The Problems of Managing Municipal Housing Resources in Poland and the Czech Republic

Maria Heldak 1, Agnieszka Stacherzak 1, Martin Král 2

1 Wroclaw University of Environmental and Life Sciences, The Faculty of Environmental Engineering and Geodesy, Institute of Spatial Economy, ul. C. K. Norwida 25, 50-375 Wroclaw, Poland
2 University of Hradec Králové, Faculty of Informatics and Management, Department of Economics, Rokitanského 62, 500 03 Hradec Králové, Czech Republic

maria.heldak@upwr.edu.pl

Abstract. The paper discusses the problems of managing municipal housing resources in Poland and the Czech Republic in terms of the issues that accompany municipal resources management. The scope of the research includes the specification of the size of housing resources in both countries, a presentation of the general conditions of municipal housing management and conducting detailed analyses in selected cities (Wroclaw - Poland, Hradec Králové - Czech Republic), concerning rent arrears and recapitalization of the housing issue. The study analyzes the deficiencies in adapting residential premises to current housing standards. It was determined that the average age of buildings with municipal and social apartments in Wroclaw in 2018 was 100 years, and the average degree of wear was 44.26%. A vast majority of residential buildings that belong to municipal housing resources were built before World War II. The situation is similar in Hradec Králové. The apartments require renovation and reconstruction works. They are mostly occupied by the poorest group of residents, which generates additional problems with rent arrears. Although the rent rates in apartments owned by the city Wroclaw are very low, below 3% of the replacement value for the Lower Silesian Voivodeship, a significant part of residents still have permanent rent arrears. The research revealed that a significant majority of buildings owned by the analyzed municipalities require renovation works due to their age, general state of repair and the necessity to adjust them to the currently binding technical and construction regulations.

1. Introduction

Poland, since the beginning of regaining its statehood, has been experiencing unresolved housing problems. All of the possible mistakes made by other European countries were replicated in its housing policy [1,2]. The political system of the former Eastern Bloc distorted the principles of tenant protection, even though the housing problem represented one of the major social issues for the socialist political power in this system. In turn, the social housing sector in Western Europe was strongly supported by public authorities in the period of an extensive housing deficit. The current housing situation in Western European countries results from the solutions adopted during that period [3].

In Poland, along with the development of the municipal real estate resources, a significant part of residential premises, formerly owned by the state, became the property of cities and municipalities. In the post-communist countries, municipalities have enormous assets at their disposal, which are largely decapitalized as they originate from the early 20th century and require proper management. Similarly, in the Czech Republic, part of the housing resources remain within the stock of local authorities – constituting municipal housing resources.
Housing resources management is an activity that aims at introducing the respective rules, procedures and real estate management practices [4]. The key objective of managing the real estate owned by a municipality is taking the most effective advantage of these assets in the process of performing public tasks, i.e. satisfying the collective needs of the community by providing local public goods.

Municipal real estate (including municipal residential premises) may serve to perform statutory tasks of an administrative and public utility nature. They may also generate one-off revenues such as sales, or periodic revenues, e.g. tenancy, lease, rents and may also be used to carry out investment projects or establish a reserve for the achievement of future development goals [5,6].

Municipal real estate management and its importance resulting from high capital value, limited resources, and the increasing social needs require effective actions, including maintaining spatial order, respecting the output and achievements of urban planning as well as architecture and land market value [7].

Municipal real estate management should be performed in a manner consistent with the principles of a sound economy, which include factual and legal acts. They cover: securing real estate against damage, carrying out investments aimed at the real estate meeting its functions by its socio-economic purpose and the protection of property rights [8].

The authority competent in the matters of housing resources management in Poland is the municipality head, mayor or city president – in Wroclaw it is the city president, whereas in the Czech Republic the municipal self-government authority is responsible for the management of municipal dwellings, in Hradec Králové, it is the "Správa nemovitostí Hradec Králové" institution headed by a director. This institution carries out and implements activities resulting from the decision of the political representation.

As Bryx writes [9], a dwelling is not only the effect of an investment process implementation but also the most expensive basic asset necessary for every family. Over the years, states were supporting the efforts of their citizens to meet housing needs by triggering the demand for residential housing greater than the one resulting from the financial resources of residential developers.

The research purpose is to identify the problems associated with managing the housing resources of a municipality in Poland and the Czech Republic based on the example of two cities: Wroclaw and Hradec Kralove.

2. Research methodology
The subject scope of the research includes presenting the general characteristics of housing resources in both analyzed countries in terms of size, ownership forms, market prices, dwelling area, and the offered conditions, addressing the general situation of municipal housing management and conducting detailed analyses in the selected cities: Wroclaw (Poland) and Hradec Kralove (Czech Republic).

The detailed analysis should indicate the size and condition of housing resources in the aforementioned cities, rent arrears and the housing tissue decapitalization as well as the deficiencies in adapting dwellings to current housing standards. The conducted analyses are intended at identifying the problems related to municipal housing resources management in both cities.

3. Discussion
3.1. Housing resources in Poland and the Czech Republic
The abundance of dwellings in the European Union depends on a particular state housing policy. Housing problems, in Western European countries, were frequently solved using social housing. The country with the largest number of dwellings in the European Union in 2017 was Germany – 40 722,6 thousand apartments, whereas in Poland the number of apartments amounted to 14 465,8 thousand and in the Czech Republic – 4 697,8 thousand. In the European Union, the real estate ownership structure is quite diverse. The form of such ownership in the European countries depends, more often, on the tradition rather than on the country’s wealth. The states included in the group of affluent countries, e.g., Germany or Sweden show a low percentage of owned dwelling, while the equally rich ones, such as
Spain and Luxembourg are characterized by their high percentage. In the entire European Union, approximately 70% of residents owned dwellings, whereas tenants constituted the remaining 30% [10].

In Poland, in terms of ownership structure analysis, the largest number of dwellings was recorded in the resources of natural persons (private apartments). Poles are very attached to apartment ownership, hence about 84,2% of all real estate is owned and only 15,8% remains the part of social housing, in the Czech Republic 78,5% was owned and 21,5% constituted housing for rent [11]. The general list of basic characteristics referring to the housing resources in Poland and the Czech Republic is presented below (table 1).

Table 1. Basic characteristics of housing resources in Poland and the Czech Republic, the status as of 2017.

| Specification                                                                 | Poland  | Czech Republic |
|--------------------------------------------------------------------------------|---------|-----------------|
| **Real estate resources by ownership in 2017 [%]:**                           |         |                 |
| Ownership                                                                     | 84.2    | 78.5            |
| tenancy                                                                        | 15.5    | 21.5            |
| **Real estate with ownership status [%]:**                                    |         |                 |
| Ownership without a mortgage                                                  | 73.1    | 57.8            |
| Ownership with a mortgage                                                     | 11.1    | 20.70           |
| **Average price per square meter of a dwelling in 2017 [EUR/m²]**             | 2793    | 6 505           |
| **Average 1m² price of a dwelling in the capitals: Warsaw, Prague [EUR/m²]**  | 2 068   | 3 316           |
| **Housing availability index in 2017 in the capitals [number of square meters of a purchasable dwelling for the average gross annual income in a given country, at an average transaction price in the capital of each country]** | 6.3     | 4.8             |
| **Housing deprivation:**                                                      |         |                 |
| No toilet [%]                                                                 | 2.5     | 0.4             |
| Under-lit dwelling [%]                                                        | 4.3     | 3.2             |
| No bathtub or shower                                                          | 2.9     | 0.3             |
| **Percentage of people living in overcrowded dwellings [%]**                  | 41      | 16              |
| **Average usable floor area**                                                 | 74.0    | 78.0            |
| **Average usable floor area per person**                                      | 25.6    | 35.3            |
| **Construction period [%]:**                                                  |         |                 |
| Before 1946                                                                   | 19.1    | 19.0            |
| 1946-1980                                                                     | 43.0    | 37.1            |
| 1981-2000                                                                     | 22.7    | 20.5            |
| 2001-2011                                                                     | 11.4    | 7.7             |

Source: authors' compilation based on Eurostat data [11]

The presented data show a better situation of housing resources in the Czech Republic, taking into account the number of people occupying overcrowded dwellings, housing deprivation rate, average usable floor area or average usable floor area per person. In Poland, 2.5% of dwellings lack toilets, whereas in the Czech Republic the respective share amounts to 0.4% only. The overall housing deprivation rate in the European Union remains at 4% (similar in the Czech Republic), while in Poland it is as high as 9.8%. No sufficient lighting of dwellings in approx. 4% of all housing resources poses a problem in both countries.

A significant limitation in the purchase of apartments is the low housing availability rate determined for the capitals of Poland and the Czech Republic, as the number of square meters of a purchasable
dwelling for the average gross annual income in a given country, at an average transaction price of an apartment m\(^2\) in the country capital. In Warsaw 6.8 m\(^2\) can be purchased for an annual salary, while in Prague only 4.8 m\(^2\). This puts especially young people in a very difficult situation, and thus it is founded to develop municipal resources as well as housing support programs.

3.2. Rules for managing municipal housing resources
The legal provisions in force in Poland, including the Act of June 21, 2001, on the protection of the rights of tenants, municipal housing resources and the amendments to the Civil Code [12], oblige a municipality to establish a stock of municipal housing, substitute flats and temporary facilities of a hotel room type to allocate them for the implementation of eviction court judgments. In connection with the implementation of their tasks, these provisions oblige municipalities to provide the entitled persons with municipal housing, substitute flats and also special dwellings for people with low incomes.

A municipality becomes an owner of housing resources by regaining them from the population migration, obtaining them as a result of constructing a superstructure, reconstruction, and adaptation of uninhabitable facilities. Individual cities have their internal regulations regarding the management of housing resources under their ownership.

The City of Wrocław adopted several priorities in the management of the dwellings and buildings included in the housing resources of Wrocław Municipality. Among them there are, e.g. [13]:
- increasing the efficiency of the previously applied and introducing new instruments for effective enforcement of the receivables from using municipal housing resources and minimizing debt;
- improving the execution of tenants’ eviction from the buildings in poor technical condition or to be vacated because of the significant interest of the municipality;
- gradual improvement of the technical condition of the owned housing resources, in particular through the implementation of necessary renovations and modernizations; elimination of architectural barriers in the dwellings of persons with disabilities.
- adjusting the size of the rented premises to the needs and possibilities of the tenants

Almost identical principles are also applied in Hradec Králové, although there is no law in the Czech Republic imposing an obligation on municipalities to operate municipal housing. According to the valid legislation only stipulates that “The municipality in its independent jurisdiction in its territorial district further cares by local assumptions and local customs to create conditions for the development of social care and for meeting needs their citizens [14]. It is primarily about meeting the needs of housing, the protection and development of health, transport, and communications, the need for information, education, overall cultural development and the protection of public order.” As part of its housing policy, Hradec Králové focuses on groups of people who, due to their age, health, income, social incapacity, and other reasons, are to a certain extent disadvantaged in the possibility of having adequate housing. In this sense, the target groups are primarily retired people, disabled people and last but not least young people up to the age of 32 who live or work in the city and do not own any housing property.

3.3. Municipal housing resources: Wrocław and Hradec Králové
According to the data provided by the City Office of Wrocław, the housing resources of Wrocław Municipality, as of December 31, 2018, amount to 34,805 dwellings, and their total area is 1,700,049.26 m\(^2\). These dwellings are located in 1,281 buildings under 100% ownership of the municipality (13,287 dwellings) and also dwellings in the housing community buildings (21,518 dwellings) [13]. Also, the municipality has at its disposal 1,600 subsidized dwellings and 60 temporary rooms separated from its housing resources.

In Hradec Králové, the stock of municipal housing is much smaller. At the end of 2018, the city-owned a total of 1,377 apartments, of which 1,172 were 100% owned by the city, and 205 were in private-owned buildings. The largest share of these dwellings (37.8%) consists of so-called “social dwellings”, which have only one room; a relatively high share (29.5%) is also made up of two-room apartments, while larger flats (3 or more rooms) are owned by the city only 16 (1.2%) [15].
The average age of the buildings under 100% ownership of Wrocław Municipality is approx. 100 years, and out of 1281 buildings providing dwellings 581 of them were constructed before 1900 (45.35%). The buildings erected in the period 1900-1940 make up a total of as many as 587 buildings (45.82%). Among the buildings entirely under Wrocław Municipality ownership, only 104 were built after 2000. The data clearly show that the vast majority of residential buildings included in the municipal housing resources were built before World War II.

According to the City Office, the technical condition of the housing resources is predominantly assessed as average, however, the assessment criterion for the average wear level was adopted within the range of 20% – 70% (1127 buildings). The technical condition of 57 buildings is assessed as poor (70% – 100% wear level). In the majority of buildings, the repairs of staircases, façades, windows, and door joinery and also sanitary installations are required.

The technical wear of the discussed buildings goes along with their functional wear. There still happen to be toilets in building staircases. Renting costs of the dwellings are maintained at 3% of their reconstruction value, which does not cover the current financial needs of the required renovations. The problem is getting worse and every year an increasing number of such buildings are suitable for an overall renovation or demolition.

Following the Long-term housing plan for 2020 – 2050, it was agreed that each year approx. 25 – 28 buildings will have to be vacated and, therefore, approx. 125 – 140 dwellings and approx. 60 – 70 substitute flats will have to be provided.

Still, not all of the buildings are connected to the collective sanitary sewage system, as many as 5.46% of them use sealed septic pits, flats often lack hot water installations from the municipal network and central heating.

The age of the dwellings in Hradec Králové is different - the city owns dwellings in houses that were built in the 19th Century, but also dwellings in houses that were built recently. A total of 10 dwellings are more than 100 years old, 161 dwellings were built between 1900-1940, and 370 dwellings were built after 2000. However, the largest share (53.4%) is represented by dwellings built in the post-war period of real socialism, their age is currently from 30 to 70 years.

From the evaluation of technical conditions and the necessity of repairs, it is not possible to state that old flats are more expensive to maintain and repair than newer flats. There are several decades old dwellings that do not require any major repairs and the only expenses related to their maintenance are, for example, the cost of cleaning, revision, etc. On the other hand, some newer apartments are depreciated by tenants, which requires considerable funds for their repairs. From the economic point of view, it would be possible, as in the case of Wrocław, to compare the share of rent in the total price of the property, which ranges between 2.5 - 3.5%, depending on the social group living in these flats, to some extent individual (for example, disabled people pay tens of percent less rent than young people in so-called start-up housing). Also, given the very dynamic development of property prices in the Czech Republic, the ratio of repair and maintenance costs of municipal dwellings to rent collected should be monitored. It can be stated that in the long term, the city spends more than half of the rent received for the reconstruction and repair of its flats, for example in 2016 it was 54%, two years later even 58%.

The increase in the amount of money the city spends each year on repairs and maintenance is due to a certain extent to regulated rents, but at an ever-increasing price level. Another factor is the risk groups of the population for whom municipal housing is intended. This is especially true for citizens who can be defined as socially excluded. As a rule, these are people who have difficulty finding employment, are dependent on social benefits, etc. In many cases, the lack of education and identification with basic moral principles is the reason why they do not value the entrusted housing and perhaps participate in its housing damage. Insufficient supply of flats not only in Hradec Králové but basically in the whole Czech Republic is the reason why these high-risk groups cannot find commercial housing municipalities.
4. Conclusions
The general characteristics of the housing resources in both countries revealed the existing further needs for the construction of new dwellings to improve the living conditions of residents. Financial problems related to the low availability rate of dwellings in the country capitals at the level of 6.8 m² of an apartment in Warsaw and 4.8 m² in Prague (purchasable dwelling area for the gross annual income) indicate the need for maintaining the stock of municipal housing resources for rent. An average Polish and Czech resident, starting their adult life, or a pensioner, cannot simply afford to buy a new apartment.

The authorities of the analyzed cities struggle with huge problems in managing their municipal housing resources. The main problem results from the high technical wear of multi-apartment buildings and the limited financial capacity of the municipalities. The city of Wrocław has developed a long-term housing plan for the years 2020-2050, following which it is intended to renovate or demolish the decapitalized buildings. However, the number of new dwellings or apartments regained from the population migration is insufficient to provide the evicted tenants with alternative housing. The functional wear of municipal housing resources is also a problem, including primarily no access to the sanitary sewage system.

In Hradec Králové, the main problem is not nor the age of dwellings nor their technical condition, but relatively high maintenance costs. In the context of insufficient housing supply, the main target group of municipal housing is people who are at risk and are disadvantaged in the commercial market. The problems encountered in renting dwellings are thus often associated with non-payment of rent or damage to flats - which in turn results in an increasing share of the cost of managing dwellings in proportion to the city's income from renting.

As no law in the Czech Republic obliges municipalities to run urban or social housing, it leaves the decision to the local political representation. If soon, the negative effects due to the coronavirus epidemic are expected to materially increase, the growing demand for municipal housing supply can be expected. In this case, it can be expected that political representation will be exposed before deciding whether to prioritize the social interests of the population or economic interests.

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