

PD-NBF-389  
ISA 81097

**Progress Report:  
Developing Policy Options  
for the  
Bulgarian Housing Sector**

by  
**Michael L. Hoffman  
&  
George Galster**

**The Urban Institute  
Washington, D.C.**

prepared for

**The Office of Housing & Urban Programs  
The United States Agency for International Development**

**Bulgaria Paper No. 2  
U.I. Project No. 6127-71  
July, 1991**

## **Table of Contents**

<b>Background</b>	<b>1</b>
<b>The Institutionalization of Policy Developmment</b>	<b>3</b>
<b>On-the-Job Training - Policy Analysis</b>	<b>6</b>
<b>Annex A: Notes from Discussion Sessions</b>	<b>10</b>

## **Background**

In May of 1991 USAID's Office of Housing and Urban Programs developed a Shelter Sector Action Agenda for technical assistance to the Government of Bulgaria.<sup>1</sup> This agenda was developed jointly with Bulgarian officials and the private sector, and discussed and approved by an *ad hoc* working group of Bulgarian officials involved with housing policy.<sup>2</sup> The purpose of the current activity which began in July, 1991, was to begin to carry out that technical assistance.

The assistance is organized into three areas:

- I. Training of Policy Analysts and the Development of Alternatives and Options for a National Housing Policy
  
- II. Assessment of the Property Maintenance and Rehabilitation Problem for State Produced Housing and the Design of Training and Other Solutions.
  
- III. Development of Housing Market Support Systems: Training in Real Estate Appraisal and Brokerage.

---

<sup>1</sup> The findings of the initial USAID mission are contained in *A Preliminary Assessment of the Bulgarian Shelter Sector*, Urban Institute Report-Bulgaria No. 1, July, 1991.

<sup>2</sup> The group included representatives of the Ministry of Building, Architecture, and Public Works, the Ministry of Foreign Economic Relations [aid coordination], The State Savings Bank [housing finance], The Ministry of Finance, and others.

This progress report focuses on the first of these activities, and separate reports are being submitted concurrently for the other activities.<sup>3</sup>

The specific tasks for this activity were:

1. Provide on-the-job training to assist Bulgarian housing analysts to define the scope and outline the components of a National Housing Policy.
  
2. Develop a work program which will enable Bulgarian analysts to delineate basic issues and options in housing finance; low-income housing programs; housing law and regulation; basic data collection; and other areas which are of interest to the government and the private sector.
  
3. Continue to work with the Bulgarian ad hoc group on housing policy. The purpose of the group is to create a constituency for housing reform, provide policy guidance, and create linkages among official agencies and between those agencies and the private sector.
  
4. Based on the work accomplished in the above three tasks to design future technical assistance activities.

In the sections that follow we discuss the work completed for the first three of these tasks under the headings: Institutionalization of Policy Development and Reform;

---

<sup>3</sup> See T. Nutt-Powell & J. Lowry, *Residential Property Maintenance for Bulgaria*, Urban Institute Report-Bulgaria, No. 3, July, 1991; and D. Parry, *Progress Report: The Development of Real Estate Appraisal & Brokerage in Bulgaria*, Urban Institute Report-Bulgaria, No. 4, July, 1991.

Training of Policy Analysts; Basic Data for Policy Analysis; The Legal Framework of Housing. Future technical assistance will be addressed in a separate memorandum.

### **The Institutionalization of Policy Development & Reform**

The institutional issue has two components: policy guidance and technical activity. Regarding the former, Bulgaria has at present, no Ministry of Housing or other body which sets policy or develops programs for the housing sector. The Ministry of Building, Architecture, and Public Works (formerly the Ministry of Construction) was in the past concerned with the building of state housing, but it did not, and does not, have the responsibility for setting sector-wide housing policies.

As a caveat to the above, one division within the Ministry did, especially during the last two years, attempt to broaden the Ministry's view of housing and move toward a more comprehensive and diverse approach toward the sector. It was the Director of this division who formally initiated the request to USAID for Technical Assistance, and who has served as the main counterpart for subsequent assistance activities.

While in the past this activity was contained and limited to virtually one professional, the Ministry has recently (July, 1991) decided to expand this division with the addition of ten professionals. Whether this change will be fruitful will depend on the future of the Ministry, a question most likely to be addressed after the September, 1991 elections.

Because of the need to provide policy guidance for technical assistance, an *ad hoc* working committee was established at the end of the April, 1991 mission. The group met and discussed and approved the initial technical assistance as noted above.

However, in June, there was some confusion as to whether the *ad hoc* group should continue or whether a new group should be formed. After several days of discussion

two members of Parliament took the initiative to call together a broad based committee from various ministries and the legislature.

This group met on July 12, 1991, reviewed the existing technical assistance activity, and indicated priorities for future work. These priorities focused on a continuation of the existing work and a greater emphasis on development of a new housing finance system. The Ministry of Foreign Economic Relations (the aid coordination agency) indicated that they would form a permanent committee for coordination of USAID assistance in the shelter sector. In addition, the USAID - Office of Housing Representative met with the Prime Minister who offered his assistance in assuring that a broad-based committee was established, and in general, expressed his support of the technical assistance activity, and urged that it be continued.

At the technical level, the counterpart institution for this assistance is the Housing Group at the National Center for Regional and Urban Development [NCRUD]. The Center is a research institute attached to the Ministry of Building, Architecture, and Public Works which provides policy analysis and program and project design in the areas of urban and regional design, planning and development. The Housing Group is an interdisciplinary team of approximately ten researchers (economists, architects, engineers, sociologists, lawyers and others) which was specifically formed in 1990, on the initiative of Bulgarian officials concerned with housing, in order to undertake research in support of housing policy development during the transition to a market economy.

Overall, the Center more than fulfilled its commitment in making office space, computer equipment, and staff available for the technical assistance activities. They have expressed their desire to continue to work with USAID, and Center staff are

currently engaged in several projects which resulted from the recent mission (see discussion below).

As a general comment on the development of housing institutions, governmental officials -- including those who are attempting to promote market oriented solutions to housing problems -- continue to have a monolithic view of the government's role in housing. They continue to seek a single government entity which will control all aspects of housing and are resistant to the idea that the corollary of a market approach is a multiplicity of actors -- both public and private -- and that in many cases the government will have only limited control over such actors.

We have attempted to address this issue in three ways: First, by locating the current technical assistance partly with government, e.g. development of policy options, and partly with private sector institutions, e.g. training of brokers and appraisers. Second we have agreed with the National Center for Regional and Urban Development that it:

- a. would be open to expanding its linkages with other public and private actors bringing in other staff to participate in its projects;
- b. that it would not object to "spinning off" projects which were developed at NCRUD (for example the maintenance and rehabilitation activity initially developed at NCRUD will be located in the future at the Bulgarian Building Trades Training and Qualifications Center, and in the secondary vocational education system);
- c. that it would develop a program to disseminate the information (printed material, and software) that were provided as part of the technical assistance (this has already begun as requests have been made

for the demonstration of the alternative mortgage instrument software by NCRUD staff);

The recent crisis in Bulgarian housing finance (see discussion in Hoffman, 1991) resulted in several draft "Housing Acts" being submitted to the government. These acts tended to be oversimplified and reflections of the monolithic viewpoint noted above. Currently, we are working with Bulgarian officials to explain why these acts are inadequate and unworkable and to develop the basis for a sounder approach. In the interim the Council of Ministers has rejected all the proposed drafts.

As a final observation on the institutionalization of housing reform it should be mentioned that the USAID activity has resulted in several articles in the Bulgarian press and radio and TV coverage.

### **On-the-Job Training & Development of Policy Options**

As an initial step in the development of policy options it was decided that the development of a group of Bulgarian housing policy analysts would further the process of housing reform. It was thought that the initial persons should be members of the Housing Group at NCRUD as these persons would also be involved in the development of policy initiatives taken by the government.

The specific activities undertaken here were to prepare and conduct seven seminars of three hours each at NCRUD on various aspects of housing (see Annex A for lecture notes and related materials). Participation in the discussion groups began with the housing group at NCRUD (approximately eight persons) but quickly expanded to an average of fifteen persons. Because of a desire to not turn away participants we shifted to a more structured format with an initial presentation and demonstration followed by a minimum of an hour's discussion.

As part of this activity team modified and demonstrated housing policy analysis software developed by The Urban Institute; wrote a descriptive catalogue for these programs; and reproduced the programs in a form usable to NCRUD staff. In addition, the team revised the self-study guide and exercise which demonstrates the development of housing strategy/plan as well as the documentation and instructions for the advanced Housing Needs Assessment Model (Urban Institute/USAID).

NCRUD staff have agreed to work on this exercise during the next two months and review their progress with the members of the next technical assistance mission. Overall, it was intended that there be left in place some capacity on the part of Bulgarian analysts to demonstrate to policy makers the types of costs and tradeoffs involved in establishing a housing policy. This process has begun to work and requests have been made to NCRUD staff to present materials and demonstrate software.

In addition to the software and documentation deposited with The National Center for Regional and Urban Research [NCRUD] the team provided the center staff with several general texts on economics and approximately 30 journal articles on housing policy and finance in Eastern Europe and the US. As noted above we have agreed with center staff that they will disseminate both the software and the printed materials to interested parties.

**Data for Housing Policy Analysis:** As part of the training activities the team organized, evaluated, and catalogued housing data. They continued the previously established working relationship with the Director of the Census of Population & Housing -- he will be involved in future housing policy research, and established a working arrangement with NCRUD Information & Computing Director - Data Base Manager. NCRUD has a extensive computerized national data base which includes

population, housing and other socio-economic data for the 3,000 plus municipalities in Bulgaria. This data base has been given to the consulting team and joint development is anticipated in the future. In particular, all parties would like to use this database to monitor the emergence of land and housing markets.

In addition to the regional development data base, the Central Statistics Office furnished the team with the complete data file from a recently completed (November, 1990) national representative household survey (n=5,614 households). Preliminary data from that survey were included in the shelter sector assessment and further analysis will be undertaken at the Urban Institute.

**The Legal Framework of Housing:** The other activity contained within the broader policy work was an initial reconnaissance of the legal framework of housing and land. Through contacts with the legislators and the private bar we attempted to identify gaps and problems in the current legal framework. The particular areas under examination include 1) basic tenure rights and their impact on housing development and ownership, and 2) basic laws affecting housing finance including the ability of various institutions to act as lenders and the general nature and impact of foreclosure laws.

At present, as part of the work of the organizational committee of the appraisal and brokerage activity (see Parry, July, 1990) further legal analysis is underway to identify potential constraints on the development of land and housing markets. This work will be developed further during the next mission and result in a separate report on needed legal reforms.

## **Summary of Major Achievements**

Overall, the team completed the required work and there was significant progress in institutionalizing the housing reform process. The Bulgarians were pleased that USAID delivered the technical assistance as promised and are anxious to move ahead. While there is still much basic work to be done, we are nevertheless poised to undertake and complete action projects during the next several months.

Other specific accomplishments include:

- the establishment of an on-going training process at NCRUD;
- the establishment of a means for disseminating information on housing to policy makers;
- the coordination of actors in the housing data collection process and the beginning of an integrated approach to data collection.

**Annex A**  
**Lecture Notes:**  
**HOUSING IN A MARKET ECONOMY**

## **List of Topics**

- I. Overview of Housing Policy: Purpose, Scope, Contents and Key Issues**
- II. Introduction to Private Housing Development in the U.S.: Definitions, Actors and Roles**
- III. The Housing Sector in a Market Economy**
- IV. Financing Housing Purchase, Construction, and Rehabilitation in a Market Economy**
- V. Alternative Means of Governmental Intervention in the Housing Sector**
- VI. Developing a Housing Strategy: Overview**
- VII. Developing a Housing Strategy: The Needs Assessment Model**

## **Session I**

### **OVERVIEW OF THE CONCEPT OF A HOUSING POLICY**

#### **A. General Questions for Discussion**

1. What is the purpose of a housing policy?

Should it define the roles of key actors in the housing sector? Should it set out the nation's housing goals?

2. What is the scope and content of a housing policy?

Should it be comprehensive? Should it be detailed or minimal?

3. What is the process to create a housing policy?

Is it a political or a technical process?

4. What are the criteria for a good housing policy?

5. Do you need a housing policy in order to have housing laws, regulations, and programs?

6. Does Bulgaria have a housing policy now? Did it have one before 1989?

What are the costs and benefits of not having a consistent and comprehensive housing policy?

7. How do you implement a housing policy?

If decisions are made by the market how can you have a housing policy?  
What tools does the government have?

## **B. Some Issues that a Housing Policy Might Address**

1. Does everyone have a right to decent housing?

What does "right" imply in terms of responsibility?

What is the filtering (trickle down) process? Does it work?

2. Is housing a commodity like cars or other things?

3. Is home ownership per se desirable?

4. What are the appropriate roles of the national and local government?

## **C. Definitions & Miscellaneous**

**Policies** are general guidelines concerning how the government and private sector actors ought to behave in order that the nation be able to achieve its goals.

In the US a fully comprehensive national housing policy has never been explicitly stated by anyone, even as a proposal. The main reason is that such an activity would require resolving very difficult issues that officials would rather not confront openly and publicly. Further carrying out such a policy would probably cost more than any government is willing to spend.

**Issues** are policy questions that require choices among alternative courses of action or distribution of resources in order to pursue housing goals.

### **Ideal criteria for housing policies**

- Internal consistency
- Financially realistic
- Politically feasible
- Realistic role assignments
- External consistency
- Coordinated with other policies

### **Possible Roles for National Government**

- Provide financial subsidies
- Maintain a general financial environment favorable to housing transactions
- Support & regulate housing finance institutions
- Encourage private production of housing

### **Potential Problems**

- No supply
- Affordability
- Physical Inadequacy
- Overcrowding
- Inadequate neighborhood facilities and services
- No national resources

### **Suggested Exercise:**

- What are Bulgaria's main housing problems?
- What are the important issues that these problems raise?

## Session II

### Private Housing Development in the U.S.

#### A. Who Are The Actors in Residential Development?

1. Original Land Owner
2. Developer / Investor
3. Architects
4. Lending Institution - Construction Financing
5. Contractor
6. Subcontractors
7. Real Estate Agent
8. Buyer
9. Lawyer
10. Title Insurer/Abstractor
11. Lender - Home Buyers Loan
12. Local Government

#### B. How does each benefit / Why do they act?

1. Profit on Land Sale
2. Interest & Fees
3. Sale price less
  - interest
  - fees
  - cost of land
  - construction cost
  - permitting
4. Profit on services, materials, labor
5. Obtain shelter

### **C. Does Local Government Have a Role in Private Development?**

1. Planning permissions
2. Subdivision regulation
3. Zoning regulations
4. Building codes
5. Registration of titles, security interests

**SESSION III**  
**THE HOUSING SECTOR IN A MARKET ECONOMY**

**GOALS:** How the special nature of the housing commodity implies special features of the housing market

How housing sector in market economy must involve not only housing but also financial and "supportive" markets: land, building materials, construction labor, brokers, appraisers, insurers

Familiarity with profit-driven housing supply, as illustrated with Developer's Pro Forma computer exercise

Outcomes of market process and possible reasons for government intervention

**I. Underlying Premises**

**II. Special Nature of Housing and Its Implications for Market**

Durability, relative expensiveness, locational fixity

**III. Schematic of the Housing Sector in a Market Economy**

Handout

**IV. Illustration of Housing Demand and Supply and Profitability of Potential Development**

Developer's computer exercise: see ProForma.

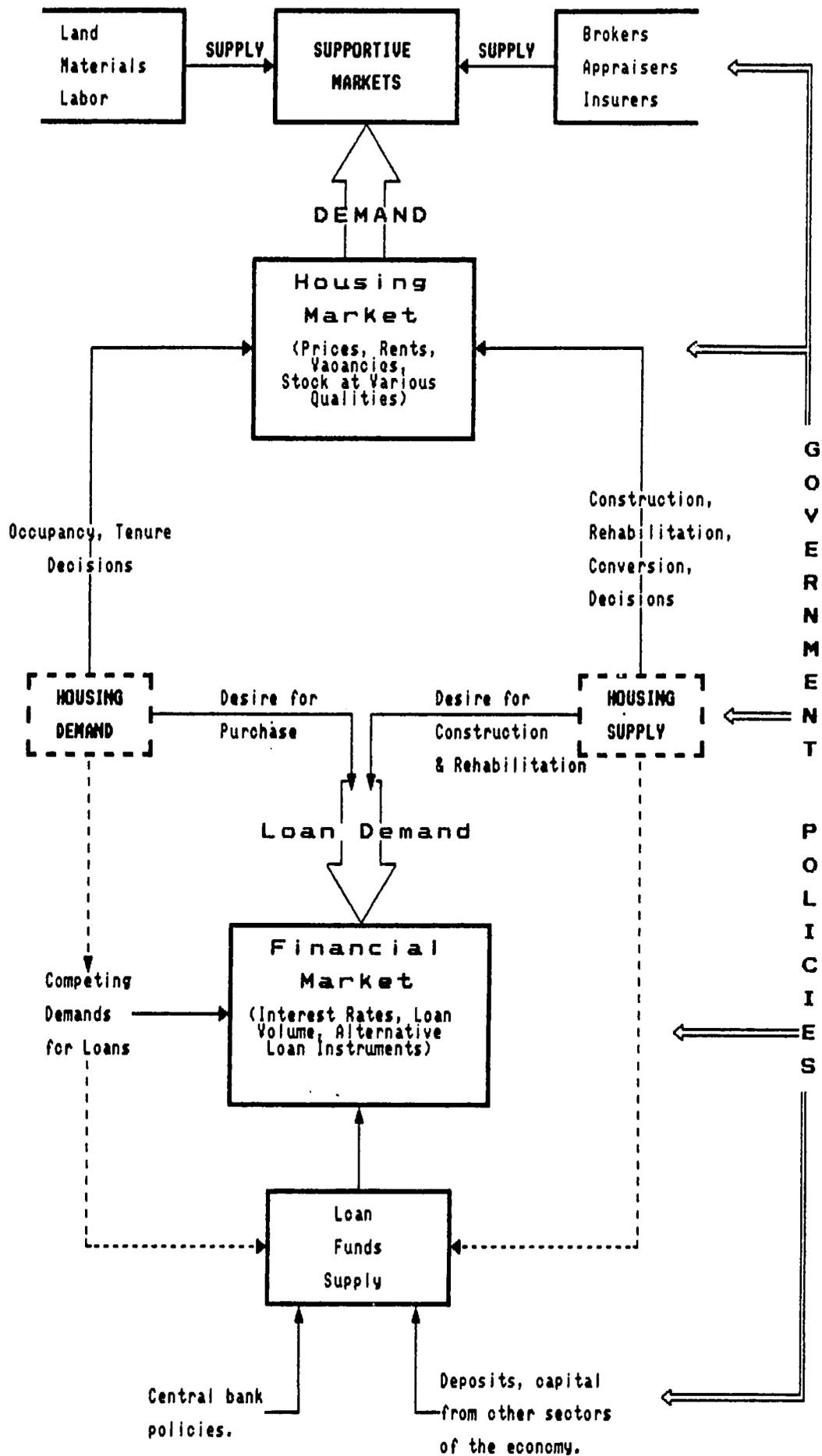
## **V. Outcomes of the Housing Market**

## **VI. Discussion/ Assignment**

**To what extent does Bulgaria have the components of a market housing sector? What directions are now underway? What still needs to be done?**

## **VII. Summary**

# The Housing Sector in a Market Economy



*186*

**SESSION IV**  
**FINANCING HOUSING CONSTRUCTION, REHABILITATION, AND PURCHASE**  
**IN A MARKET ECONOMY**

**Goals:**     Understand basic components of a private market housing  
                  finance system

                  Understand features of alternative mortgage instruments

**I. The Basics of a Housing Finance System in a Market Economy**

**A. Components of the system**

                  1. types of possible institutions

                  2. sources of loanable funds

                  3. lender and loan servicing

**B. Elements required to sustain a viable system**

**C. Loan repayment considerations**

**D. Loan underwriting considerations**

**E. Legal issues**

## **II. Alternative Mortgage Instruments**

### **Hand Outs**

**A. FRM: Fixed Rate Mortgage**

**B. ARM: Adjustable Rate Mortgage**

**C. PLAM: Price-Level Adjusted Mortgage**

**D. DIM: Dual-Indexed Mortgage**

**Computer exercise showing alternative instruments: MORTBUL.**

## **III. Summary**

## Alternative Mortgage Investments Compared to Fixed-Rate Mortgage

<u>instrument</u>	<u>impact on affordability</u>	<u>interest rate risk</u>	<u>risk of default</u>
adjustable rate mortgage (ARM)	modest increase	shifted to the borrower*	relatively great
price-level adjusted mortgage (PLAM)	substantial increase	largely shifted to borrower**	moderately greater
dual index mortgage (DIM)	substantial increase	largely shifted to borrower**	slightly greater

\*If adjustment limits are present, e.g. maximum interest rate increase of 5 percentage points over the life of the mortgage, then risk is shared with originator/investor.

\*\*Adjustment limits in terms of the ratio of mortgage payment to income could be in effect.

2011

## Alternative Mortgage Instruments

Let: R = Repayment per period  
U = Unpaid balance of loan  
i = interest rate charged  
P = Price index for commodities  
W = Wages (nominal) of borrower  
t = Indicator of time period (loan begins in period t = 1)  
f = indicator of mathematical formula

FRM:  $R_t = R_1 = f(i_1, U_1)$

ARM:  $R_t = f(i_t, U_t)$

PLAM:  $R_t = R_1 (P_t/P_1) = f(i_1, U_1 (P_t/P_1))$

WLAM:  $R_t = R_1 (W_t/W_1)$  (→ variable loan period)

DIM:  $R_t = R_1 (W_t/W_1)$  and  $U_t = U_1 (P_t/P_1)$  (→ variable loan period)

**SESSION V**  
**ALTERNATIVE MEANS OF GOVERNMENTAL INTERVENTION IN**  
**HOUSING AND FINANCIAL MARKETS**

- Goals:** Understand distinction between principles of intervention in centrally planned vs. market economies  
Learn variety of possible intervention approaches in both demand-side and supply-sides of housing and financial markets

**I. Philosophical Issues in Intervention**

- A. Assessing the efficiency and equity of market outcomes
- B. Intervention in market inputs (elements of demand and supply) vs. in market outputs (prices, interest rates)

**II. Housing Market Demand-side Interventions**

- A. Incomes policy (generaltax/transfers to households)
- B. Housing allowances
- C. Deductibility of property taxes from income taxes

**III. Housing Market Supply-side Interventions**

- A. Subsidize private production/ rehabilitation costs
  - 1. grants
  - 2. tax reductions
  - 3. in-kind contributions

**B. Directly build/own/operate public dwellings**

**C. Revise land use/housing regulations**

**IV. Financial Market Demand-side Interventions**

**A. Effective interest rate reductions (by subsidy or tax deduction)**

**B. Subordinated leases on public lands**

**C. Limited-equity ownership arrangements**

**V. Financial Market Supply-side Interventions**

**A. Central Bank macroeconomic monetary policies**

**B. Adjustable mortgage instruments**

**C. Public lending (direct or indirect via private lenders)**

**D. Mortgage Insurance by public agency**

**E. Housing trust funds**

**VI. Summary**

## SESSIONS VI & VII

### DEVELOPING A LOCAL HOUSING STRATEGY AND PLAN

#### A. Setting the Stage for Developing a Local Housing Strategy and Plan

1. What is a local housing strategy and what is its purpose?
  - a. setting and prioritizing goals
  - b. making short and long term plans
  - c. assessing needs now and for the future
  - d. creating consensus among citizens, political groups, public and private sector

#### B. Overview of How to Develop a Local Housing Strategy and Plan

##### 1. Objectives and Uses

- a. Prepare an explicit comprehensive plan and strategy for improving housing conditions. The plan is based on an analysis of current conditions and a projection of future needs.
- b. The strategy should be based on an analysis which includes:
  - critical assessment of housing conditions
  - inventory of resources for housing
  - projection of housing supply and demand
  - determination of housing deficit
  - analysis of constraints to improved housing
  - consideration of all actors and interested parties to ensure political feasibility of implementation
- c. The analysis results in:
  - preparation of a strategy and financial and implementation plan to improve housing
  - implementation of the plan

##### 2. Key Issues to Consider in Developing a Local Housing Strategy (with discussion)

- a. A key consideration is the choice of the entity selected to prepare the strategy. It should have the technical capacity and credibility to work closely with the public and private sector participants.
- b. There is no single, correct solution to the housing problem. the strategy should be based on assessing trade-offs, options, constraints, resources, etc.

- c. In formulating a strategy decisions will have to be made about the goals to be achieved, the time frame of the strategy, the scope and intent of the analysis upon which the strategy will be based, and on the extent of control the local government will have over its ability to assure implementation of the plan. With regard to time frame, both short-term and long-term goals should be identified.
  - d. Successful implementation will require participation of both public and private sectors. In many cases public and private institutions will have to work together closely. Actors include: district government, district council, tenants, builders, architects, developers, financial institutions.
  - e. Designers of the strategy should involve the full range of housing sector participants in the process of developing the strategy and in building a consensus for the key elements of the strategy.
  - f. Housing problems cannot be solved over a short time frame and resource constraints will be a principal factor in formulating the strategy. The projected availability of long term mortgage financing and other capital resources is an important consideration.
  - g. Housing issues must be analyzed within the context of overall macro-economic policies and circumstances.
3. Determination of Availability of Data on Housing Supply and Demand and Available Resources
- a. Good data essential to effective planning and adequate projections of housing need, as well as to enable the local government to make the best decisions about selling publicly-owned rental property.
  - b. In many cases required data will be out of date or unavailable. In such cases "best guesses" will have to be made or a sample survey could be undertaken. Local government can contract for a survey. Although surveys can be expensive and take time to conduct they can provide up to date information on important issues and concerns.
  - c. The best sources for data, the uses of the data and the potential problems with each data set:
    - (i) Current and projected population and household formation (used to project housing demand). May be somewhat out of date.
    - (ii) Housing stock conditions (used to determine current housing needs)
    - (iii) Rental and construction costs (used to estimate public and private costs of improving housing)

- (iv) **Housing affordability and income (used to determine extent to which those who need housing can afford it and extent to which public subsidies are required). Not readily available. Hard to estimate.**
- (v) **Financing resources (used to determine availability of financing for housing). Future resources may be difficult to predict.**
- (vi) **Current and projected housing production (used to estimate number and types of housing required to meet current and further deficit)**
- (vii) **Needs of special groups (used to determine special requirements/needs of groups such as the elderly and handicapped). Data may not be readily available.**

**4. Common Problems in Developing Housing Strategy and Plan**

- a. **Lack of accurate data**
- b. **Failure to formulate clear goals**
- c. **Failure to build a consensus among the key agencies/organizations**
- d. **Lack of specificity in implementation plan**
- e. **Inadequate consideration of resource requirements: failure to adequately take into account the availability of financing and the extent to which the terms and conditions of available financing effort; the feasibility of the strategy**
- f. **Superficial analysis of housing needs leads to inaccurate cost projections and estimates of government requirements**
- g. **Failure to adequately inform local and citizen leadership about the strategy can result in a lack of consensus and commitment to implementation of the strategy**

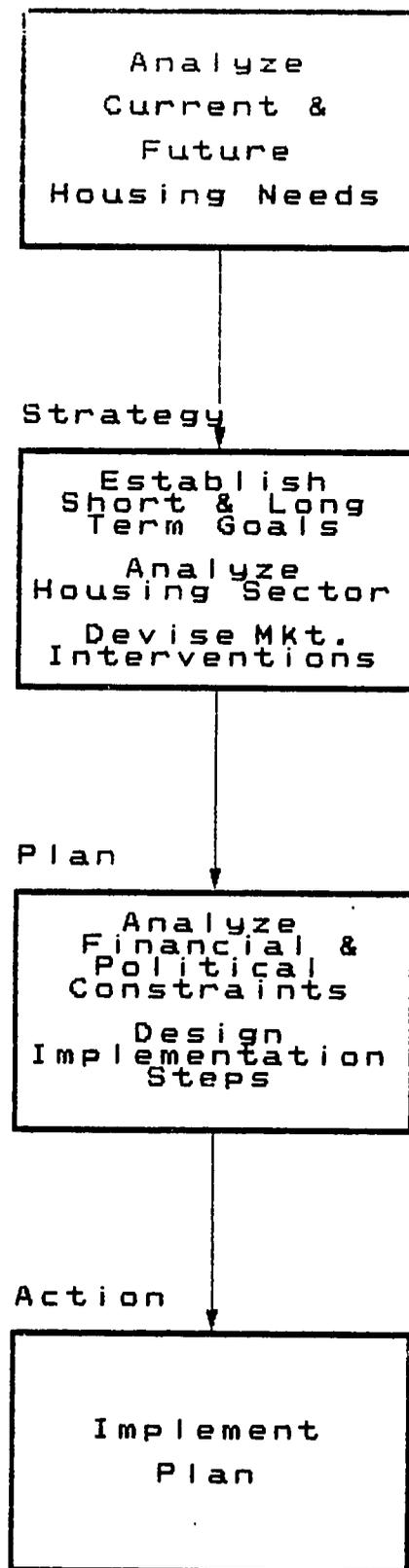
**5. There are four major phases in developing a local housing strategy:**

- a. **completion of a housing needs assessment**
- b. **preparation of the strategy**
- c. **development of a plan to implement the strategy**
- d. **implementation**

**C. Participant Activity: Housing Needs Assessment Model Exercise: Computer**

- 1. **Goal formulation**
- 2. **Housing Sector Analysis**
- 3. **Devise Intervention**

# Housing Needs Assessment



25a

**WORKSHEET FOR SESSIONS VI & VII**  
**(to bring to seminar)**

Please make your best estimate of the following data for Bulgaria.

You may do this in groups or as individuals.

1. annual % rate of growth of households (1990-95):
2. annual % rate of growth in household income (1990-95):
3. annual % rate of inflation (1990-95):
4. % of income that households are expected to contribute to housing:

[all the above are the data that one needs to input in part I of the computerized housing needs assessment model: HNEEDBUL.]

For below please enter current (1991) estimates.

5. rent to be charged in state rental housing:
6. average rehabilitation costs per typical dwelling unit:
7. average per unit construction costs of newly constructed buildings:
8. mortgage interest rates (%):
9. mortgage repayment period (years):
10. total number of occupied housing units:

11. total number of vacant housing units:

12. % of VACANT units needing rehabilitation before fit for occupancy:

13. average annual household income, by quintile (i.e., by fifth of population):

Quintile

0-20% (1,000 leva)

21-40%

41-60%

61-80%

81-100%

## **BULGARIAN HOUSING STRATEGY EXERCISE -- JULY, 1991\***

Incorporate information that you have assembled on housing sector conditions, how a market economy housing sector should work, and housing needs assessment activities.

Based on this, develop a comprehensive housing strategy and plan by answering the following questions.

1. What are the principal objectives (or goals) your housing policy, in order of priority?

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Which of these are short-term priorities (i.e. you would like to solve in the next year) and which are long-term priorities (i.e. which you will begin now, but you anticipate will take several years to achieve)?

---

\* The Housing Group at the National Center for Regional and Urban Development will work on this exercise during August and September, 1991.

2. Based on your housing needs assessment model, what is your estimate of the number of housing units needs now and for the next five years?

'91      '92      '93      '94      '95

- rehabilitated units
- new units
- Total

What is the estimated subsidy required from the government?

3. A. Outline a strategy for your state rental sector. Include a schedule for the actions the district would undertake. Specifically, address the following issues:

- sales policy
- management
- level of rents to set
- condition of rental housing stock
- how to handle tenants' current rights

B. Outline a strategy for the private ownership sector.

4. What groups of people will be your housing strategy's primary targets (e.g. elderly, low-income, homeless, those in publicly-owned rental housing, people moving to the district, people trying to become homeowners, etc.)?
  
  
  
  
  
  
  
  
  
  
5. What resources (list amount in leva) are currently available for housing?
  - rental income for public housing
  - commercial rental income
  - sales revenue from selling state rental units
  - revenue from building permits and property taxes
  - tax revenue (and how much available for housing)
  - grants from central government
  - other
  
  - TOTAL:
  
  
  
  
  
  
  
  
  
  
6. What financing mechanisms and other incentives will you use to implement your strategy and develop the housing that is needed over the next five years?

7. What proportion of your resources will use each mechanism? How many households do you estimate each will reach? How big is the shortfall? Are there other sources of funds? What steps can you take to try to increase funds?

8. What are the five principal constraints you face in implementing your strategy? List possible solutions.

- 1.
- 2.
- 3.
- 4.
- 5.

9. What data not now available to you would help make your decisions about a housing strategy? List the information you would seek:

- 1.
- 2.
- 3.
- 4.
- 5.

10. Will you need new institutions or agencies to implement your strategy? Will you need to change the way existing agencies operate? Describe.

**11. How will you announce your new housing strategy? What actors will you consult in designing the strategy? Who is likely to object to your objectives and who is likely to be an ally? List the agencies, organizations, individuals that need to be consulted.**

**COMPUTER SOFTWARE FOR HOUSING POLICY ANALYSIS**  
**DEPOSITED WITH**  
**THE NATIONAL CENTER FOR REGIONAL & URBAN DEVELOPMENT**  
**SOFIA, BULGARIA**

1. **PROFORMA**: Asks participants to enter systematically all costs associated with developing a new housing project, of specified size, location, type, and intended tenantry. Financing aspects are also entered for both construction loan and longer-term financing. Participants then enter representative data about operating costs and projected tenant revenues. The program calculates net income and compares this with the debt service charges, to see if the development would be profitable.

2. **MORTBUL**: Asks participants to compare the financial features of alternative mortgage instruments: fixed interest rate, wage-adjusted, price-adjusted, and dual wage/price adjusted. Participants enter the fixed rate, household income, and fraction of income that is to be paid in debt repayments; they also can change projections of future economic conditions (wage and price changes). Program calculates the nominal income over 15 future years, annual repayments, their fraction of income, total real payments, lender's annual return, and (where applicable) the period of repayment.

3. **HNEEDBUL**: Asks participants to enter estimates of household growth rate, growth of household income and in the costs of building/rehabilitating housing, and the percentage of income that households will be expected to expend on housing. Program calculates costs of producing more new and/or used housing. These costs are then used to estimate household housing costs and, given the assumption about appropriate share of income devoted to housing, an estimate of governmental housing subsidy is made. Calculations are made for all five income quintiles and for both an average year and for a five-year period.

Note 1: All the above software is written on 5.25 inch floppy disks and run on a LOTUS (or MPLAN) spreadsheet. A basic familiarity with such a spreadsheet is required for the use of these programs.

Note 2: All of the above software were developed by The Urban Institute.