

# Central and Eastern Europe Local Government and Housing Privatization

Prepared for the Office of Housing and Urban Programs  
Agency for International Development



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**COMMUNAL HOUSING MANAGEMENT  
AND PRIVATIZATION  
PHASE I TECHNICAL ASSISTANCE**

**POZNAN, POLAND**

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**Prepared for the Office of Housing and Urban Development  
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## **ABSTRACT**

This report describes the work that the International City/County Management Association (ICMA) carried out in Poznan, Poland during the period of April-July, 1993. The objectives of the work included an assessment of the structure, management, and financial policies and procedures of the Communal Housing Enterprise Department and recommendations for improvements, together with recommendations and an implementation plan to privatize communal housing services (maintenance/financial/administrative) and approximately two-thirds of the housing stock.

## **EXECUTIVE SUMMARY**

From April 27 through May 7, 1993, ICMA representatives Charles S. Anderson, Frederick C. Lamont, and Renata Frenzen visited the city of Poznan and reviewed the present and proposed activities of its Communal Housing Enterprise (CHE) Department as the department moves toward its eventual goal of privatization. This was followed up by a second visit from July 5 through July 16, 1993, by Mr. Anderson and Mr. Lamont.

Our activities involved meetings with key city officials, including the mayor and various council members; meetings with key CHE officials; various tours and field visits; and reviews of appropriate documentation concerning CHE operations. Our report on these activities, which follows, is organized into seven parts: background; approach to assignment; review of proposed organizational structure; review of financial condition; housing stock characteristics; privatization of communal housing stock; and proposals for future work.

### **Background**

The city of Poznan has a long tradition of commerce and trade and is moving rapidly toward attracting foreign investment and improving its economic base. The city has a relatively lower unemployment rate and higher prosperity than most Polish cities.

Additionally, city officials are actively pursuing more efficient and effective service delivery systems for both the management of its communal housing assets as well as eventual privatization of much of the housing stock and related services. The city is also actively involved in efforts to influence national legislation on housing and other city matters.

### **Approach to Assignment**

Our first visit focused on assessment of CHE's organizational structure, management process and services, financial condition, relationship to the city, and marketing strategy for sale of communal housing stock and on legal and political barriers to privatization.

Our second visit involved developing further the recommendations made during the first visit and on establishing a timetable and plan for their implementation.

### **Proposed CHE organizational structure:**

CHE has expressed its intention to eventually privatize its services and about two-thirds of its housing stock. Its first step in this process is to become a city-owned limited liability company later this year, and it has proposed an organizational structure for the company. On the basis of our review of the proposed structure, we recommended the following enhancements toward achieving cost effective operations (CHE concurrence/implementation is contained in brackets):

- o Reduction of the number of field maintenance units from 14 to 4 to 6. (CHE plans to eventually reduce to 8.)
- o Privatization of the janitorial service. (CHE will give this high priority and will eliminate 230 part-time janitors.)

- o In the future as economic conditions permit, implementation of a centralized rent collection system. (CHE will not establish at present but will consider again, as banking conditions and inflation change.)
- o Privatization of the field maintenance units by function. (CHE will consider; the department has decided to eliminate its three large supply storehouses.)
- o Implementation of a computerized integrated financial management system and simplified payroll system. This, together with the aforementioned consolidation of field maintenance units, will allow for further reduction in accounting department personnel. (Implementation of financial management system is scheduled for the end of 1993.)
- o Reorganization by function of the technical maintenance department should provide the opportunity for staff reductions. (CHE will consolidate the technical maintenance section with the rehab section and privatize the architectural planning and rehab inspection functions.)

#### Financial condition

Our review revealed that CHE is marginally financially viable. It possesses limited liquid assets and continues to rely on state subsidy to pay its bills because rents are insufficient to cover expenses. The Housing Enterprise eventually plans to become self-sufficient, which we believe is extremely optimistic, although we agree that it is conceptually possible. To help improve CHE's financial condition, we offered the following recommendations (CHE concurrence/implementation is contained in brackets):

- o Tenants should be charged for damages beyond normal wear and tear. (CHE agrees in concept but must await changes in national rent payment enforcement powers.)
- o The city should fund major rehabilitation of CHE rental buildings. (City has agreed to apportion 3% of city revenues toward rehab communal housing assets commencing in 1994.)
- o When CHE becomes self-sufficient, the city should allow it to retain an agreed-upon level of operating reserves. (CHE agrees in concept.)
- o Commercial rent negotiations should include the concept of "highest and best" bids. (CHE agrees in concept.)

#### Housing Stock Characteristics

CHE's stock of 2800 buildings ranges in quality from good to inadequate. Most buildings have inadequate sanitary facilities. The housing stock is dispersed throughout the city, and included among the buildings are 1800 commercial units that represent a significant source of CHE revenue.

Although CHE has established specific priorities for repair and maintenance, those efforts are severely hampered by shortage of funds.

### Privatization of communal housing stock

The city and CHE are committed to eventual privatization of all communal units with the exception of relics of architecture, residential units for poor citizens, certain commercial units, and flats for rotation. Our analysis of present housing in Poznan and in Poland as a whole reveals the following barriers to privatization:

- o State rent-control laws
- o Unrealistic property appraisals
- o Ineffective rent-payment enforcement
- o Absence of complete ownership rights and obligations
- o Prior property owner rights to property title
- o Inadequate long-term credit system

Our recommendations to alleviate these barriers include:

- o Selecting a small number of buildings and developing a marketing profile
- o Obtaining current appraisals
- o Developing a marketing plan
- o Preparing a proposal to sell to existing tenants utilizing either a cash discount or financially favorable installment plan, or a city bond.
- o Relocating tenants who choose not to purchase
- o Offering the vacated flats to other willing buyers.

### Proposed Work Plan

Our proposals for future technical assistance in Poznan include:

- o Conducting a two-day Communal Housing Privatization seminar in Poznan on October 4-5, 1993, focusing on various management and privatization issues for the benefit of CHE and other communal housing enterprises throughout Poland.
- o Long-range planning for the development and financing of water and wastewater infrastructure.
- o An assessment of the requirements for a GIS system for land management and development, using the technical findings and recommendations developed in Gdansk.

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**ABSTRACT**

**COMMUNAL HOUSING MANAGEMENT AND PRIVATIZATION  
POZAN, POLAND**

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## **INTRODUCTION**

In late 1992 an ICMA team for USAID met with Polish national government officials and visited six cities (Krakow, Gdansk, Gdynia, Lublin, Poznan, and Szczecin) to assess problems affecting the efforts of these municipalities to handle effectively their new responsibilities in an evolving market economy within a democratic context. The team also hoped to identify opportunities to resolve these problems. The results of these visits are contained in a report of May 1993 entitled "Technical Assistance Strategy and Work Program for Poland in Local Government and Housing Privatization." The report specifically targets opportunities for USAID technical assistance activities in each of the cities.

Among the issues identified in Poznan was the need for a more effective organizational structure and management and maintenance process for communal housing, including privatization of both housing stock and services. In addition, alternative ways were sought of reorganizing municipal operations to address more effectively the city's overall service delivery mission and, specifically, the area of communal housing.

Accordingly, USAID approved a request for services on April 2, 1993, to send an ICMA consulting team to Poznan to assist the city in developing a strategy for organizing and managing communal housing and privatizing both housing stock and services. The project was divided in two phases. Phase I included a total of four weeks in the field broken down into two visits of two weeks each. The first two-week period began on April 19, 1993, and ended on May 11. The second period of field work began on July 5 and ended on July 16.

The scope of work approved for Phase I includes the following:

1. Review the current organizational structure for the management and maintenance of communal housing in the City of Poznan and make initial findings on the extent to which this structure (1) allows for accountability, (2) promotes efficiency, and (3) allows for competition in the provision of services. Make specific recommendations on how this structure can be improved in the short term.
2. Review overall data on the financial condition of communal housing in Poznan, to the extent that such data can be made readily available. This review will cover revenue, management and maintenance costs, overhead costs, etc. The consultants will also consider depreciation costs of the stock. Provide an initial financial overview of communal housing operations in a format useful for subsequent tracking of performance and for policy development purposes.
3. Review the current data on the communal housing stock. Make specific recommendations on improving this database in order to make it more useful to the city as it establishes new objectives in the private sector (e.g., privatization).
4. Develop a work plan with the city and the Communal Housing Enterprise (CHE) Department to assist all efforts to privatize any aspects of housing management and maintenance that the city is now prepared to undertake. Such a plan should include specific steps and a timetable for privatization.

5. Work with the city to develop an overall plan for strengthening housing management and maintenance, stimulating privatization, addressing priority rehabilitation concerns, and improving overall financial performance.

## **1. BACKGROUND**

Poznan is located between Berlin and Warsaw on a historic trading route and has a current population of 600,000. The city was established in the ninth century and has always been part of Poland except for a period of about 150 years that began during the mid eighteenth century and lasted through World War I, when it was part of Prussia. During World War II much of the city was destroyed, but the city center with its old market square was carefully restored.

Poznan has a long tradition of commerce and trade, including industrial production, and has developed an international reputation through its international fair for commerce and industry. It is acutely aware of its important economic links to the outside world and is aggressively redefining its role within the context of Europe's new market opportunities and worldwide systems of production and distribution of goods. Moreover, Poznan is capitalizing on its proximity to Western Europe and its already-established contacts to attract foreign investment and thereby further revitalize and diversify its economic base. In increasing numbers, business and industry are locating subsidiaries in branch offices in the city. Foreign companies and foreign controlled joint ventures numbered 200 in 1992, second only to those in Warsaw.

Poznan has a relatively lower unemployment rate and higher prosperity than most other Polish cities. Unemployment is currently about 5% compared with a national rate in the vicinity of 15%. Poznan's per capita income is twice the national average, and Poznan is the second largest financial center in Poland; 10 banks are headquartered in the city. In addition to its tradition and success as a commerce center, Poznan is considered an important scientific and cultural center.

It is also noteworthy that city officials have been aggressively preparing to adapt to a market economy within a democratic context. They are actively pursuing alternative city organizational structures to ensure an efficient and effective service delivery system and have already taken steps to explore and implement alternative ways to manage their communal housing stock, including privatization of both housing flats and services. Accordingly, considerable and important preparatory work was available to the consulting team upon arrival in Poznan.

Finally, city officials are enthusiastically embracing the principles of decentralization and their new responsibilities for citizen services. They have also become active participants in efforts to influence national legislation through participation in the Association of Polish Cities, and the current president of Poznan is serving as president of the association. During our field trip, the city of Poznan and the Association of Polish cities hosted a conference of more than 500 mayors and deputy mayors throughout Poland. This was an impressive conference that drew substantial participation and evoked vigorous debate around issues affecting cities and their responsibilities for decentralization. It was an important forum for the exchange of information and ideas on the effective governance and management of Polish municipalities.

## **2. APPROACH TO ASSIGNMENT**

As explained in the Introduction, Phase I of this field mission was divided into two two-week periods.

During the first two-week period the consulting team focused on the following activities:

- o Assessment of CHE's organizational structure, including the city's plan to transform its operation into a separate limited liability company
- o Assessment of CHE's management process and services, including the potential for privatization
- o Assessment of CHE's financial condition
- o Assessment of opportunities for and legal and political barriers to the privatization of housing stock
- o Assessment of current city organizational structure, including its relationship to CHE
- o Assessment of the marketing strategy for sale of communal housing stock

As a result of the assessments in these six areas, which included interviews, document reviews, and field walking tours, specific work programs and recommendations and implementation plans were developed during the second two-week period of field work.

### **3. CHE -- ORGANIZATIONAL STRUCTURE**

CHE staff requested our assistance to help improve CHE's organizational effectiveness, efficiency, and accountability. Although these organizational characteristics are always important, they will become even more critical as the enterprise is transformed into a city- owned limited liability company and perhaps eventually into a totally private company.

The managing director, Mr. Ryszard Cmielewski, provided us with various organizational charts for CHE: one that depicted the enterprise in 1987 when its employee force numbered more than 1,800; one from 1992 when the enterprise had already begun its transformation by privatizing the repair and transport functions and by reducing employment in other areas; and one that depicted the organization as it is intended to look after transformation into a limited liability company sometime later this year.

In the course of reviewing these documents, we interviewed numerous personnel including the managing director; all department heads; as many section heads as time would permit; the employee representative; and several specialists in key areas such as commercial rents, unit sales, rent collections, and computerization. We also made field visits to three of the field maintenance units and interviewed the foreman in each of these.

After gaining an understanding of the degree to which privatization, restructuring, and employee reductions had already taken place, we focused our efforts on finding ways in which further cost effectiveness could be achieved, over and above what the Housing Enterprise had proposed at the point of transformation.

As CHE moves toward transforming its operation into that of a separate city-owned company, it has reduced its employee force from approximately 1,800 to approximately 1,200. These reductions have been achieved through attrition as well as privatization of the repair and transport sections. These reductions have occurred in a carefully managed fashion and have been made with the concurrence of the employee council (a non-union organization that represents all employees and is concerned with their personal welfare). We understand that further staff reductions are planned prior to the official transformation into a city-owned company.

It is intended that at the time of transformation the organization will be structured as follows:

- o The managing director will be responsible for overall management of the entire enterprise.
- o Under the direct supervision of the managing director will be a secretary; the personnel section; the organization-management section; and the work and fire safety section.
- o The managing director's chief assistants will be a deputy director for technical and maintenance matters and a chief accountant.
- o The deputy director for technical and maintenance matters will supervise the supply section;

technical maintenance section (consisting of a technical unit, maintenance unit, and commercial residential sales unit); rehabilitation and building supervisor section; architectural planning; technical emergency unit; and the 14 field maintenance units that employ in total approximately 1,000 employees.

- o The chief accountant will supervise the accounting section; financial-material section; economic-salary section; a computerization expert; a rent expert; and an internal control expert.

We recognize and appreciate the fact that CHE has made significant progress in achieving its objective as a cost-effective organization manifested in the organizational structure described above. We commend the staff for this effort. On the basis of our observations and experience, we offer the following comments for consideration.

### **Field maintenance units**

On the basis of our experience, 14 appears to be an unusually large number of field maintenance units for two reasons. First, generally recognized management principles indicate that the effective span of control for a supervisor (i.e., the number of employees he or she can effectively supervise) is six to nine employees. Not only does the technical director supervise all 14 field maintenance units, but he also supervises other previously described functions as well. We are well aware of the complexities of managing housing of this nature and feel that under the present form of organization each individual unit is perhaps not receiving the degree of top management attention that it should.

Second, having 14 field maintenance units means having 14 administrative buildings; 14 foremen; 14 deputy foremen; 14 rent collection sites; 14 storage locations for tools, supplies and equipment; and 14 sets of supervisors for all the other sections composing the field maintenance unit. The cost of operating this number of field maintenance units is obviously higher than it would be if there were only four units, or six or nine. In large U.S. housing enterprises, it is customary to divide the city into four quadrants for the purpose of establishing field maintenance units. In this case we are not suggesting a specific number of field maintenance units. We have made only limited visits to three units; CHE staff have had many years of experience and are in the best position to decide. What we are saying is that there is an optimum number of field maintenance units that establishes an effective balance between good service to the tenants and reasonable costs of operation for the enterprise. We do not know what the optimum number is for this enterprise, but experience tells us that it is a number considerably less than 14, probably 4 to 6.

CHE staff have reviewed this recommendation, agree with it, and are taking steps to implement it. On the basis of our recommendation, CHE expects to reduce the number of field maintenance units to 12 by the end of 1993 and to 10 by the end of 1994. Further reductions will depend on the extent of privatization of the housing stock; managing director Cmielewski believes that the optimum number of

field maintenance units for CHE is eight.

### **Janitorial service**

Janitors constitute the largest single group of CHE employees, currently totaling well over 300. It is our understanding that individual janitors are assigned on a full-time basis to a specific area comprising a certain number of square meters. In theory it would appear that this arrangement could be cost-effective, but in our experience it is not. Because of the large size of most housing enterprises, direct supervision of janitors is infrequent, giving them much time by themselves. Generally, their work assignments can be accomplished well within the time allotted. As a result, janitors in this situation generally have extra time to deal with as they see fit. The CHE field maintenance supervisor estimated that at present, janitors are actually productive only five hours of the eight hours allocated to do their work.

A different approach, which in our experience has worked quite well, is to organize janitors into work crews of two to four people. Rather than being assigned to specific buildings, they could be assigned to clean a certain number of buildings each day, the goal being to accomplish a certain number of tasks within a prescribed period of time. The synergy created by the team approach almost always results in output higher than that achieved by individuals working alone. We believe that the present number of CHE janitors could be significantly reduced through a team approach.

Alternatively, the janitorial service could be fully privatized relatively easily. Our experience indicates that privatization of this service would probably reduce CHE's costs even further, although it would be important for the enterprise to monitor closely the quality of service provided by a private company.

Concerning this recommendation, managing director Cmielewski stated that he intends to eliminate the part-time janitor positions, currently approximately 230, and that privatization of the janitorial function will be given high priority.

It is important to note that many privately owned janitorial service companies in the U.S. are highly profitable businesses. Privatization could translate into higher wages for janitorial workers in Poznan if they are productive and the business is well managed.

### **Rent collection**

The majority of CHE rents are collected by rental clerks in each of the field maintenance units. Given the present Polish reality of high inflation and exorbitant bank remittance fees for processing rent paid at the bank, we agree that CHE's present rent collection system should continue being used for the time being (except for our previous comment questioning the number of field maintenance units).

However, we wish to point out that in the future, when Poland's inflation rate is lowered to a reasonable level and when an efficient banking system is achieved, a different system might be considered. Our experience with large U.S. housing enterprises reveals that under these circumstances (i.e., reasonable inflation and an efficient banking system), having all rent payments delivered through the mail to a bank lockbox account in the enterprise's name is a much more cost-effective system than hiring numerous employees to collect the rent. The bank can quickly deposit the rent receipts in the enterprise's account and send a daily listing of all receipts by amount and tenant's name. The details of these listings are then entered into the enterprise's rental records by the accounting department. Also, in our experience, housing enterprises not only receive interest from the bank on these funds in excess of the rate of inflation, but the bank processing fees for handling the rent receipts is less than the cost to the enterprise of hiring employees to perform this function.

Concerning this recommendation, CHE staff acknowledge that it has merit and will be given future consideration. However, the current rent collection system, although admittedly costly and labor intensive, is clearly a less expensive alternative than having the bank perform such services.

### **Privatization of services**

During our meetings we discussed the possibility of future complete privatization of the field maintenance units. Although we acknowledge that it can be done, we are not convinced that this approach is in CHE's best economic interest. Having said this, we would suggest that if the enterprise is committed to privatizing the field maintenance units, that it consider the alternative of privatizing them by function rather than simply by geographic area.

As we have previously discussed, we believe it could be economically beneficial for both CHE and the private contractor, if the contractor had the opportunity to bid on a number of buildings larger than those contained in an individual field unit (perhaps all the buildings under management).

Rent collection is another candidate, if again we assume reasonable inflation and an efficient banking system. CHE would be in a better position to negotiate with a bank for rent collection services if all tenant's payments were included, not just those of tenants in an individual field maintenance unit.

Once the field maintenance units are privatized by area, the potential benefits derived from privatization of these and other functions would be lost. So we encourage the enterprise to explore and analyze the relative benefits of functional privatization before any privatization by area occurs.

CHE staff agree with this recommendation and will consider the potential for and the benefits of privatization as CHE continues its thrust toward the privatization of services. In fact, this recommendation has already been applied toward a major service area since our first visit, i.e., the three existing large supply storehouses.

Not only does the supply storehouse activity represent one that currently exists in the marketplace, but it also represents a large amount of CHE resources being tied up in a non-cash asset, approximately 3 billion zloty at present. Apparently one of the reasons for having these large storehouses was to

stockpile materials that previously were subject to periodic shortages under the communist regime. Since these shortfalls no longer exist (the materials are available from many sources in the marketplace at attractive prices) and since CHE estimates that it has only a short-term need for approximately 30% of the materials currently stored in the storehouses it has decided to sell the excess materials as well as eliminate the storehouse function by the end of 1993. It will achieve cost savings from the elimination of the staff to operate the storehouses, and from a reduction in transportation costs, and it can convert the excess materials into cash, which is badly needed by CHE to offset increasing levels of delinquent accounts receivable from tenants.

It appears that the only area of materials that currently requires a high volume is that of materials used by contractors for major rehabilitation work. In this instance, CHE intends to negotiate a fixed price with contractors for materials used by them in completing their major rehabilitation of CHE buildings. Such a procedure will protect CHE from inflationary increases in materials prices during a particular major rehabilitation contract.

### **Staff reductions (Accounting)**

The accounting department is supervised by an energetic, conscientious chief accountant and has been dramatically reduced in staff over the last two years. However, we believe the potential exists for additional significant reductions in staff. Such reductions are contingent upon a number of factors, including increased computerization of accounting systems; reduced complexities in the payroll system; and the previously aforementioned possibility of reducing the number of field maintenance units.

The department needs a computerized integrated financial management information system. By integrated we mean that all computerized accounting functions such as receivables (outstandings), payables (liabilities), and payroll are linked together with the general book of account (general ledger). With an integrated system, summary totals from these various functional areas are automatically posted to the general ledger. The system can be further enhanced so that the general ledger totals can be automatically grouped to produce periodic financial statements. Under present circumstances, an inordinate amount of this work must be done manually, thus requiring the employment of a larger number of accountants in each of these areas than would normally be expected.

The payroll section also employs a larger number of employees than would be expected because of two additional factors: one, the relatively complex basis on which an employee's total salary is computed (a holdover from the communist system); and two, frequent changes in employees' tax withholding due to the high inflation rate. In the United States, employees' salaries are determined on a relatively straightforward basis and the amount of federal tax withheld generally changes no more often than annually. Consequently, a housing enterprise of this size in the United States would probably require no more than one to two payroll clerks; here there are currently eight. Simplification of the salary structure and a reduction in government changes in tax withholding should result in significant staff reductions in this section.

Consolidation of field maintenance units or their eventual privatization should allow for further staff

reductions in both the accounting and the financial-material sections. A comparably sized public housing enterprise in the United States would probably require no more than one-half of the personnel currently employed in these sections.

During our second site visit to CHE we discussed the requirements for an integrated financial management information system with the in-house computer expert, Mr. Mackowiak, and the outside contracted computer programmer, Mr. Pilarczyk. These individuals are working in concert with Mrs. Turkot, the in-house accounting coordinator, toward the eventual completion of such a system. The estimated date for system completion is the end of 1993. However, the recent requirements for the implementation of the new state-imposed value-added tax (VAT), which became effective July 1, 1993, will undoubtedly delay completion of the system by as much as three months, due mainly to the complex and far-reaching nature of the VAT.

Nevertheless, our discussions revealed that CHE appears to be on the right track toward the implementation of an effective computerized integrated financial management information system. Various steps in this process include improvements to the fixed and flexible assets system (which is now complete); improvements to the payroll system; improvements to the summary and analysis of rents system; computerization of the general ledger; and finally a linking of all accounting systems with the general ledger for the posting of totals.

Unfortunately, integration does not include the tenant accounts receivable rents system, which apparently was designed by a company in Gdansk. Software changes to this system must be made by the company in Gdansk before it can interface with the general ledger. These necessary software interface changes should be a high priority for CHE, and we encourage them to ensure that such changes are accomplished in a timely manner.

In any event, we continue to believe that after completion of all computer system changes, the aforementioned reductions in accounting staff should resume.

#### **Staff reductions (Maintenance)**

In the future, as buildings continue to be sold and CHE's overall responsibilities decrease, we see room for some consolidation among the rehabilitation and building, architectural planning, and technical emergency sections. We believe that the technical skills of the personnel within these sections are somewhat similar and that the potential exists for possibly combining these areas from a supervisory standpoint. Such an action should result in a reduced number of supervisory personnel and should also increase cost effectiveness because a potential light workload in the rehabilitation section (due for example to lack of funds for such work) could be offset by an excessive workload in the technical emergency section. If this situation occurred, rehabilitation administrators could be assigned to assist in administering the technical emergency workload. In other words, a cadre of technical specialists could respond to a whole variety of technical maintenance situations as they arise. It would be the responsibility of the supervisor to determine which situations should be dealt with first, as well as to evaluate whether under this potentially more effective organizational structure there might exist the possibility for further staff reductions.

Concerning this recommendation, CHE has decided to consolidate the technical maintenance section with the rehabilitation section. It also has decided to privatize the architectural planning section and the rehabilitation inspection function. Although the technical emergency unit will remain intact, consideration is being given to offering its services to owners of non-CHE flats.

It was most encouraging to us as experienced management consultants that CHE had not only thoroughly studied our interim report, but had already begun to implement many of the recommendations. Based on our previous experiences with municipal organizations in the United States, we found this take-charge attitude to be most unusual and one that, to us, represented a real breath of fresh air. The credit for creating such a positive can-do attitude throughout CHE must chiefly go to its managing director, Ryszard Cmielewski.

#### **4. CHE -- FINANCIAL CONDITION**

During our field work we performed an analytical review of CHE's financial condition. This review consisted of examining various financial documents including balance sheets, statements of revenues and expenses, rents receivable summaries, and various graphs and charts depicting a variety of financial data. We also interviewed numerous personnel familiar with various aspects of the enterprise's financial condition. In addition, we interviewed CHE's outside business expert, Mr. Kazimierz Latkowski.

A review of the financial condition of the enterprise indicates that it is, in our view, marginally financially viable. (See Tables 1 through 4.) At present, it can stay solvent only through receipt of state subsidies. The enterprise has a small amount of cash and investments, but its principal liquid asset is rent receivables from tenants (see Table 3). As of June 30, 1993, rent receivables (excluding interest on the unpaid balances) totaled almost 38 billion zloty (see Table 4). To put this in perspective, rent receivables represent more than 15 percent of the entire amount of rent billed in 1992. An acceptable standard for rent receivables in the U.S. would be 1 to 3 percent. The rent receivables continue to escalate each month as a result of tenants' refusal to pay rent as well as continued business failure on the part of commercial tenants; from the beginning to the end of 1992 rent receivables almost doubled.

The primary creditor of the enterprise is the heating company. At present, the only way CHE would be able to pay its entire outstanding liability for heating costs (43 billion zloty as of March 31, 1993) is if it were able to collect all its rent receivables, a highly unlikely occurrence. In fact, CHE staff estimate that as much as 80 percent of current rent receivables will never be collected.

Because rents do not currently cover all the heating costs, a subsidy is received from the city, which in turn receives a subsidy from the national government. We understand that rents will increase this year and next, and that the need for the subsidy will decrease proportionately. It is our further understanding that the national government intends to eliminate heating subsidies after 1995. Under the proposal to convert CHE to a city-owned limited liability company, the city has agreed to continue the subsidy to the enterprise as needed, even in the absence of a subsidy from the national government. Based on our U.S. experience, we believe this issue to be a potential problem because with heating costs continuing to escalate and the relative energy inefficiency of enterprise buildings, the subsidy required by CHE to cover its heating costs may indeed be more than the city is able or willing to pay.

Nevertheless, in the opinion of CHE management and its outside business expert, the rents charged to tenants will eventually reach the point that they will cover all the enterprise's costs and there will still be money left over for operating reserves and/or money to return to the city treasury. We believe this to be a rather optimistic picture of CHE's future financial condition, although we acknowledge that it is conceptually possible.

In order to help to improve the enterprise's financial condition in the future, we offer the following comments:

### **Tenant damages**

We understand that future rents are intended to cover all costs of maintenance and repairs. We believe this to be satisfactory as it relates to normal wear and tear of the housing units. However, damages to units that are caused by tenant negligence and that are clearly beyond what could be considered normal wear and tear are an entirely different matter, and it is customary to bill tenants separately for the cost of repairing such damages. If the enterprise were to adopt such a policy, it would be necessary to explain it in the written lease contract with tenants. CHE might also establish a grievance panel made up of enterprise and tenant representatives to settle disputes between the enterprise and the tenants who dispute the amount of damage charges. Under the U.S. system, failure by a tenant to pay damage charges is treated administratively the same as non-payment of rent, and therefore represents grounds for eviction.

CHE agrees with this recommendation in concept and would like to implement such a system in the future. Changes in national law which provide CHE with effective rent payment enforcement powers must be made before such a system would be effective.

### **Funding for major rehabilitation**

In the U.S. it is customary for major rehabilitation costs to be accounted for and funded separately from costs of normal operation and maintenance. In planning to convert to a city-owned limited liability company, CHE is entering into uncharted waters; unfavorable financial consequences may result. This situation is complicated by the fact that CHE does not own the buildings it manages nor does it control the rents of the tenants. In this instance, we believe it is unrealistic for the enterprise to have to absorb the costs for major rehabilitation to the city's buildings. Instead, we believe that although the enterprise will supervise the major rehabilitation work, the city should fund the cost of such rehabilitation from other city funds. These costs should then be accounted for separately by the enterprise and should not be considered part of its financial statements for normal operations.

The City of Poznan has agreed with this recommendation and commencing in 1994 will apportion 3 percent of city revenues toward the rehabilitation of communal housing assets.

### **Operating reserves**

It is our understanding that as a city-owned limited liability company, CHE will not be in business to make a profit and consequently any excess of revenues over expenses must be returned to the city. Public housing enterprises in the U.S. are similarly organized; however, they are allowed to retain revenues in excess of costs in a separate operating reserve fund. This operating reserve is limited to 50 percent of the total cost of normal operation and maintenance incurred by the enterprise in the preceding year.

The operating reserve fund permits the enterprise the flexibility to compensate for unexpected costs. Any excess funds greater than the allowable maximum operating reserve must be returned (in the U.S. example) to the national government. A similar system would provide CHE with an extra level of financial protection, and we strongly recommend its adoption.

In reviewing the recommendation, the CHE managing director stated that although he agrees with the recommendation, it is highly unlikely that CHE will make it a project in the foreseeable future. Nevertheless, we believe that a provision should be made a part of the agreement with the City of Poznan allowing CHE to retain operating reserves, if and when they occur. The amount of operating reserves that CHE is allowed to keep would obviously be a negotiated amount.

#### **Commercial rents**

We understand that CHE has limited control over commercial rents. However, because these rents represent the cornerstone of the enterprises's financial viability, we feel that the following observation is appropriate. The city board, which is responsible for reviewing commercial rent bids, apparently generally accepts the highest bid for commercial rent. However, in our experience, the highest bid may not necessarily represent the best bid. Free enterprise is still very new in Poland, and many new businesses bidding for commercial space will optimistically over-estimate the amount of rent they can afford to pay. Because CHE is so critically dependent on commercial rent collections for its financial survival, it does the enterprise no good to have commercial tenants who go out of business or who bid for rents higher than they can afford to pay, and as a result do not pay their rent. Consequently, we suggest that the city commercial rent board analyze the ability of commercial space bidders to pay through a review of their credit history and other appropriate financial documentation. The goal should be to accept the highest and best bid, rather than simply the highest bid. "Highest and best" effectively says that this is the bid that should yield the highest actual rent received by CHE.

Further emphasizing the importance of commercial rents to CHE's financial stability, we believe that it is conceptually possible sometime in the future for CHE to receive enough commercial rental income so that when this income is combined with income from flats retained by CHE, the total would cover all CHE's operating costs without the need for a city subsidy. This would be conceptually possible only if (1) the state increases the rent that can be charged for flats to an amount that more closely approximates market price and (2) CHE retains ownership of all commercial flats in good condition that provide income greater than the operating costs of the commercial flats. It would be ideal for CHE to be self-sufficient from an operating standpoint and not have to be reliant on a city subsidy.

This underscores the importance of CHE's careful evaluation of the revenue/cost relationship of all its commercial flats and retaining the ones for which rental income exceeds costs.

Table 1

**Communal Housing Enterprise  
Statement of Revenues and Expenses  
For The Years Ended December 31, 1992 and 1991**

	1992	1991
	(In billions of zloty)	
Total revenues	249,490	148,041
Expenses		
Materials	216,487	150,263
Salaries	41,467	24,699
Depreciation	4,642	4,660
Other expenses	<u>25,385</u>	<u>16,192</u>
Total expenses	<u>287,981</u>	<u>195,814</u>
Net (loss) before state subsidy	(38,491)	(47,773)
Add state subsidy	45,200	52,100
Less misc. costs	<u>(1,458)</u>	<u>(1,567)</u>
Net income	5,251 =====	2,760 =====

**Note:**

This table depicts CHE's results of operations for 1992 and 1991. As can be readily seen, the only way CHE can achieve even a small amount of net income is through the receipt of a considerable state subsidy.

Table 2

**Communal Housing Enterprise  
Statement of Revenues and Expenses  
For The Three Months Ended March 31, 1993 and 1992**

	1993	1992
	(in billions of zloty)	
Total revenues	74,839	51,516
<b>Expenses</b>		
Materials	65,952	53,787
Salaries	10,191	8,696
Depreciation	391	1,197
Other expenses	<u>6,150</u>	<u>3,578</u>
Total expenses	<u>82,684</u>	<u>67,258</u>
Net (loss) before state subsidy	(7,845)	(15,742)
Add state subsidy	9,000	14,698
Less misc. costs	<u>(007)</u>	<u>1,616</u>
Net income	1,148	572
	=====	=====

**Note:**

Same situation as previous table. Positive net income is only possible through the receipt of state subsidy.

Table 3

**Communal Housing Enterprise  
Balance Sheet  
As Of December 31, 1991 and 1990**

	1991	1990
	(in billions of zloty)	
<b>Assets</b>		
Current assets:		
Cash	7,332.9	3,537.5
Accounts receivable	32,318.7	16,535.4
Investments	<u>5,225.0</u>	<u>2,725.0</u>
Total current assets	44,876.5	22,797.9
Property, plant and equipment	<u>986,348.4</u>	<u>1,412,079.4</u>
Total Asset	1,031,224.9	1,034,877.3
	=====	=====
<b>and Fund Balance:</b>		
Current Liabilities	<u>36,771.3</u>	<u>17,502.1</u>
Fund Balance:		
Foundation Fund	471,709.9	491,073.9
Enterprise Fund	519,983.2	521,202.8
Distributed Profit	<u>2,760.5</u>	<u>5,098.5</u>
Total Fund Balance	<u>994,453.6</u>	<u>1,017,375.2</u>
Total Liabilities and Fund Balance	1,031,224.9	1,034,877.3
	=====	=====
		<b>Liabilities</b>

**Note:**

This table depicts CHE's balance sheet at December 31, 1991 and 1990. Current assets are slightly higher than current liabilities. However, since most of the accounts receivable represent delinquent rent, which is mostly uncollectible, this leaves CHE with insufficient cash to pay its utility bill, which represents its principal current liability.

TABLE 4

**Communal Housing Enterprise  
Accounts Receivable Summary  
1992-93  
(In zloty)**

Month ended	Residential	Commercial	Total
January 1992	3,654,731,426	13,311,627,229	17,566,418,635
February 1992	4,358,654,286	14,121,032,401	18,480,746,687
March 1992	4,348,771,305	14,826,714,834	18,275,486,239
April 1992	4,773,199,200	14,321,728,500	18,654,927,700
May 1992	6,154,263,927	14,838,629,343	20,992,893,270
June 1992	6,341,121,600	15,709,787,200	22,992,893,270
July 1992	6,758,045,806	15,840,992,500	22,599,038,306
August 1992	7,228,096,700	15,848,031,400	23,076,128,100
September 1992	7,375,813,900	17,851,784,100	25,227,598,000
October 1992	7,628,423,300	18,729,845,200	26,358,277,500
November 1992	7,963,367,900	18,512,638,900	26,476,006,800
December 1992	8,078,421,700	18,748,047,300	26,926,469,000
January 1993	8,607,541,100	20,425,870,000	29,033,411,100
February 1993	9,084,223,400	21,208,593,700	30,292,817,100
March 1993	9,172,582,300	22,914,036,500	32,086,618,800
April 1993	9,778,515,000	24,587,053,800	34,365,568,800
May 1993	10,463,769,700	26,122,885,600	36,586,655,300
June 1993	11,172,688,100	26,784,996,300	37,957,684,400

**Note:**

This table depicts the cumulative amount of tenant accounts receivable through June 1993. Delinquent rents continue to grow at an alarming rate.

## **5. HOUSING STOCK CHARACTERISTICS**

CHE housing stock consists of 2,800 buildings. Nearly half (1,308) were constructed before World War II. Most of the rest were built during the 1940s (474) or 1950s and early 1960s (429). Only 290 buildings were constructed after 1961. The housing stock also includes 299 temporary buildings (barracks) built during or shortly after World War II. Appendix B provides photographs of typical buildings from each period.

The housing stock varies in quality, ranging from good to inadequate. CHE has identified 400 buildings in need of major structural repairs. Nearly half of these (195) were considered to be in danger of catastrophic failure and in need of immediate repairs. Another 17 buildings were considered beyond repair and are scheduled to be demolished.

Some of the housing stock have very poor sanitary facilities. A total of 347 buildings do not have water or sewage connections. Most of the remaining buildings (1,949) have inadequate sanitary facilities. Only 504 buildings have adequate sanitary facilities.

Residential units range in size from 30 to 90 square meters and average about 50 square meters. The larger apartments are generally shared by two families.

CHE has established specific priorities for repairs and maintenance. Because of the shortage of funds, only minimal routine maintenance is performed, and repairs of buildings and sanitation facilities are severely limited. CHE has been able to begin renovation of only 43 buildings since the start of 1993, and only 21 of the renovations are expected to be completed by the end of the year. Renovations are concentrated in the old city center, and they represent part of the downtown development plan.

Tenants are responsible for maintaining the interior of their residences. An increase in the proportion of poor families and elderly persons in the city population has adversely affected the general level of maintenance of the housing stock.

Communal housing is dispersed throughout the city, including the old city center with its lovely market square, wealthier neighborhoods, and the suburbs. Many communal buildings provide commercial space, primarily on the ground floor. A total of 1,800 commercial units are located in communal buildings, usually in retail and tourist districts, and they represent a significant source of revenue for CHE. The important role of these units in the privatization plan is discussed in Chapter 4 of this report.

## **6. PRIVATIZATION OF COMMUNAL HOUSING STOCK**

CHE has a difficult responsibility for the management of about 33,000 communal flats (including 1,800 commercial flats) contained within 2,800 buildings totaling 2 billion square meters. Moreover, as housing constructed for factory workers continues to be divested by the national government, more flats will be received for management by CHE before the end of 1993.

As has been discussed earlier, the city council of Poznan has decided that CHE will become a city-owned limited liability company with no assets except those administrative and maintenance facilities necessary to manage residential and commercial flats. The sole responsibility of this company will be to manage the flats remaining after privatization.

The governing authorities (city council, president, city board) and CHE management are fully and formally committed to rapid privatization of all communal flats with the following exceptions:

- o Relics of architecture
- o Flats for tenants with low income
- o Commercial flats
- o Flats for rotations (for tenants temporarily relocated because of repairs, etc.)

It is estimated by CHE staff that the above flats total approximately 4,000, which is the number that staff ultimately anticipate managing.

### **Barriers to privatization**

The city of Poznan is committed to rapid privatization and has developed an incentive plan to encourage tenants to buy their flats. The city is willing either to offer a 30-percent discount to tenants who buy with a full cash payment or a repayment plan of 5 to 10 years with a discounted interest rate.

However, regardless of the above incentives, only 400 sale applications have been received since the offer was made in January 1993, and no sales have been consummated to date. The reasons are numerous and complex and involve issues that are legal, political, and social. It is understood that these barriers have developed over 50 years of communism in a centrally planned economy where housing was treated as a social privilege rather than a market commodity.

### **Rent control**

Rents are now established by Parliament and are set artificially below market value. Hence, rents cover

only approximately 30 percent of the cost to operate and maintain housing and do not include depreciation. Accordingly, there is no financial incentive for tenants to buy their flats because the purchase price, together with the assumption (as an owner) of the operating and maintenance costs, would cause a tenant to pay more as an owner than as a renter (see Table 5).

There is legislation pending now before Parliament that would increase rents steadily over the next two years so that by the end of 1995 rents could be established to cover the full cost of operation and maintenance.

### **Property appraisals**

The appraisal methodology and criteria have been approved by the city council and are administered by the geodesy and cadastral department, with outside expert assistance. The criteria are designed to establish market value, and they include such standard considerations as size of flat, location of building, amenities, etc. The appraisal does give the prospective buyer credit for any tenant improvements to the flat. However, the appraisal does not consider or use any aspect of the income method often used in appraising commercial multi-family complexes in the United States. Accordingly, notwithstanding the incentives offered by the city to cash or installment buyers, the appraised values are still too high to induce sales.

If national legislation is passed allowing rents to be set at market value by 1995, this may assist in resolving the dilemma. However, in the meantime, either the appraisal system must be modified to consider the present below-market rents and the high cost of maintenance and rehabilitation, or the city council must consider the use of other incentives to induce prospective buyers to buy.

### **Rent evasion**

Approximately 12 percent of the tenants do not pay their rents; CHE staff considers 80 percent of these outstanding rents to be uncollectible. This creates a large financial burden for the city and will, unless corrected, continue to require substantial subsidies from the municipal budget. A related problem is the inability of CHE to enforce payment through eviction. Delinquent tenants who resist payment cannot be evicted because tenants are guaranteed lifetime rights of residency, and therefore have another reason not to buy their flats.

There is legislation pending before Parliament that would allow eviction. However, even if it passes, which according to many political observers is doubtful, it would take considerable time for the city council to overcome the political resistance to eviction. However, if Parliament allows use of a housing allowance for low-income tenants, political opposition to eviction may be lessened.

### **Ownership rights and obligations**

Under a communist and centrally planned system, housing was considered a social privilege and not a market commodity. Creating a market economy will require a fundamental change in the way ownership rights and obligations are legislated, administered, and accepted by owners and prospective owners. It

is of primary importance to establish, in law and in practice, the rule that the ownership of housing is inseparably tied to the duty of managing and maintaining the property, particularly in the context of multiple units within the same building. Restoration or enactment of rules for the separate ownership of residential flats and the common ownership of the real estate are urgently needed. They would allow common ownership of indivisible parts of the building lot and communal land (sidewalks, driveways, streets, green space) necessary to use the building.

Currently, until all tenants within the building buy their flats, the city is obliged to continue maintenance of the building and communal areas, presenting yet another reason for tenants not to buy.

There is legislation pending before Parliament that would establish a condominium law that provides for the creation of a housing community within a building and that requires owners to share the responsibility for the management and the maintenance of the entire real property, including common areas.

### **Prior property owner rights**

Approximately 40 percent of the communal housing stock is entangled in a complicated network of issues involving the rights of owners of property. For instance, if the last registered owner cannot be located, lengthy legal and administrative procedures are required before the title can be cleared for sale. Moreover, many of the buildings sit on land that has multiple owners, making it difficult to determine who has the title to the property. All of these issues prohibit the sale of flats until they are resolved.

These issues will take a long time to fully resolve and will require the close cooperation of the national government, both Parliament and the Judiciary, and the local administrative officials.

### **Long-term credit system**

A pervasive problem is the absence of a national credit system and an efficient and mature banking system that, together with lower inflation rates, permit long-term, low-interest mortgage loans for housing purchases.

### **Conclusion**

It is our opinion that, notwithstanding the apparent scientific validity of the appraisal methodology and the obvious expertise of the cadastral office staff and its outside expert, the appraised value of the current housing stock does not reflect the reality of the marketplace. The evidence for this is the absence since January 1, 1993, of any buyers willing to pursue seriously the purchase of flats. We further believe that this circumstance is primarily the result of artificial (not related to market forces) regulations imposed by the central government and not the methodology employed to appraise the flats.

Moreover, in view of the presumed legal obstacles to discounting the appraised value to induce sales and the recent adverse court decisions affecting discounted flat sales in Gdynia and Łódź, we have concluded that privatization of housing stock, under these circumstances, should be achieved not by reducing substantially the appraised value, but by using innovative and legal financing techniques. Accordingly the following implementation plan is proposed.

### **Implementation plan**

1. Select a small number of buildings (not more than 10) each having relatively few flats (5 to 15) and develop a profile of pertinent information for each (see Appendix C). The intent is to create a climate for flat sales by commencing the marketing effort with a manageable number of buildings and flats in relatively good structural condition and in good physical locations, primarily neighborhoods comprising considerable privately owned property.
2. Request current appraisals be prepared for each of the flats within the selected 10 buildings.
3. Develop a marketing plan for each building and each of the flats that includes clearly developed written material (with illustrations), meetings with each tenant, announcements in the local media, and any other appropriate techniques.
4. For each of the flats, prepare a proposal to sell and provide this proposal to each of the current tenants. The proposal will give the tenant 90 days to decide whether to purchase the flat through one of the following options:
  - a. Cash transaction at the city-council approved discount of 30%
  - b. An installment plan with the terms (time to repay and rate of interest) set to ensure that the new owner will never pay more than he or she is paying currently for rent and that he or she will continue payments until the amortization of the purchase price and interest is achieved. During the period of installment payments, the city will have right to foreclose and reclaim the property if the owner fails to comply with the conditions of the loan. If through this payment method the loan has not been fully repaid at the time of death of the owner, the balance of the loan will be paid in full by the owner's estate or the flat will revert to the city.
  - c. Purchase of a city-issued bond for the purchase of the flat through the methods described in Appendix D.
5. If the tenant chooses not to purchase the flat through any of the above methods, he or she will be relocated to a flat of comparable size and quality.
6. The vacant flat will be offered for sale to any willing buyer through appropriate marketing techniques, including use of local media. The first effort to sell will be based on a cash transaction. If, within 60 days, no sale has been effected, the flat will be offered through the use of an installment plan or the city bonds described in Appendix D.

Table 5  
(see description on next page)

**ESTIMATED INDIVIDUAL FLAT MONTHLY COSTS PER SQUARE METER (IN ZLOTYS)**

	CHE as owner	private owner
Salaries for Field Maintenance Units	500	-
Salaries for janitors	1,100	-
Cleaning products	50	-
Sewage	650	650
Solid waste	500	500
Maintenance of green areas	80	-
Maintenance of other common areas	410	-
Central administration	510	-
Minor repairs	2,200	-
Elevator maintenance	30	-
Central heating	12,000 *	12,000 *
Water	770	770
Property taxes	-	330
<b>Subtotal</b>	<b>18,800</b>	<b>14,250</b>
Less utility rebate from state	3600	3600
<b>Total costs</b>	<b>15,200</b>	<b>10,650</b>

\* Subject to 30% rebate from state at present.

Note: Costs above do not include costs incurred by CHE in connection with major rehabilitation.

### Description of Table 5

The average monthly rents charged for flats by CHE per square meter are as follows:

Rent	2,000 PZL
Central heating	<u>7,500 PZL</u>
	9,500 PZL

Comparing this income to the estimated expenses on the preceding page reveals that the rent and heating costs charged to tenants yield less than two-thirds of CHE's actual costs. In fact, due to state rent-control laws, the rents charged to tenants in flats are so artificially low that they are less than the actual costs that would be incurred if the flats were owned by a private owner. Therefore, there is no benefit at present for communal housing tenants to purchase their flats based on a comparison of what they currently pay in monthly rent (9,500 PZL) versus what they would pay monthly for costs if they owned the flat (10,650 PZL).

If the state were to loosen the rent-control laws and let communal housing rents rise to more closely approximate CHE's actual costs, then it might be advantageous for tenants to purchase their flats, if at that point their monthly rent was greater than the monthly costs they would incur if they owned the unit.

It is interesting to note that there would be a definite incentive from the standpoint of monthly costs for tenants of cooperative housing to buy communal housing flats if the communal flats were, in fact, available for sale to tenants of cooperative housing. It appears that tenants in cooperative housing pay significantly higher monthly rents than tenants in communal flats: by one estimate, as much as 17,000 PZL per square meter per month. It would obviously be an attractive financial proposition for a cooperative housing tenant paying 17,000 PZL per month to buy a communal housing flat where the monthly costs (exclusive of any mortgage payment to finance the purchase) might be as low as 10,650 PZL.

## **7. PROPOSED WORK PLAN**

We believe that CHE's actual and planned management improvements and privatization efforts concerning the downsizing of CHE operations and the eventual sale of much of its housing stock are notable achievements. Accordingly, we believe it would be beneficial to share Poznan's communal housing management and privatization planning experiences with other communal housing officials throughout Poland. This would obviously benefit other cities interested in communal housing management and privatization, but Poznan would also benefit by receiving valuable feedback concerning its management and privatization plans from other cities as well as learning first-hand the privatization experiences and related communal housing management issues of other cities.

Accordingly, we propose that USAID allow us the opportunity to conduct a two-day Communal Housing Management and Privatization Seminar in Poznan during the first week of October, preferably October 4-6. The reasons for the timing of this seminar are as follows: (1) it is after the parliamentary elections; (2) it is soon enough so that our visit will help to maintain the privatization momentum that exists at CHE; (3) it coincides with the desires of many notable communal housing officials throughout Poland whom we contacted by phone; and (4) it coincides with our availability to return to conduct such training.

The seminar would focus on a variety of topics including the mission of communal housing enterprises; downsizing and cost-effectiveness strategies; privatization of housing stock strategies; financial management and profitability issues; the importance of joint city housing management/housing employee cooperation; and related issues. CHE staff and the Association of Polish Cities (APC) under the direction of Andrzej Porawski, APC director, have graciously volunteered to assist us in putting this seminar together. We believe that the seminar will play an important part in the future communal housing privatization successes of cities throughout Poland, including Poznan, and we are both personally and professionally enthusiastic about the opportunity to present this training.

Also, we propose to offer technical assistance in the areas of long-range planning for the development and financing of technical infrastructure in the area of water and wastewater. City officials have identified a clear interest and definite need for assistance.

Additionally, the city is in need of an independent assessment of its requirements for a GIS system for land management and development. We believe the USAID/ICMA experience in Gdansk would be appropriate for transfer to Poznan.

## Appendix A - List of Contacts

Mr. Wojciech Kaczmarek - President of the City of Poznan  
Mr. Jacek May - Deputy President of the City of Poznan  
Mr. Ryszard Olszewski - Deputy President  
Mr. Wojciech Kulak - Secretary of the City of Poznan  
Mr. Jozef Tupalski - Director, Communal Services and Housing Department  
Mr. Ryszard Cmielewski - Director of the Communal Housing Enterprise  
Mr. Piotr Kortus - Technical Deputy Director of the Communal Housing Enterprise  
Mr. Zdzisaw Stankowski - Deputy Director, Communal Housing Enterprise  
Mrs. Stefania Gwizdz - Deputy Director of Finance, Communal Housing Enterprise  
Mr. Mirosaw Zimny - Manager, Field Maintenance Unit No.6  
Ms. Grazyna Klessa - Deputy Manager, Field Maintenance Unit No.6  
Ms. Irena Szymanska - Deputy Manager, Field Maintenance Unit No.2  
Ms. Malgorzata Michalska - Maintenance Unit, Communal Housing Enterprise  
Mr. Marek Marcinkowski - Director of Union Board, Communal Housing Enterprise  
Ms. Bogumia Szukalska - Deputy Director, Geodesy and Cadastral Department  
Mr. Kazimierz Latkowski - Business expert, advisor to the city on the privatization program  
Mr. Hieronim Sacla - Manager, Repairs Department, Communal Housing Enterprise  
Mr. Jerzy Babiak - Chairman of the Committee of Urban Infrastructure of the City Council of Poznan  
Mr. Krzysztof Janowski, Housing Commission of the City Council of Poznan  
Mr. Wacaw Nowacki - Housing Construction Cooperation  
Prof. Ludwik Dziewolski - member of the Housing Commission of the City Council of Poznan  
Mr. Andrzej Porawski - City Board member  
Mrs. Lisiak - Section Supervisor, Materials and Finance section  
Mrs. Koncka - Rent expert  
Robert Mackowiak = Computerization expert  
Kazimierz Nowak - Supervisor of the supply section  
Gerard Wesnerowicz - Foreman, Field Maintenance Unit No.12

## Appendix B:

**Selected photographs of the Communal Housing Stock.**

**Appendix C:**

**Profiles of Proposed Privatization of Housing Stock**



Old city center street with communal housing buildings with commercial space constructed before World War II.



Pre-World War II building with ground-floor commercial space.



Apartment building constructed before World War II.



Apartment building constructed before World War II with a single ground-floor commercial space.



Pre-World War II single-family house now under CHE management.



Barracks, built during World War II by the German army for its soldiers, currently under CHE management (scheduled for demolition)

( )



Apartment buildings constructed in the early 1950s.



Street frontage with commercial space from the 1950s.

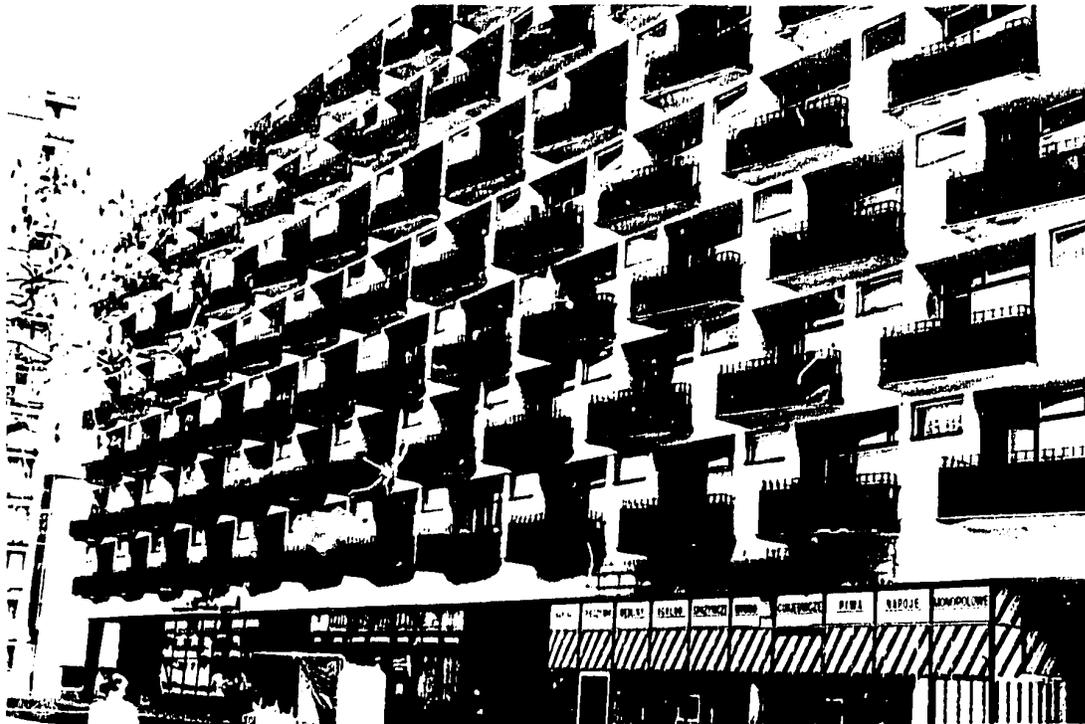


Apartment building constructed in the 1960s.



Residential garages, built in the 1960s and 1970s, now under CHE management.

42



Construction from the 1970s with ground-floor commercial space.



Apartment building constructed in the 1970s, recently painted by CHE.



Building dating from the 1960s in need of renovation.



Recently renovated entrance (only) to a building constructed in the 1960s.



BUILDING #2

ADDRESS: Lubeckiego 8  
YEAR OF CONSTRUCTION: 1932  
VOLUME (in m<sup>3</sup>): 1,562  
LIVEABLE AREA (in m<sup>2</sup>): 170.8  
NUMBER OF UNITS: 3  
NUMBER OF UNITS SOLD: none

UTILITIES/INSTALLATIONS: - water/sewage system  
- gas  
- central heating (not linked to the city system)

DATE OF REHABILITATION: -  
MONTHLY COSTS OF MAINTENANCE WITHOUT REPAIRS AND REHABILITATION PER BUILDING:  
1,120,000

LOCATION OF THE BUILDING/TYPE OF NEIGHBORHOOD: street front  
surrounding buildings are in private hands

Area of the particular units in m <sup>2</sup>	Rent in Polish zlotys	Number of tenants per unit	Tenants' sources of income
1 - 103.69	199 100	5	retired
2 - 36.21	69 500	2	pensioner
3 - 30.90	119 700	2	pensioner



BUILDING #3

ADDRESS: Szamotulska 22

YEAR OF CONSTRUCTION: 1935

VOLUME (in m<sup>3</sup>): 2467

LIVEABLE AREA (in m<sup>2</sup>): 638.66

NUMBER OF HOUSING UNITS: 7

NUMBER OF UNITS SOLD: 1 sold

3 tenants expressed interest in buying

UTILITIES/INSTALLATIONS: - water/sewage system

- gas

- central heating (not linked to the city system)

YEAR OF REHABILITATION: 1979

MONTHLY COSTS OF MAINTENANCE WITHOUT REPAIRS AND REHABILITATION PER BUILDING:

2,500,000

LOCATION OF THE BUILDING/TYPE OF NEIGHBORHOOD: street front

private buildings surrounding

Area of particular units in m <sup>2</sup>	Rent in Polish zlotys	Number of tenants per unit	Tenants' sources of income
1 - 96.63	no data	5	no data
2 - 97.84	no data	3	no data
3 - 79.45	no data	2	no data
4 - 114.87	no data	5	no data
5 - 79.79	no data	1	no data
6 - 113.26	no data	3	no data
7 - 56.82	no data	4	no data



BUILDING #4

ADDRESS: Krasinskiego 9

YEAR OF CONSTRUCTION: 1921

VOLUME (in m<sup>3</sup>): 2438

LIVEABLE AREA (in m<sup>2</sup>): 367.0

NUMBER OF UNITS: 6

NUMBER OF UNITS SOLD: 1 sold

2 tenants expressed interest in buying

UTILITIES/INSTALLATIONS: - water/sewage system

- gas

- electricity

- central heating (linked to the city system)

all in good condition

YEAR OF REHABILITATION: 1985

MONTHLY COSTS OF MAINTENANCE WITHOUT REPAIRS AND REHABILITATION PER BUILDING:

2,000,000

LOCATION OF THE BUILDING/TYPE OF NEIGHBORHOOD: street front

40% of the buildings in the neighborhood belong to CHE

Area of particular units in m <sup>2</sup>	Rent in Polish zlotys	Number of tenants per unit	Tenants' sources of income
1 - 91.88	176,400	2	retired
2 - 87.73	231,600	5	employed/retired
3 - 88.99	234,900	2	employed
4 - 35.55	81,100	3	retired
5 - 26.65	60,800	1	employed
6 - 31.00	59,900	2	no data



486

BUILDING #5

ADDRESS: Krasynskiego 10  
YEAR OF CONSTRUCTION: 1923  
VOLUME (in m<sup>3</sup>): 2492  
LIVEABLE AREA (in m<sup>2</sup>): 412  
NUMBER OF UNITS: 5  
NUMBER OF UNITS SOLD: none  
UTILITIES/INSTALLATIONS: - water/sewage system  
- gas  
- electricity  
- central heating (linked to the city system)  
all in good condition

MONTHLY COSTS OF MAINTENANCE WITHOUT REPAIRS AND REHABILITATION PER BUILDING:  
2,000,000

LOCATION OF THE BUILDING/TYPE OF NEIGHBORHOOD: street front  
40% of the buildings in the neighborhood belong to CHE

Area of particular units in m <sup>2</sup>	Rents in Polish zlotys	Number of tenants per unit	Tenants' sources of income
1 - 95.03	250,000	4	employed
2 - 54.50	143,000	2	retired
3 - 148, 71	392,600	5	employed
4 - 75,97	200,600	3	employed
5 - 37.47	76,400	2	retired



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BUILDING #6

ADDRESS: Urwista 3  
YEAR OF CONSTRUCTION: 1903  
VOLUME (in m<sup>3</sup>): 704  
LIVEABLE AREA (in m<sup>2</sup>): 116.54  
NUMBER OF UNITS: 4  
NUMBER OF UNITS SOLD: none  
UTILITIES/INSTALLATIONS: - water/sewage systems  
- gas  
- electricity  
- local heating system

DATE OF REHABILITATION: -  
MONTHLY COSTS OF MAINTENANCE WITHOUT REPAIRS AND REHABILITATION PER BUILDING:  
932320

LOCATION OF THE BUILDING/TYPE OF NEIGHBORHOOD: close to railway tracks  
factories in the neighborhood

Area of particular units in m <sup>2</sup>	Rent in Polish zlotys	Number of tenants per unit	Tenants' sources of income
1 - 23.92	40,000	1	retired
2 - 39.20	58,200	4	employed
3 - 23.10	40,200	1	retired
4 - 30.42	60,100	3	pensioner



BUILDING #7

ADDRESS: Bydgoska 4

YEAR OF CONSTRUCTION: 1921

VOLUME (in m<sup>3</sup>): 1317

LIVEABLE AREA (in m<sup>2</sup>): 199.49

NUMBER OF UNITS: 4

NUMBER OF UNIT SOLD: none

UTILITIES/INSTALLATIONS: -water/sewage system

- electricity

- gas

- local heating system (repairs needed)

DATE OF REHABILITATION: -

MONTHLY COSTS OF MAINTENANCE WITHOUT REPAIRS AND REHABILITATION PER BUILDING:

1595920

LOCATION OF THE BUILDING/TYPE OF NEIGHBORHOOD: located in a garden

private properties in the neighborhood

Area of particular units in m <sup>2</sup>	Rent in Polish zlotys	Number of tenants per unit	Tenants' sources of income
1 - 52.57	132,400	4	employed
2 - 38.39	80,400	1	employed
3 - 54.57	97,700	3	retired
4 - 53.96	190,200	4	retired



BUILDING #8

ADDRESS: Koninska 24  
YEAR OF CONSTRUCTION: 1936  
VOLUME (in m<sup>3</sup>): 737  
LIVEABLE AREA (in m<sup>2</sup>): 112.52  
NUMBER OF UNITS: 4  
NUMBER OF UNITS SOLD: one half of the building is sold  
UTILITIES/INSTALLATIONS: - water/sewage system  
- gas  
- electricity  
- no central heating  
in need of rehabilitation

DATE OF REHABILITATION: -  
MONTHLY COSTS OF MAINTENANCE WITHOUT REPAIRS AND REHABILITATION PER BUILDING:  
900160

LOCATION OF THE BUILDING/TYPE OF NEIGHBORHOOD: private neighborhood  
one-family houses

Area of particular units in m <sup>2</sup>	Rents in Polish zlotys	Number of tenants per unit	Tenants' sources of income
1 - 27.00	company flat	2	employed
2 - 51.38	118,900	3	retired
3 - 20.42	52,600	2	employed
4 - 13.72	48,300	4	employed



BUILDING #9

ADDRESS: Garbary 50  
YEAR OF CONSTRUCTION: 1900  
VOLUME (in m<sup>3</sup>): 4,070  
LIVEABLE AREA (in m<sup>2</sup>): 627.65  
NUMBER OF HOUSING UNITS: 10  
TOTAL AREA OF THE HOUSING UNITS: 503.03  
TOTAL SUM OF RENTS FOR THE HOUSING UNITS (in Polish Zlotys): 925,700  
NUMBER OF HOUSING UNITS SOLD: none  
UTILITIES/INSTALLATIONS: - water/sewage system  
                                  - gas  
                                  - electricity  
                                  all in fairly good condition  
DATE OF REHABILITATION: -  
COSTS OF MAINTENANCE WITHOUT REPAIRS OR REHABILITATION (within a halfyear):  
14,551,100  
LOCATION OF THE BUILDING/TYPE OF NEIGHBORHOOD: downtown  
NUMBERS OF TENANTS PER HOUSE: 26  
TENANTS' SOURCES OF INCOME: no data  
TOTAL AREA OF COMMERCIAL UNITS (in m<sup>2</sup>): 124,62  
TOTAL OF THE COMMERCIAL UNITS RENTS IN POLISH ZLOTYS: 19.581.500  
NUMBER OF COMMERCIAL UNITS: 2



BUILDING #10

ADDRESS: Garbary 59  
YEAR OF CONSTRUCTION: 1900  
VOLUME (in m<sup>2</sup>): 4,574  
TOTAL LIVEABLE AREA: 962.04  
NUMBER OF HOUSING UNITS: 13  
TOTAL AREA OF UNITS: 651.64  
TOTAL RENT FOR THE HOUSING UNITS IN POLISH ZLOTYS: 1,217,200  
NUMBER OF HOUSING UNITS SOLD: none  
UTILITIES/INSTALLATIONS: - water/sewage system

- gas
  - electricity
- all in fairly good condition

DATE OF REHABILITATION: -

COST OF MAINTENANCE WITHOUT REPAIRS OR REHABILITATION (within a halfyear):  
18,151,400

LOCATION OF THE BUILDING/TYPE OF NEIGHBORHOOD: downtown

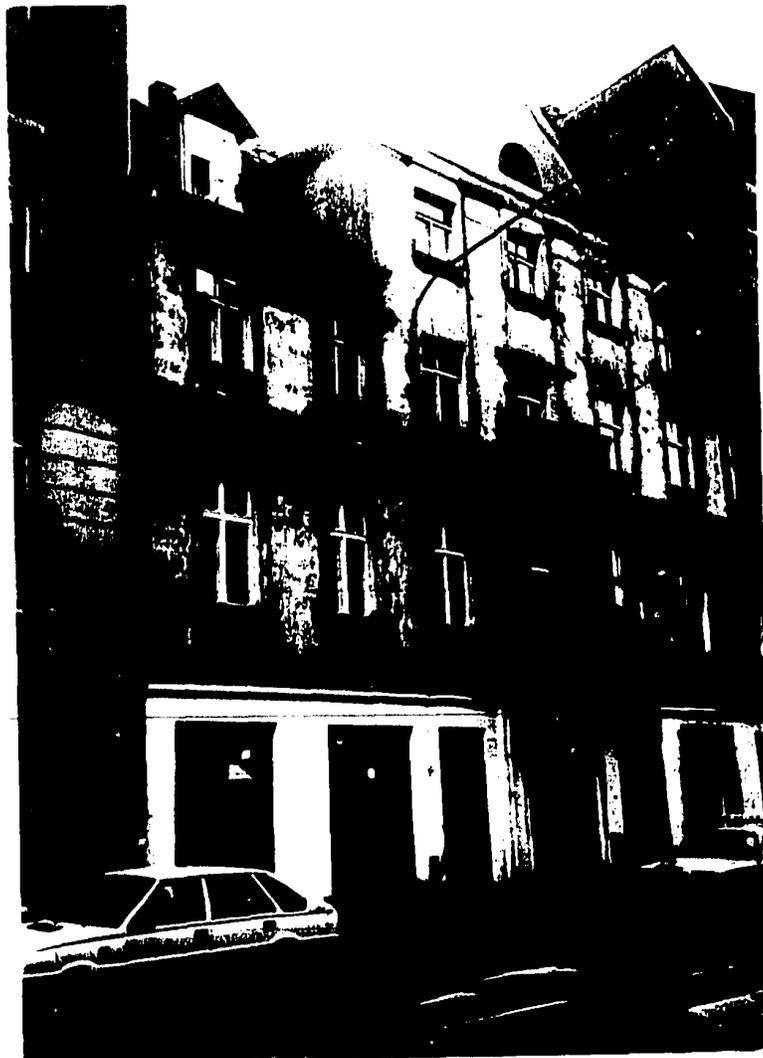
NUMBER OF TENANTS PER HOUSE: 44

TENANTS' SOURCES OF INCOME: no data

TOTAL AREA OF COMMERCIAL UNITS: 310,40

TOTAL OF THE COMMERCIAL UNITS RENTS IN POLISH ZLOTYS: 60,243,600

NUMBER OF COMMERCIAL UNITS IN A BUILDING: 6



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