstwa Krajowego will continue its programme to grant preferential credits to municipal self-governments, social housing associations and housing cooperatives.
- The preferential VAT rate will be upheld for the housing construction.
- The programme to construct energy-efficient houses (instrument of the National Fund for Environmental Protection and Water Management) will be continued.
- Families with children will receive financial support under the “Rodzina 500+” Programme.
- Instruments to support mortgage borrowers that are temporarily not able to regularly service their credits will be continued (Fund for Supporting Borrowers).
- Thermomodernization, renovation and revitalization investments will be financed from the EU funds (from the funds allocated under the Operational Programme “Infrastructure and Environment”, and under regional operational programmes).
- Thermomodernization investments will be financed from the funds of the National Fund for Environmental Protection and Water Management and from the funds of the Voivodship Funds for Environmental Protection and Water Management.
- Supporting the creation of technical infrastructure accompanying the housing construction.
- Financing of budget liabilities under former housing programmes will be provided (subsidies to interest on credits granted under the “Rodzina na swoim” Programme, payment of co-financing to own contribution, and additional support in the form of a decreased credit balance under the “Mieszkanie dla młodych” Programme”).

#### **Activities to be performed until 2018**

##### **Third quarter of 2016**

- Inventory of lands owned by the State Treasury - to be continued.

##### **Fourth quarter of 2016**

- The “Mieszkanie+” Programme: The Act on the National Housing Fund will be adopted by the Council of Ministers and lands owned by the State Treasury will be allocated for the housing construction purposes.
- The Council of Ministers will adopt regulations amending principles for the protection of tenants’ rights and the management of public housing resources.
- A report on the government programme to support thermomodernization and renovations will be adopted, with the potential modification of the programme according to appropriate recommendations therein.



- A draft urban planning and construction code will be submitted for consultation and agreement during the 4. quarter of 2016, while legislative works will be commenced by the Sejm in 2017.

#### **First quarter of 2017**

- The Council of Ministers will adopt regulations amending the Act on housing cooperatives.
- The “Mieszkanie+” Programme: The Council of Ministers will adopt amendments to the provisions on supporting the social rental housing.

#### **Second quarter of 2017**

- The “Mieszkanie+” Programme: The Council of Ministers will adopt a draft statute to implement a system to support saving for housing purposes by means of individual housing saving accounts.
- The Council of Ministers will adopt a draft statute to verify the existing system of housing benefits in terms of the relationship between the amount of received benefits and costs related to the satisfaction of housing needs and persons authorized to receive support in the form of a housing benefit.
- The “Mieszkanie+” Programme: A database of persons interested in the rental of flats will be initiated in order to collect applications from tenants.

#### **Fourth quarter of 2017**

- The Minister of Infrastructure and Construction will issue a regulation to determine standards to be fulfilled by investments performed under social rental housing programmes, under non-refundable financing to cover part of costs.

#### **Second quarter of 2018**

- The Act on housing cooperatives will be evaluated thoroughly - under recommendations concerning the introduction of system amendments, the Council of Ministers will adopt draft assumptions to the statute.
- The Council of Ministers will adopt preliminary proposals of activities and instruments of qualitative and quantitative optimization of housing resources with accompanying infrastructure according to the specifics of challenges due to the changing age structure of the society (actualisation of the “Assumptions of the Long-Term Senior Policy in Poland for the years 2014-2020”).

#### **Third quarter of 2018**

- The call for applications for co-financing own contributions (under the “Mieszkanie dla młodych” Programme) will be closed and invoices authorizing to claim a refund of part of expenditure related to the construction of one-family houses (i.e. the refund of VAT) will cease to be issued. The servicing of the above mentioned programmes under the principle of acquired rights will be ensured.

#### 4. INDEXES TO MEASURE THE STATUS OF THE IMPLEMENTATION OF THE PROGRAMME OBJECTIVES AND FRAMEWORK PRINCIPLES OF ITS ASSESSMENT

The implementation of individual objectives of the National Housing Programme will be monitored by observing changes in the set of indexes. For each objective covering:

- the availability of flats for the poorest and groups with special housing needs;
- the availability of flats for households that are not able to satisfy their housing needs on the housing market due to financial reasons;
- the technical condition of housing resources and living conditions of the population;

- basic and detailed indexes have been specified.

*Indexes to measure the status of the implementation of the objectives of the National Housing Programme.*

Index	Base value (year)	Target values			Source of data
		2020	2025	2030	
<b>Objective 1. Enhancing access to flats for persons with incomes that do not allow for the purchase or rent of a flat under commercial terms and conditions.</b>					
Number of flats per 1,000 residents	363.4 (2014)	389	410	435	Central Statistical Office of Poland (GUS)
Percentage of persons aged up to 34 years living together with parents	44.1% (2014)	37%	31%	25%	Eurostat, Central Statistical Office of Poland (GUS)
Number of persons saving regularly in housing saving accounts	0 (2015)	4.5 million	7.5 million	7.5 million	Ministry of Finance
Ratio of average net remuneration in the national economy to the construction cost of 1 m <sup>2</sup> of a flat (quarterly average)	0.70 (2015)	0.78	0.90	1.05%	Central Statistical Office of Poland (GUS)
<b>Objective 2. Enhancing the possibility to satisfy basic housing needs of persons threatened by social exclusion, due to low incomes or a particularly difficult situation.</b>					
Number of households currently waiting for renting a municipal flat	165.2 thousand (2014)	140.0 thousand	70 thousand	0	Central Statistical Office of Poland (GUS)
Number of places in protected flats	2.7 thousand (2014)	2.9 thousand	3.1 thousand	3.3 thousand	Ministry of Family, Labour and Social Policy
Number of places in night shelters and hostels for homeless persons	11.1 thousand (2014)	12.0 thousand	13.0 thousand	14.0 thousand	Ministry of Family, Labour and Social Policy
<b>Objective 3. Improving the technical condition of housing resources and enhancing energy efficiency</b>					
Number of persons living in sub-standard conditions due to over-population, poor technical condition or missing appropriate technical installations	5,360.2 thousand (2011)	4,300 thousand	3,800 thousand	3,800 thousand	Central Statistical Office of Poland (GUS)
Percentage of insulated buildings in the total of resources	54.1% (2012)	60%	65%	70%	Central Statistical Office of Poland (GUS)
Average usable surface of flats (in total) per person	26.7 m <sup>2</sup> (2014)	29 m <sup>2</sup>	32 m <sup>2</sup>	35 m <sup>2</sup>	Central

					Statistical Office of Poland (GUS)
Renovation gap in the publicly-owned resource (difference between 3% of the restoration value and the average rental fee)	57.3% (4. quarter of 2014)	40%	30%	20%	Central Statistical Office of Poland (GUS)
Percentage of expenditure for housing in the total expenditure by households	20.2% (2014)	20.0%	19.0%	18.0%	Central Statistical Office of Poland (GUS)

Until 2030, basic indexes foresee that:

- housing needs of persons currently waiting for renting a municipal flat will be satisfied, which means that municipalities will gain approx. 165.2 thousand flats (under the existing resource or through the construction of new flats);
- the average EU number of flats per 1,000 residents will be achieved, which means a necessity to construct approx. 2 million new flats in the years 2016-2030;
- the quality of flats will be enhanced for 2 million persons living currently in sub-standard conditions due to the technical condition of buildings, available technical infrastructure or over-population, which means that it is necessary to perform thermomodernization and renovation works in these buildings, provide them with water-supply, sewage and heating installations, as well as to offer other flats to some residents (e.g. under the resources of operators under the construction of social rental housing).

Basic principles of evaluation of the implementation status of the National Housing Programme are specified in an implementing act in the form of a resolution by the Council of Ministers. In particular:

- The entity responsible for the coordination of the implementation of the Programme: the minister responsible for construction, spatial planning and development and housing in cooperation with the minister responsible for regional development.
- Entities cooperating by the implementation of the Programme: other Members of the Council of Ministers within their competences and in cooperation with the minister responsible for construction, spatial planning and development and housing.
- Programme evaluation: made on the basis of reports submitted to the Council of Ministers. Starting from 2018, the minister responsible for construction, spatial planning and development and housing shall submit to the Council of Ministers, not later than 31 March, an annual report on the performance of activities under the Programme.
- Supplementation of the Programme: until 30 September 2017, the minister responsible for construction, spatial planning and development and housing shall submit to the Council of Ministers a plan of detailed activities corresponding with the implementation of the Programme's objectives that fall under the competences of other Members of the Council of Ministers.

The implementation of the National Housing Programme also includes the appointment (by an ordinance by the President of the Council of Ministers to be issued under Art. 12(1)(3) of the Act on the Council of Ministers) of an advisory and examination organ by the President of the Council of Ministers, i.e. the National Housing Council. The National Housing Council will be responsible for:

- examining the compliance of the status of activities, as presented in the report by the minister responsible for construction, spatial planning and development and housing, with objectives of the Programme and binding strategies of development;
- presenting analyses and opinions on the status of the housing and the state housing policy;
- formulating recommendations as to programme and legislation amendments related to the implementation of the Programme.

It is assumed that the Council will consist of specialists in housing matters, including persons appointed, upon their consent, by non-governmental institutions dealing with housing matters.