Financing Housing Support Programs in Poland in the Light of National Housing Resources

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Financing Housing Support Programs in Poland in the Light of National Housing Resources

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Abstract. The paper discusses the subject of subsidising residential development in Poland by the state, with respect to expenditures incurred on various programs that support the development of housing resources. The scope of the analysis includes specification of the size and type of national housing resources, the identification of housing support programs in Poland and their financing. In Poland, numerous programs supporting the construction or purchase of housing have been introduced since the political transformation that took place in the 1990s. They were usually replaced by new ones after several years of functioning, and the previous concepts were abandoned. This was quite often caused by excessive popularity and thus high financial encumbrances borne by the State Treasury. The problem is rather difficult, as private housing is dominant in Poland and citizens generally aim to purchase their own housing. This is rather typical for Polish mentality and tradition. All the proposals enjoyed great interest among Polish people. The government is currently working on another proposed program to support the purchase of apartments in small towns under the “Mieszkanie Plus” (“Home Plus”) program.

Key words: housing programs, residential development, state support in purchasing homes

1. Introduction

The political transformation that took place in Poland and led to the improvement of the living conditions of numerous households also increased the social disparities related to housing and failed to solve several problems from the past. In spite of numerous attempts taken by the State after 1989, none of the governments managed to create a universal long-term development strategy that would suit the specificity of the Polish market and take into account social transformations [1].

The housing problem has remained unsolved since Poland regained its independence. In creating the national housing policy, Poland repeated all the possible mistakes that had been made by other European countries. Not only did this hinder the process of solving housing problems, but it also changed the citizens’ mindset for years. In particular, the socialist system distorted the tenant protection principles. However, on the other hand, housing was one of the priority issues for the authorities in that system, and the extent of subsidies was unrivalled.

According to [2], an apartment is not only the effect of realisation of an investment process, but also the most expensive basic good that is indispensable for each family. Due to that, states have supported the efforts of their citizens in satisfying their housing needs for years, causing a much higher demand for flats than the one that resulted from the financial resources of investors.
Przybył et al. [3, 4] wrote about the quality of life in large Polish cities, including housing conditions, state of the natural environment, labor market, personal safety, and range of cultural services available.

The aim of the study is to provide a financial analysis of the state subsidies on residential development in Poland, with respect to expenditures incurred on various programs that support the development of housing conditions. The scope of the analysis includes specification of the size and type of national housing resources, the identification of programs supporting residential development in Poland and the financing of specific programs. The analysis of direct expenditures covers the years 2010 – 2016, while the analyses of preferential loans granted for investment under specific programs were conducted for the period 2007 – 2016. The amounts of the support planned and actually granted were converted to Euro currency at the exchange rate of the National Bank of Poland as of 13.02.2018. The equivalent of 1 Euro in Polish currency is PLN 4.1741.

Furthermore, research was conducted in the past regarding the availability of financial resources for people with disabilities in order to eliminate architectural and technical barriers in Poland [5] and demand for mortgage under the “Homes for the Young” [6].

2. The housing situation and state policy aimed at supporting residential development

2.1 Housing resources in Poland

As of the 31st of December 2013, the total housing stock in Poland consisted of nearly 13.9 million apartments of a total usable area of 1012.9 million sqm, with 52.9 million rooms. The housing stock is increasing rapidly (Table 1).

| Owned by:                        | Apartments [items] | Apartment surface [sqm] |
|----------------------------------|--------------------|------------------------|
|                                  | 2013    | 2016    | 2013    | 2016    |
| Housing co-operatives            | 2 248 625 | 2 073 935 | 111 522 268 | 102 336 104 |
| Municipalities (public housing)  | 934 863  | 868 517  | 41 585 794  | 38 306 151  |
| Workplaces                       | 105 304  | 79 308  | 5 992 565  | 4 564 658  |
| The State Treasury               | 30 527  | 29 127  | 1 505 781  | 1 473 620  |
| Social Housing Association (TBS) | 92 066  | 98 221  | 4 530 294  | 4 843 218  |
| Natural persons: in homeowners’ associations | 2 523 692 | 2 896 622 | 131 516 661 | 151 532 068 |
| Natural persons: outside homeowners’ associations | 7 917 819 | 8 200 534 | 716 235 474 | 748 761 778 |
| **Total:**                       | 13 852 896 | 14 272 000 | 1 012 888 837 | 1 053 251 803 |

Source: Own study based on GUS [7]

In terms of ownership structure analysis, the most apartments were found in the stock owned by natural persons (private housing) – approx. 10.4 million in 2013 and 11 million in 2016, including, in 2016, approx. 8.2 million outside homeowners’ associations and over 2.9 million in such associations. In 2016, housing co-operatives owned 2.0 million apartments of a total surface area of 102.30 sqm. The fewest apartments are held by the Social Housing Association – 0.98 million apartments of a total surface area of 4.8 million sqm. and by the State Treasury – approx. 2.95 thousand apartments of a total surface area of approx. 1.5 million sqm. The analysis of the current housing stock in Poland should take into consideration the fact that in 2016, in comparison to the year 2013, there were 416 114 more apartments (an increase by 3%) of a total usable area of 40 362 966 sqm (increase by 4%), which had been caused by new investments in the construction sector, the development and reconstruction of
existing buildings and changes in the designation of non-residential areas. In 2016, the total number of apartments amounted to 14,272,010, while their total surface area was 1,053,251,803 (sqm) [7].

There is a noticeable common trend consisting in the fact that in most voivodeships the share of apartments owned by natural persons in homeowners’ associations is either dominant or second to the position of housing co-operatives. The stock of the Social Housing Association (TBS) is negligible in comparison to the total housing stock in Poland.

According to Kubów [8], estimate values allow us to assume that approximately a million families in Poland do not have their own flats and more than a million other families inhabit lowered standard apartments. Such calculation of the housing deficit demonstrates that the residential needs of 2.5 million families remain unsatisfied. However, the housing situation of Polish families is improving, which is also due to housing programs subsidised by the state.

2.2. Programs that support residential development

Throughout Europe, housing is perceived as the foundation of social existence. This became the inspiration to create special financing systems, selected institutions or to develop principles for supporting such investments from state budget funds. According to Boerenfijn et al. [9], in the European Union, there are large differences in the ownership of housing. For example, older people can either be home owners, or tenants of commercially rented dwellings, or homes that are rented out by social housing associations. Świąder et al. [10] was also writing about the problem of poverty in society. Poverty is a multidimensional phenomenon [11, 12, 13] which could be defined as inability to provide basic needs i.e. food and housing. It is important to strive for solutions based on the patterns of other countries and international cooperation of Polish municipalities [14].

One of the government initiatives that were co-financed from State budget funds with the aim to support national housing policy was the system of supporting the supply of apartments for lease at moderate rents, established pursuant to the Act of October 26, 1995 on Certain Forms of Supporting Housing Construction [15]. Pursuant to this Act, the following institutions responsible for the functioning of the Program were established: The Social Housing Association (TBS), whose aim was to build and manage social rent apartments. The social housing system started in 1996. In the years 1996–2015, nearly 97 thousand apartments were constructed from the funds of the National Housing Fund (approx. 80 thousand as part of the statutory activity of the Social Housing Association and approx. 17 thousand in housing co-operatives), pursuant to 1,427 agreements of a total value of approx. EUR 1,456,587,000.00.

Another instrument supporting the national housing policy was the preferential mortgage loans program “Rodzina na Swoim” (“Family-at-Home”) introduced pursuant to the Act of September 8, 2006 on Providing Financial Support for Families Purchasing their Own Apartments. The preferential conditions were established in form of subsidies to interest charged on mortgage loan, which were granted for a period of 8 years from the date of entering into a mortgage agreement, in the amount of 50% of the interest charged. Support was granted to married couples and single parents, provided that, on the date of entering into the mortgage agreement, they did not have an ownership title to any other real property, and, starting from 2011, also to singles. Loan applications under the Program could be filed in the years 2007–2012. The last agreements were concluded in 2013.

The “Mieszkanie dla Młodych” (“Homes for the Young”) program was introduced pursuant to the Act of September 27, 2013 on State Aid in the Purchase of First Homes by Young People. It is another government initiative, after the “Family-at-Home” program, whose aim is to support young Polish citizens in purchasing their own apartments and to stimulate the residential market. The offered support consists in co-financing the own contribution for the purchase of the first apartment or house from the subsidies fund. The Program also foresees the possibility to obtain reimbursement of part of the expenses incurred on the purchase of construction materials in connection with the construction of one’s first own apartment or house.

Apart from the discussed initiatives, there is also the Thermal Efficiency Improvement and Renovation Fund whose aim is to conduct efficiency improvement and renovation works, to pay
compensation for owners of residential buildings that used to contain public housing flats. Another objective is the construction of community flats.

In June 2017 the government announced the National Housing Program “Mieszkanie Plus” (“Home Plus”), which is a new state initiative that is supposed to become an element of a comprehensive plan to support Polish families. The project is based on three fundamental elements: establishing the National Housing Fund, whose aim would be to construct apartments for lease with limited rent and the possibility to obtain ownership title, to support community development and change the principles of operation of housing co-operatives and to introduce incentives to save for housing purposes in form of Individual Housing Accounts.

2.3. Financing housing programs in Poland

Direct expenditures of the State Treasury designated to finance housing remain at the disposal of the competent Minister for construction, spatial planning and management and housing, while the expenditures related to subsidising social construction projects remain at the disposal of the Minister of social policy. The expenditures from the State budget on supporting housing under specific programs are listed in Table 2.

| Table 2. Direct expenditures on housing from the State budget planned by the Ministry of Infrastructure and Construction (million euros) |
|---------------------------------------------------------------|
| **Program:** | **Year** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| “Family-at-home” | | 61.06 | 105.11 | 164.97 | 191.55 | 114.47 | 86.20 | 91.95 |
| “Apartments for the young” | | - | - | - | 49.56 | 124.75 | 174.79 |
| Social housing | | 9.58 | 19.16 | 28.73 | 21.55 | 19.16 | 19.16 | 23.94 |
| Social housing - TBS | | - | - | - | - | - | - |
| Other programs – thermal insulation and renovation | | 0.24 | 62.49 | 29.21 | 32.09 | 79.25 | 52.68 | - |
| Old obligations | | 567 | 588 | 554 | 473 | 355 | 282 | 335 |
| % GDP | | 0.06 | 0.09 | 0.09 | 0.09 | 0.09 | 0.08 | 0.08 |
| % of total budget expenditures | | 0.29 | 0.45 | 0.47 | 0.47 | 0.50 | 0.41 | 0.42 |

Source: own study based on GUS [7]

Over 90% of the budget related to direct or indirect housing support is allocated to supporting private ownership housing. Additionally, a large part of the budget is still consumed by expenses on old liabilities that are not connected to the objectives of the current housing policy.

In the Social Housing Association (TBS), the total amount of subsidies from the State budget in the years 1995 -2009 amounted to approx. PLN 4.3 billion. In May 2009, the National Housing Fund was closed and its funds were transferred to Bank Gospodarstwa Krajowego. At that time, preferential loans were replaced with loans granted by BGK. In practice, the initiative expired as a result of closing the fund, as there were insufficient funds to continue it, which explains the empty line in the table above. Also, only few local territorial self-government units decide to start construction of community housing. During the 7 years’ duration of the “Family-at-Home” program, 192 360 mortgage loans with government subsidies were granted. This means that over 192 thousand households purchased their own apartments [8]. The programs were often a factor that facilitated making the decision to purchase own apartments or single-family houses. Its continuation was the “Homes for the Young” program (Table 3).
Table 3. Number and value of loans granted under the “Family-at-Home” program
[million euros]

| Specification            | Years       |               |       |       |       |       |       |       |       |
|-------------------------|-------------|---------------|-------|-------|-------|-------|-------|-------|-------|
|                         | 2007        | 2008          | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  |
| “Family-at-Home”        |             |               |       |       |       |       |       |       |       |       |
| Number of loans granted | 4 001       | 6 645         | 30 882| 43 120| 51 328| 45 792| 10 592| -     | -     | -     |
| Value of loans granted  | 434.7       | 852.8         | 5 417.6| 8 074.3| 10 249.3| 7 939.3| 2 004.6| -     | -     | -     |
| “Homes for the Young”   |             |               |       |       |       |       |       |       |       |       |
| Number of loans granted | -           | -             | -     | -     | -     | -     | -     | 9 141 | 21 888| 27 085|
| Value of loans granted  | -           | -             | -     | -     | -     | -     | -     | 366.26| 767.1 | 1 185.95|

Source: Own study based on data from the Ministry of Infrastructure and AMRON

The “Family-at-Home” and “Homes for the Young” programs, addressed to people in a relatively good financial situation, who were planning to purchase their own apartments or houses, turned out to be the main instruments of the housing policy. The share and number of loans granted under both programs in comparison to the total mortgage loans granted in Poland are presented in Figure 1.

According to the AMRON-SARFiN report, during the three years of functioning of the government program “Homes for the Young”, 76 160 applications for a total amount of PLN 1.928 billion were submitted to Bank Gospodarstwa Krajowego through banks granting loans. In the years 2014-2016, the value of subsidies pursuant to the agreements concluded amounted to PLN 1.888 billion. In the analysed period, preferential loans accounted for as much as 23.3% of all mortgage loans granted in Poland.

The main factor that contributed to the falling demand for mortgage loans was the fact that the limits available under the “Homes for the Young” programme were exhausted. In the opinion of banks, another reason for the decreasing demand was the introduction of more strict criteria for granting mortgage loans (increasing the required own contribution) [6].
3. Results and discussion
The structure of the housing stock in Poland is subject to transformations. In 2016, a decrease in the share of public construction was noted, with a simultaneous increase in natural person’s property. Construction by the State Treasury, workplaces and the Social Housing Association (TBS) were marginal: altogether they accounted only for 1.5% of the total structure.

Both the “Family-at-Home” and the “Homes for the Young” programs, after a series of modifications, are assessed positively, in particular the fact that they were addressed to young people. However, the disadvantage of both systems was the fact that the price limits did not match the existing market conditions adequately. These limits referred, among others, to the maximum price of the purchased apartments and their maximum surface area. These initiatives led to increased interest in preferential loans, which, in turn, resulted in the fact that developers, striving to adapt to the conditions, located their investments in cheaper areas, often on the outskirts of towns, with limited access to infrastructure.

Currently, the government faces an attempt to solve the problem of people without income that would allow them to incur mortgage loans. The last initiative of the government is the “Mieszkanie Plus” (“HomePlus”) program, dedicated to supporting Polish families. Thus, the State withdraws from supporting people with high creditworthiness, towards attempting to help the poorest [16].

4. Conclusions
Data for the year 2016 show an improvement in the overall housing market situation in Poland. According to data published by the Central Statistical Office (GUS), the number of apartments owned by natural persons increased in comparison to 2013, while the number of public housing fell simultaneously. This also suggests that the Poles are strongly attached to private ownership, which is also manifested in buying out the apartments from the housing stock of municipalities (public housing). The functioning of the program “Homes for the Young” and its predecessor, “Family-at-Home” so far demonstrates that both programs have contributed to the regulation of prices and to the increase in both demand and sales. The analysed programs were addressed to people interested in private ownership, who had a high borrowing capacity.

The new “Homes Plus” program is the government’s response to the demand for housing for lease at a fixed rent. At the same time, the programs that enable to purchase the ownership title to residential premises or houses are expiring.

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