

PLANNING AND DEVELOPMENT COLLABORATIVE INTERNATIONAL, INC.

**The Privatization of Municipal Housing Management and
Maintenance in Poland**

**The Public to Private Transformation of
Local Housing Agencies**

By

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Case Studies

**Dzierzoniow
Krakow**

Ostrow Wielkopolski

Sopot

Warsaw: Ochota District

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Introduction

With the passage of the "Law on Local Self-Governance" in early 1990, Polish municipalities were granted ownership rights to local communal housing. *Gmina's* inherited a housing sector beset with large operating deficits, low productivity, and poor resident morale. At the same time, *gmina's* faced similar challenges in other sectors that had previously been state-controlled enterprises, such as the energy, public transport, and solid/liquid waste sectors.

Amid the exuberance of local self-determination, there were housing policy and funding issues requiring immediate attention. The gravity of municipal housing issues was further complicated by the new right of tenants to purchase their apartments. Central to the resolution of these issues was the local housing agency, the entity charged with management and maintenance of the municipal housing stock. With the introduction of market forces to the sector, local housing agencies had to make the transition to a more business-like and more service-oriented operating environment.

How local housing agencies were restructured to meet the new housing market demands is the subject of this report. It examines a diverse sample of progressive cities and how they responded to the challenges and opportunities presented by the process of restructuring. Case studies were conducted in five cities: Dzierzoniow, Krakow, Ostrow Wielkopolski, Sopot, and Warsaw Ochota District. For each city, a brief history of the transformation process is presented, along with data on key local housing indicators. Comparisons are drawn among the five cities and the lessons learned from each experience are explored.

No one model emerges as a panacea for the transformation conundrum. Local conditions and priorities are too varied and complex for a single paradigm to prevail. The report does, however, present advantages and disadvantages of each case study and, as such, may provide helpful insights to cities pondering the restructuring process.

The report is targeted to the local reader — housing officials, professionals, and activists who are involved in shaping local housing policies and developing strategic plans for the future of municipal housing. Although other studies have examined the evolution of housing organizations in specific cities, this report is a first effort at compiling a multiple city cross-sectional analysis. As many cities are now considering how to restructure their housing organizations, this report is timely and may facilitate the replication of models that have proven successful. Hence, the models and the model components represent a menu of restructuring options, a menu from which hybrid models may be developed to suit unique local needs.

Background: Legal and Policy Framework for Restructuring

1 Introduction

After the Second World War, the housing economy in Poland was nationalized and subject to central government control. The rationale for this was:

- extensive damage of residential buildings caused by the war;
- limited means to construct new housing; and
- ideological guidelines of the Communist State.

The Decree on Housing Commissions of 1944 provided that “to rationally use housing resources diminished by the war, and to regulate public demand for flats according to plans, the public management of residential and commercial premises is introduced.”

The nationalization of the housing economy was strengthened by successive legal acts creating:

- a state office for control of living accommodations;
- public management of housing premises; and
- a special procedure for renting apartments under an administrative procedure.

State control governed all premises. The legal regulations covered both residential and commercial premises. Later on, detached homes (with limited space) and housing co-operatives were excluded from this regulation.

The legal recognition of a tenant as a privileged party (a natural person, the State Treasury, or a commune after the local government reform), as well as controlling and limiting rents (irrespective of the actual cost of building maintenance) caused the owner — private, state, or communal — to increasingly large operating deficits. This led in turn to the loss of value in the existing housing stock.

From the economic and social perspective, it was necessary to increase the population's participation in financing the housing industry and to meet the needs of young families in a manner that would not run counter to the Communist system. As a result, housing co-operatives came into fashion.

As a result of the housing cooperative movement, tenants were divided into two categories:

- tenants of communal buildings paying a regulated rent; and
- tenants of cooperative buildings who participated in the costs of construction (through housing or construction pre-payments) and who paid a rent consisting of the costs of administration and maintenance of cooperative buildings.

In both cases, the management of real estate was proscribed by the state:

- in communal housing by state enterprises (and following the local government reform by communal enterprises); and
- in cooperative housing by the co-owners themselves.

The housing law passed in 1974 regulated the renting of apartments in buildings owned by the State Treasury (later on by local governments, too), enterprises, and other apartments owned by natural or legal persons. The law was binding until the end of 1994 despite the ongoing economic and political reforms starting in Poland in 1989.

The housing law constituted the legal basis for the management and maintenance of buildings. The system was characterized by:

- depriving an owner of the right of ownership title, and
- special procedures for renting communal apartments.

The owners, including private ones, had no influence on who was eligible to rent and what rent was charged, while they were burdened with the responsibility managing and maintaining the buildings they owned.

According to the provisions of the housing law and civil code, the decisions linked with occupancy (being subject to those rules) were carried out by administrative channels.

The eviction of a tenant could only be made to another building, not to the street. If there were available alternative premises, the eviction was moot. In practice, there was no possibility of eviction, and that is why owners or managers did not sue for eviction, and, even in the case of a valid sentence being passed, they refrained from levying such evictions.

The housing law was amended several times. The most important amendments were introduced in 1987 and made it possible for owners of private multi-family buildings to recover apartments in their buildings and to exclude newly constructed multi-family buildings from the state-controlled special renting procedure.

The Parliament amended the housing law in June 1990, excluding commercial premises and causing the introduction of market mechanisms to the management of those premises.

Disputes and controversy between the parties engaged in work of housing law reform most frequently concerned the following:

- removing the special procedure for renting and, alternatively, covering the housing sphere by civil law regulations;
- the conditions for terminating contracts and eviction and, in particular, eviction without an obligation to provide an alternative flat;
- regulations concerning rentals; and
- the scale, scope, and sources of financing subsidies to cover housing expenditures.

2 Local Government Reform

Local government reform began in Poland in 1990. The basic legal act creating the system of local democracy was the law of March 8, 1990 "On Local Government." The law determined, among other things, the scope of communal tasks. Those tasks are linked with technical elements, social infrastructure, and environmental protection, while their execution shapes the

living conditions in local communities. According to the law on local government, the municipal housing industry is included in the communal reform category.

Under the law of March 8, 1990 "On the Change of the Constitution of the Republic of Poland" (Art. 45), local government was granted property rights (including the ownership right).¹

The ownership and other property rights belonging to individual communes, their unions, and the property of other communal legal persons (including enterprises) constitute a communal property. It was singled out and conveyed to local governments to help implement their legal tasks.

The law of May 10, 1990 — the regulations introducing the law on local government and the law on local government employees² — contains legal regulations describing the character of communal property and the procedure for its purchasing by communes.

3 New Housing Laws

The passing by the Sejm of new housing laws and effective date of November 11, 1994 (The Law On Renting Apartments and Housing Allowances) and as of January 1, 1995 (The Law On Apartment Ownership) created the legal foundation for transforming the management of communal resources.

3.1 The Law of July 2, 1994: On Renting Apartments and Housing Allowances

The law on renting apartments and housing allowances made it possible for the communes to independently set rents taking into account the real costs of maintenance and renewing of housing resources. The communes thus were given the possibility of rationalizing the management of housing resources and independently shaping their local housing policy.

The most important change in the new law, as compared to the earlier plans, was the elimination of the special procedure of renting that limited the owner in the selection of tenants, fixed rents, etc. The owner was, however, deprived of the right to terminate a lease according to a routine procedure, that is with notice. Instead, a special procedure of renting was introduced and implemented under administrative legal acts.

According to the law on renting flats, a contract is the source of the renting relationship. The renting established under an administrative decision on the allocation, as understood by the law, is a contractual rental agreement (lease) signed for a specified period.

¹ According to Art. 165 of the new Constitution of the Republic of Poland, units of the local government are granted legal entity and are entitled to the ownership right and other property rights.

² Other normative acts regulating this process include: The Law of July 13, 1990 on privatization of state-owned enterprises; the law of September 25, 1981 on state-owned enterprises; and the law of January 5, 1991 on the budget law.

The law has introduced two types of tenancy: a regulated rental and a free rental. The regulated rental is paid by tenants of flats constituting the housing resources of a commune (with the exception of flats bigger than 80 square meters).

The legislature also introduced a maximum regulated rental that cannot exceed 3 percent of replacement value, adjusted for inflation, until the year 2004.

The replacement value of a flat is determined by the product of its living space and the calculation index of one square meter of the living space. The value of the index is fixed by the regional governor by means of a decree every three months.

Moreover, the City Council can pass a resolution on different rates of rent, taking into account different circumstances, such as location, technical condition, etc.

People with low income (lower than 150 percent of the lowest pension per one member of a family) living in apartments with living space no bigger than that allowed for one person (this is described in the law) have the right to housing allowances.

Under the discussed law, the paying of allowances is among a city's responsibilities. Cities are granted subsidies from the state budget to partially finance those allowances.

A housing allowance cannot be granted to tenants having free rent or tenants of social welfare flats (unless a city is not subsidized by the state budget and passes an appropriate resolution on the matter).

A housing allowance is paid to the administrator of a building, with the exception of the lump sum assigned for the purchase of fuel. If an applicant is an owner of a detached house, he receives an allowance himself. The manager of a house accepts an allowance as part of a rental due by an applicant.

Art. 5 of the discussed law contains a definition of the housing resources of a city. They also include apartments or buildings owned by a city, communal legal persons, or commercial companies founded with the share of a city. A city can also decide on the ownership of individual flats: to sell them by means of a legal transaction or under a contract with a purchaser according to the rules determined by separate regulations but preserving the form of a notarial act.

The law on renting apartments and housing allowances annulled previous housing law provisions, including the procedure of eviction. In addition, the bodies of a commune were deprived of the right to make respective administrative decisions.

Disputes concerning renting flats are settled exclusively by courts as of 1995. The execution of courts' sentences belongs to court executive officers. But in case of an action for the termination of a rental contract and emptying a flat, the court may decide that a tenant has the right to a social welfare flat (taking into account the tenant history and his material/family situation). Under such circumstances, a city is obliged to guarantee a social flat and the

eviction cannot be carried out until then. Moreover, the protection of those evicted is covers a ban on evictions during winter, with the exception of an eviction due to family abuse.

3.2 Law of June 24, 1994: On Apartment Ownership Titles

Art. 6 of the law on apartment ownership titles creates a new legal notion, that is, a housing association. This association is composed of all the owners whose apartments are contained in a given real estate within a multi-family building.

A housing association exists under the law as of the day the law comes into force and possesses the capacity to be a party in civil cases.

The following bodies are appointed to manage the common real estate:

- all owners (as a supreme body); and
- the board of the association (executive body appointed by all owners).

The notion of the board appearing in the law has two meanings:

- as a subject (executive body of a community); and
- as a functional (managing activity).

The managing of an association is carried out, depending on the size of a community, in the following way:

- directly, in cases of associations having no more than 10 apartments; or
- indirectly by bodies appointed to this end; in this situation, the law limits the managing to participation in meetings of a community and adopting resolutions on the electing of the board and on other matters going beyond the competencies of a board (for example, modernization repair work in the building carried out under a mortgage-guaranteed credit).

A member of a community who is the owner of an apartment is granted the following rights:

- ownership, including personal use;
- collecting fees for renting out the condominium; and
- having disposal of the condominium.

A city, as the "hitherto owner" renting its own apartments, can be a member of a condominium association. The legislature gives equal rights concerning ownership titles to a city and private owners in buildings with one or more privatized flats. And, according to Art. 5, para 2 of the law on renting apartments, a locality should settle the ownership titles of individual apartments before selling them. But as long as it remains the "hitherto owner" of separate apartments as interpreted by both laws, it should cooperate with representatives of tenants regarding the management of common real estate (Art. 9, para 4 of the law on renting apartments), according to the rules described by the city council in the form of a resolution.

Moreover, a city is burdened with the duty of covering costs of maintenance of common real estate in proportion to its share of apartments.

There is also a responsibility of a city to determine a policy toward the enterprises of housing economy (housing organizations), regarding whether they are a budgetary entity (most frequently), commercial companies, or a communal enterprise. Arts. 36 and 40 of the law on ownership titles of apartments states that as of January 1, 1995, those organizations manage the real estate under the regulation of the civil code.

It is worth noting Art. 11 of the law on renting apartments, which states that legal rights and duties of the lessee and lessor do not apply when rent is not paid regularly. This means that in a relation between an owner of an apartment (being a natural or legal person and not a commune) and the renter of this flat, the regulations of the law on renting an apartment cannot be applied, thus the regulations of para 680 (and further of the civil code) are applied.

3.3 The Law of October 26, 1995: On Supporting Housing Construction

The Sejm passed the law on supporting housing construction on October 1995, introducing a new form of housing construction: The Society for Social Construction (TBS). TBS can be appointed in the form of companies ltd, joint stock companies, or cooperatives of legal persons.

The basic goal of TBS is the construction of buildings assigned for rental and their exploitation. Societies are legally independent units. They can obtain income from the activity determined by the law (for example from renting commercial premises, rendering services linked with administrating housing resources, carrying out construction activity and servicing investment processes). This income can be earmarked for the statutory activity, that is, maintenance of housing resources and expanding the resources of tenant houses.

The City Council where TBS is operating fixes a regulated rental per one square meter according to proposals (with a calculation) presented to the Council by the Society.

In tune with the discussed law, TBS can have an access to low-interest and long-term credits (up to 50 percent of investment costs) granted by the National Housing Fund. The remaining 50 percent must be collected by the Society.

The payment of the credit can be deferred for 30 months. The condition for granting a credit is to fix the costs of construction at the level not exceeding a calculation index announced by the regional governor. In connection with this, what is important is to seek affordable technologies.³

A general assembly (joint stock company and co-operative) or an assembly of partners (company ltd), supervisory board, and board are the bodies of the Society.

The incomes of TBS earmarked for the maintenance, repair work, and expansion of housing resources are exempted from the income tax.

³ This index is permanently lowered.

4 Transforming Municipal Housing Organizations

Before the reform of local government, the housing economy enterprises had specific tasks as entities directly responsible for guaranteeing the proper exploitation of communal buildings and servicing the inhabitants of those buildings.

Unfortunately, the form of an enterprise acting under the law on the state enterprise did not stand the test. The bodies of the enterprise, dominated by employees' self-government, frequently implemented their own goals, which did not correspond with goals adopted by a city and not heeding the interests of the tenants.

Moreover, the official rents did not cover the costs of the current repairs of buildings that forced a city to cover the difference through subsidies.

Other negative phenomenon took place in the former PGMs, such as overemployment and accounting with income commingled with other municipal services.

Moreover, enterprises of the housing economy had been acting as multi-branch entities, which, apart from managing the communal housing resources, fulfilled other tasks, such as the exploitation of small architecture and the maintenance of cemeteries.

In the course of privatization transformations, the majority of PGM enterprises were transformed into budgetary enterprises or companies ltd.

The need to change the organizational-legal form was imposed on cities by the law of May 10, 1990 — introducing regulations On Local Government and Local Government Employees. According to Art. 8, para 2, the City Council was obliged to choose the organizational-legal form for communal enterprises by December 31, 1991. The date has been postponed several times.

The law of December 20, 1996 On Communal Economy introduced a legal transformation into one-person companies for those enterprises that had not been previously transformed and set a deadline (later extended) of June 30, 1997.

Radical changes in the functioning of housing economy enterprises were introduced by the law of June 24, 1994 On the Ownership Titles of Premises. This law mentioned the concept of a board as a representation of an association and not the certain organizational-legal form in the shape of PGM or budgetary enterprise. One could infer that PGMs should eventually be liquidated and their functions in the field of managing common real estate should be taken over by boards based on the rules contained in Chapter 4 of the law.

The law was effective January 1, 1995. This, of course, does not mean an automatic cessation of the PGM functions. Probably, the owners of real estate will with time arrive at the conclusion that it is more economical to establish administration and entrust a private entity with management, as opposed to an enterprise.

The law on the ownership titles of flats breaks the old monopoly of PGM in the field of housing management. Cities and housing economy enterprises must take into account the limiting of their statutory activity.

4.1 Budgetary Enterprises

The most popular method of transforming housing organizations, caused mainly by the law on local government and introductory regulations, has been to establish budgetary enterprises to replace PGMs. The sphere of housing economy was unprofitable, and that is why the popular form seems to be to found under the law of January 5, 1991, The Budget Law.⁴ In view of the changes introduced by new regulations, in the near future we can expect the opposite phenomenon, that is the liquidation of budgetary enterprises⁵ or transforming them into companies under city resolution.⁶

4.2 Companies with Limited Liability

In the process of transforming housing economy organizations, a commercial law company in the form of a limited liability company was not frequently used. In view of the fact that some cities could select such form, it is worth discussing the procedure of liquidating the companies.

The legal foundation for forming limited liability companies was offered by Art. 9, para 1 of the Law On Local Government, permitting the setting up of organizational units to fulfill their own tasks (also Art. 58 of the commercial code).

The dissolution of a limited liability company is done at the moment of removing it from the commercial register. This can happen only after the carrying out of the liquidation procedure. The liquidation of the company is regulated by the provisions of Art. 262-279 of the commercial code.

If in the course of the liquidation procedure, it turns out that the company's property is not sufficient to pay the debts, the liquidator is obliged under Art. 5, para 2 of the rules of the Decree by the President of the Republic of Poland of October 24, 1934 — The Bankruptcy Law (Gazette of Laws No. 118 of 1991, pos. 512) — to submit a motion on bankruptcy.

⁴ The detailed procedure of founding and the rules of financial management of a budgetary enterprise were described in the Decree of the Finance Minister of May 8, 1991 on budgetary enterprises.

⁵ A possibility to liquidate budgetary enterprises was envisioned by the budget law in Art. 15, para 2, according to which the recipients of budgetary parts could liquidate the state (communal) budgetary units covered by a given part of the budget of the state. Under Art. 17, para 2 of the budget law, the budgetary enterprise is liquidated by the city council. Another foundation for the liquidation of a budget enterprise is provided by Art. 18, para 2, pt 9 of the Law On Local Government. To liquidate a budgetary enterprise the city council must pass an appropriate resolution. The decision on the liquidation gives to a bank the grounds for closing the account and transferring financial means left after the liquidation settlements to the incomes of the commune budget under para 4, pos 3 in relation to para 12, pt 2 of the Decree of the Finance Minister On Budgetary Enterprises.

⁶ Such possibilities are provided by the Law of December 20, 1996 On Communal Economy. According to the law, the elements of the budgetary enterprise transformed into a company go to the company. A company set up as a result of the transformation assumes all rights and duties linked with the activity of a budgetary enterprise.

A commercial company is capable of going bankrupt. Comparing the liquidation procedures of a budgetary enterprise to those of a limited liability company, one can state that it is far easier to liquidate a budgetary enterprise.

4.3 Societies for Social Construction

TBSs who have been granted a statutory possibility to render services in the field of managing premises that are not its property can become an entity competing against communal enterprises for the management of communal housing resources and commercial premises.⁷

Moreover, cities carrying out the process of restructuring of multi-branch enterprises can examine the usefulness of selecting TBS (another option). It is also possible to transform a budgetary enterprise into a commercial company TBS or to transform the existing company into TBS by adjusting its statute to the requirements of the law.

5 Summary

The following conditions influence the transformation of housing organizations.

- Communal housing construction is a locally controlled task (under Art. 7, para 1, pt 7 of the Law On Local Government) so as to meet housing needs (Art. 4 On The Renting of Apartments and Housing Allowances).
- The administration of common areas can be granted to a natural or legal person (the Law On Ownership Titles of Apartments: Art. 18, para 1).

In view of the above, the management of real estate can be conducted by natural persons (acting independently or under contracts, such as a private company contract)⁸ and limited liability companies (the form of a joint stock company seems less appropriate). Thus, wherever there is separate ownership title of a premises, the management could not be carried out by budgetary enterprises, since they have no legal entity (this form was chosen by the majority localities). Co-owners of separate real estate will decide on how to carrying out management and who to entrust with the task.

Under Art. 5 of The Law On Renting Living Premises, a city was obliged to manage its housing resources. Thus, the city authorities must entrust appropriate entities with managing municipal housing. Under Art. 5, para 3, the managing of the municipal housing should be determined by the city council. A city can support an entity that used to fulfill management functions for municipal housing.

It seems, however, that with time, it will be useful to liquidate budgetary enterprises and form smaller entities that can more effectively fulfill the function of management.

Under these legal circumstances this function will be fulfilled by small local entities.

⁷ In practice, in the sphere of the administration of apartments, this form seems similar to ineffective housing cooperatives due to the problem of internal subsidizing.

⁸ The Commercial Code, A. Wicniewski, p. 10, Wydawnictwo Prawnicze Publishers, Warsaw 1992, states that "a private company is not a legal person - it is a noncommercial company. This means that partners are obligated by any

Many limited liability companies are to be formed to replace large housing organizations. These companies are typically formed with the former PGM employees, and municipal housing management is taken over by the new entity. A city can lease assets to assist the new entities in the performance of their management activities.

Overview of the Municipal Housing Management And Maintenance Sector

1 Issues and Problems in the Sector

Before addressing the restructuring options and objectives, it will be helpful to examine the issues and problems prevalent in the municipal housing management and maintenance sector:

1.1 Lack of Competition

For two generations the sector was characterized by a lack of competition, because the state enterprises enjoyed a virtual monopoly in the area of municipal housing management and maintenance. As a result of these monopolistic practices, apathy (or malaise) has often characterized the sector and must be overcome if housing organizations are to successfully adapt to new market conditions. The legacy of years of monopolistic policy is often a certain antipathy on the part of both the housing organizations and the residents regarding maintenance performance standards and performance results. A considerable negative stereotype has been built-up over the years concerning municipal housing maintenance and maintenance personnel. The dynamic of a self-fulfilling prophecy is often a result of the stereotype, with residents not expecting a high level of service and housing organizations delivering to that level.

1.2 Lack of Strategic Planning

Planning was sadly lacking in housing operating environments that, in many cases, gave more funding (subsidies) to organizations that were poorly run. Planning was often done on an *ad hoc* basis. Housing maintenance was often reacting to problems as opposed to anticipating problems. Planning issues include:

- vague (or nonexistent) mission statements;
- lack of business plans;
- lack of market orientation;
- lack of emphasis on self-sufficiency; and
- lack of long-term goals and objectives.

1.3 Deep Subsidy Burdens

Municipal housing was (and remains) one of the best consumer bargains in Poland. Rents were state-controlled and maintained at levels that paid for only a fraction of the operating costs. Municipal rents are universally subsidized on a floor area ratio basis, without regard to the tenants' incomes and ability to pay. When local autonomy (and economic responsibility) was handed off to localities in 1990, the funding of municipal housing posed serious challenges of crisis proportions to local governments. Municipal tenants, who had been the beneficiary of deep subsidies for so many years, were now dangerously close to becoming casualties in the new decentralized government — one that could no longer afford to undercharge for residential rent. Cities suddenly found themselves to be the owners of formerly state-owned assets, many of them having valuable assets, but many (like the state housing enterprises) having significant liabilities. As seen in the case studies, balancing the need for housing versus the ability to pay has proved to be a daunting challenge to local governments.

The obvious answer to the rent deficit situation is to raise rents, but the issue is much more complex than just raising rents. None of the cities in the case studies has raised rents to a level even close to the national cap of 3 percent of replacement housing value (until the year 2004). The highest rate in the study is in Ostrow Wielkopolski, where average rents are 1.80 PLN per square meter per month. Housing, unlike the energy sector where rates have been largely deregulated, remains a very sensitive and emotional topic on most city agendas. To raise rents in one dramatic step from existing levels to the national maximum requires a political will that has not yet manifested itself in any of the case studies; rather, they have chosen the incremental approach to slowly introduce rent increases. Rent is indeed a complex issue, with wage levels, inflation, and constituency opinion affecting how localities react to their need to generate more revenues for municipal housing.

1.4 Resistance to Change within Housing Organizations

With the state housing enterprises, the roles of owner and manager were commingled, a situation that poses basic conflict of interest questions when it comes to evaluating performance. With this duality of roles, accountability declined and performance was inadequately monitored. Housing organizations became more detached and isolated, and, since there was no alternative, the end user had to accept whatever level of service he (or she) got. Lower productivity and lower quality service became the hallmark of the sector. The traditional housing organization was in direct conflict with the new goals of local self-sufficiency and the new demands of the housing market, particularly the demands of the new homeowners. Restructuring to be more responsive to the market was not a high priority for housing organization staff, who feared for their job security and who were unaccustomed to a "customer" focus. In order to restructure, local governments and housing organizations had to first overcome the inertia within staff and to build a consensus for restructuring to occur. Although housing organizations had the urgent need to consider downsizing and/or outsourcing of functions, for many localities, the human resource issues were too sensitive to resolve in their initial restructuring efforts. As can be seen in the case studies, there is an awareness of the need to reevaluate staffing, but most localities viewed it as a second phase issue in their restructuring process.

1.5 Lack of Incentives

Clear incentives to improve management and maintenance are often lacking. The tradition in the sector has been to focus on the process rather than the results of management and maintenance. For example, a process-driven system assumes that the physical presence of a janitor ensures the cleanliness of the common areas; a results-driven system does not focus on how long the janitor worked or how many janitors worked, only whether the job was done properly and for the price budgeted. Too often, the housing organizations were focused on the job process and not monitoring relevant results. In addition, there was not a clear-cut connection between wages and performance. Salaries were not dependent on quantity of work, quality of work, or resident satisfaction. In addition, there was no other contender for the work because of the lack of competition. With weak incentives driving productivity and virtually no threat of losing work to competition (until fledgling firms recently appeared in the sector), enhancing productivity was not a high priority for traditional housing organizations.

1.6 The Role of the Tenant and Homeowner

The municipal housing sector is known for its strong history of tenants' rights. 1990 was a landmark year for national legislation, and it ushered in the era of the "lease" as the contractual vehicle for housing. In theory, model leases may identify and devolve responsibilities to be shared between the municipality and the tenant, but, in practice, the burden of responsibility continues to be skewed toward the municipal housing organization. Although eviction for nonpayment of rent and nuisance violations (such as chronic alcohol abuse) is legal, it is viewed as a draconian measure, and the preference is to move offenders from the mainstream into isolated, low-standard housing. The reluctance to evict dilutes the ability of the localities to enforce provisions for the timely payment of rent and contributes to delinquent rent payment patterns and collection loss from accounts never paid.

In addition, the poor condition of many common areas is a reflection of the common attitude that taking care of hallways and entryways is not a concern or responsibility of the residents. The concept of a manager-tenant-homeowner partnership in caring for the interior and exterior common areas is not well-established. Recently, however, the new homeowners have realized that the value of their condominiums is directly related to the condition of their building's common areas, and they have taken more of an activist role in the appearance and care of those areas.

The recent privatization of units presents a unique set of challenges to municipal housing organizations. In theory, the mixing of municipally owned and privately owned units in one building means that more management and maintenance responsibilities will be assumed by the new homeowners; in practice, however, this had not happened because there is little difference between being a homeowner or a renter. Homeowners still pay a fee equivalent to rent for the upkeep of their building, and, until their ranks equal 50 percent (or more) of the units in a building, they lack the clout to hire an alternative maintenance firm (if one exists in their community). Still, housing organizations must meet periodically with the homeowners associations, and the specter exists that homeowner associations will exercise their right to hire someone else to maintain their property. In the case studies, evidence can be seen of new (but still small) homeowner trend of shifting from municipal maintenance firms (or offshoot firms) to new players in the sector.

1.7 Dependence on Cross-Subsidy Mechanisms

In the absence of direct subsidies from national and local budgets, housing organizations have become heavily dependent on indirect or "cross-subsidies" from other municipal sources. The sources of cross-subsidy are, however, diminishing as there is a trend toward restructuring housing organizations as single-purpose activities. For example, a multi-purpose enterprise may have contained housing and waste functions under one umbrella entity. If the waste function was profitable and the housing function unprofitable, the revenue from the waste function was typically used to offset the housing losses. Restructuring is curtailing the cross-subsidy of housing and forcing the issue of housing as a stand-alone profit center. Commercial rents are the exception to the cross-subsidy trend, and commercial rents have become vitally important to the survival of municipal housing organizations. Each case study demonstrates that commercial rents have become the primary subsidy mechanism for municipal housing. Hence, careful attention is paid by housing organizations to the commercial rent levels and rent collections. In essence, the commercial rent account has become a pseudo contingency reserve

for municipal housing operations, making budgets balance and covering emergency expenses. The danger of this commercial cross-subsidy paradigm is that it insulates localities from making hard decisions regarding the raising of residential rents and, on paper, can make unprofitable organizations appear to be profitable.

The case studies that follow offer valuable insights into how localities have approached these issue and problems, and how they have restructured their housing organizations to resolve them.

2 Restructuring Options

City councils were faced with hard choices regarding how to restructure their housing organizations to meet local needs. The forces affecting the outcome of the restructuring process are endemic to the cities and include such factors as:

- number of municipal units as a percentage of the total housing stock;
- age of the stock;
- deferred maintenance needs;
- privatization rates;
- ability of the local government to subsidize municipal housing (including the disposition of commercial rents);
- residential rent levels;
- residential rent delinquency rates; and
- the political correctness of reducing (or eliminating) municipal housing dependence on local government, including:
 - ▶ raising rents (local rent setting powers were granted by the 1/1/95 national act on housing rent and allowances);
 - ▶ downsizing housing organizations;
 - ▶ outsourcing for housing services;
 - ▶ separating municipal housing ownership from the management function; and
 - ▶ introducing competition into the sector.

2.1 Four Basic Options Are Available to Localities

2.1.1 Maintaining the Status Quo

Allow municipal housing enterprises to continue functioning “as is” for an indefinite period of time. At best, this “do nothing” option was a short-term consideration, since national policy was quite clear on the preference for localities to convert state enterprise organizations (including housing) into alternative structures that would be more responsive to local needs and more self-sufficient. In addition, national deadlines for restructuring state style enterprises were eventually introduced, though the target dates were frequently extended. The current deadline of December 31, 1997 (extended from June 30, 1997) was imposed by the Act On Municipal Economy passed on December 20, 1996 and effective February 20, 1997. Approximately 30 percent of localities have yet to restructure their housing organizations and are now subject to this December 31st deadline. This conservative approach has the obvious advantage of profiting from the lessons learned by other localities who experimented with restructuring early on.

2.1.2 Transforming the State Enterprise into a Budgetary Entity

This option involves the conversion of municipal housing enterprises to “budgetary enterprises” dependent on the cities for funding and controlled directly by the cities. Operations are “nonprofit,” in that all profits (a rare occurrence in this sector) are rebated to the city. The budgetary entity is not a legal entity and cannot represent the city in court proceedings, such as evictions. Although this restructuring mechanism puts the new organization at slightly more “arms length” from the city, the resulting change is largely symbolic and the prospects for significant change are somewhat limited. The budgetary entity is an instrumentality of the city, without the autonomy to determine policy and budget matters. The creation of incentives for management improvements and self-sufficiency is made more difficult by the ease with which budgetary entities can tap into city resources to offset operating deficits. If tight control over housing organizations is a priority, than this option may fit the local agenda. However, localities exercising this option will have to accept the responsibility of funding (or ignoring) potentially large operating deficits and a blurring of distinct lines of ownership versus management of the stock.

2.1.3 Transforming the State Enterprise into a Non-Budgetary Direct Service Entity

This option involves the creation of “direct service organization” removed from the city budget (except for year-end reconciliations of over/under funding) and typically controlled by an intermediary oversight board appointed by city council. In essence, this format creates a new entity that stands in for the prior state enterprise without a competition component. The new entity has an inherent incentive toward profit because it is off-budget. They do not have legal status and, hence, represent a direct housing management function for cities. Although closely aligned with cities, these companies are typically single-purpose, in that they **only** manage and maintain municipal housing (and buildings of mixed municipal-private ownership). In essence, these entities represent a sort of hybrid format between full dependence on municipalities (options #1 and #2) and full independence of a legal commercial entity. The advantage to this option is that it allows the city to maintain considerable control, while isolating the new entity from the city budget, thus creating incentives and opportunities for financial stability.

2.1.4 Transforming the State Enterprise, Budget Enterprise, or Direct Service Organization into a Legal Commercial Company

Localities may establish commercial entities, such a limited liability partnership (LLP) or joint stock company (JSC) to replace the state enterprises. The new entities are truly privatized firms operating in the realm of municipal services. The law on self-government allows cities to then contract with these new commercial companies to provide management and maintenance services to the municipal housing stock. The new commercial entities may be wholly or partially owned by the cities themselves. The contracts with the new entities may be competitively bid or sole-source. Oftentimes, the lack of established housing management firms capable of engaging in this work means that the work is not competitive, at least initially. Rarely, if ever, has a state housing enterprise been converted directly to a commercial company without some transitional steps, such as first converting it to a budgetary or direct service type organization. As seen in the case studies, the restructuring process has been an evolutionary one, with commercial companies appearing only recently, and often after failure of “first stage” budget entities to achieve the desired results.

3 Restructuring Objectives

The restructuring objectives can be as diverse as the cities and their local priorities. However, a core group of objectives and action plans can be seen in the five cities studied and are worthwhile discussing in the context of this report.

Objective: To Assist Municipal Housing Organizations Make the Transition to Self-Sufficiency

As the Polish housing sector marches toward the market, *gminas* realize the need to diminish the dependence of municipal housing on local budgets and to restructure housing organizations to facilitate their financial profitability.

Action Plans

- Raise rents
- Decrease rent delinquency levels
- Evict nonpayers
- Dedicate commercial rent revenues to offset housing deficits
- Foster entrepreneurial work environments for restructured housing organizations
- Streamline operations by downsizing and/or outsourcing
- Seek outside credits for capital repairs: bonds, lines of credit, and homeowner financing of repairs

Objective: To Improve the Management and Maintenance of Municipal Housing

The municipal housing management and maintenance record does not reflect a tradition of quality service. If rents are to be raised to make the housing organizations more self-sufficient, the quality of services need to be enhanced to justify the rate increases.

Action Plans

- Assist housing organizations make the transition from multi-purpose to single-purpose, with a focus on housing management and maintenance
- Increase monitoring activities
- Assist the transition from “process” to “results” orientation
- train management staff on how to be more service oriented to tenants **and** homeowners
- Introduce objective performance standards
- Link salaries to performance criteria

Objective: To Foster a Competitive, Market-Oriented Local Housing Sector

The legacy of years of monopolistic management and maintenance is higher prices, low tenant morale, and housing organizations often characterized by low productivity.

Action Plans

- Put municipal management and maintenance on a contractual basis
- Allow new companies to compete for management of municipal housing

- Evaluate all contracts for value and pricing competitiveness
- Terminate contracts with poor performers
- Get feedback from tenants and homeowners on contractors' performance

Objective: To Adapt to a Mixed Operating Environment of Tenants and Homeowners

The sale of municipal apartments and the subsequent creation of homeowners associations poses new challenges to *gminas* and housing organizations. Homeowners have a different set of values and priorities than their tenant neighbors, with protection of the value of their real estate asset being paramount. The clash of priorities between the diverse building populations, and the threat of associations seeking alternative (or self) maintenance casts *gminas* and housing organizations in new roles. If they are to meet the mixed building challenge, they must rethink the traditional management and maintenance paradigm.

Action Plans

- Find out what private owners want and provide it for a reasonable fee
- Expand service menus to be more in tune with privatization needs
- Become partners with homeowners in maintaining buildings

Local forces drive the outcome of the restructuring process and determine how much and how soon change occurs. Some forces **drive** the process of change, while others **hinder** it. For example, the need for self-sufficiency is obviously solved by raising rents to the maximum allowable; however, this solution is often in direct conflict with the local need to keep rents affordable. These forces are identifiable and can be analyzed using the graphic illustration on the following page. As you will see in the case studies, there are positive and negative local forces at work for every factor affecting the restructuring process. The prevalence and degree of these local forces will shape the envelope within which the restructured municipal housing organization must operate.

The Case Studies

1 Introduction with Comparative Data

In this section, key indicators are first compared for each city participating in the case study. This is followed by a brief summary of the salient features of how each city restructured their housing organization.

To recap, the cities in the study are:

- Dzierzoniow
- Krakow
- Ostrow Wielkopolski
- Sopot
- Warsaw Ochota District

These cities were chosen because they represent a diverse sample of demographics and variables impinging on restructuring methodologies, and, as such, their experiences will be relevant to a wide audience of localities in process of restructuring. Each participating city should be commended for their initiative in undertaking the restructuring process; their cooperation in providing information for this report is greatly appreciated.

Notable Results and Trends from the Case Studies

- The earliest effort at restructuring was in Sopot in 1990; the most recent was in Dzierzoniow in 1996.
- The stock in the cities has a heavy concentration of Pre-World War II buildings, ranging from 46 percent in Ostrow Wielkopolski to 86 percent in Sopot.
- Privatization rates vary widely, from 15 percent in Dzierzoniow to 58 percent in Ostrow Wielkopolski.
- Four of the five cities initially restructured as budget entities; today, only two (Dzierzoniow and Krakow) remain on city budgets.
- Although competitions were allowed, there were typically no local firms available to compete initially.
- Restructuring typically occurred when the existing housing organization was transformed "in place," with staff remaining intact.
- All claim varying degrees of self-sufficiency, but all are dependent on commercial rent revenues to achieve self-sufficiency.
- Residential delinquency rates are low, ranging from 0 percent in Sopot to 6 percent in Ostrow Wielkopolski.
- Rent levels remain well below the maximum level; rents range from .96 PLN in Dzierzoniow to 1.80 PLN in Ostrow Wielkopolski.
- Staffing levels are claimed to be down overall, particularly in the blue collar area. White collar staff, however, was typically higher than pre-restructuring levels. Some of the decrease in staffing is attributable to existing staff being spun off into new entities that were

were then put under contract; the decrease in those instances is deceptive, in that staff have been shifted from one payroll to another.

- In all but one city (Ostrow Wielkopolski), the ownership and management functions have been separated, with the new entity retaining only the management function.
- Incentives are present to varying degrees, but are diluted by the availability of commercial rents to offset budget deficits.
- Strategic planning is being used in all surveyed cities, with Sopot in the lead, having a long-term plan going through the year 2012.

A table follows that illustrates the key indicators; it is included to assist the reader in making comparisons between the cities.

Detailed case studies for each city follow in the appendices.

Indicators: Transformation of Municipal Housing Organizations Case Studies

	Dzierzoniow	Krakow	Ostrow Wielkopolski	Sopot	Warsaw: Ochota
Population	38,100	741,000	74,600	45,000	100,000
Municipal Units: %	47%	7.1%	11%	46.9%	52%
Age of Units: % Pre-WWII	54%	65%	46%	86%	48.8%
Privatization: % of Stock	15%	50.7%	58%	45.4%	40%
Conversion: Initial	6/96: ZBM Formed	12/94: CHM Formed	11/94: MZGM Formed	1990: MBB Formed	11/91: GGKO Formed
Conversion: 2nd Phase	—	—	—	—	—
Budget Entity?	Yes	Yes	Initially: Yes Now: No	Initially: Yes Now: No	No
Type of Organization	Budget Entity	Direct Service Organization	Limited Liability Partnership	Private Firms	Limited Liability Partnership
Competition?	No	Yes	No	Yes	Yes
Contract?	Yes	Yes	Yes	Yes	Yes
Downsizing?	Yes	Initially: No Now: Yes	Initially: No Now: Yes	Yes	Yes
Outsourcing:	Yes	Yes	No	Yes	Yes
Disposition of Commercial Rents	100% to Housing	100% to Housing	100% to Housing	100% to Housing	100% to Housing
Self-Sufficient?	Yes	Yes	Yes, but has an 11% Deficit	Yes	Yes (5% Profit)
Delinquency Rates	4%	3%	6%	- 0 -	1.4%
Rent Levels/m ²	0.96 PLN	1.40 PLN	1.80 PLN	1.30 PLN	1.18 PLN
Staff Levels	Down	Down Overall	Down Overall	Down	Down Overall
Incentives?	Yes	20% Bonus	No	Yes	Yes
Owner vs. Manager	Manager Only	Manager Only	Both	Manager Only	Manager Only
Strategic Planning	Poor	Good	Good	Excellent	Very Good

2/2

2 Summaries of the Case Studies

2.1 Dzierzoniow

The latest city to restructure its housing organization (June 1996) in the case studies, Dzierzoniow's new ZBM entity has nevertheless achieved self-sufficiency within its first year of operation. Economic necessity was a prime force driving the restructuring process. The city, along with some enterprise staff, sought to restructure. Although ZBM remains a budget entity, the signal from the *gmina* was clear: become self-sufficient, because subsidies from the city were dwindling. In Dzierzoniow, commercial rents are not a significant source of subsidy to ZBM, since over 50 percent of the commercial property was privatized at the beginning of the decade. Subsidies to the ZBM are 2.5 times lower than the national average.

Dzierzoniow is a small city with unemployment of 40 percent. The poor economy in Dzierzoniow means that raising rents is infeasible. Rent levels in Dzierzoniow are the lowest in the case study group at 0.96 PLN per square meter. In order to balance their budget, outlays for routine and capital maintenance are correspondingly low. Operating costs are 33 percent lower than other cities in the study. Routine repair costs in Dzierzoniow are roughly 2.5 times lower than the Polish average. The absence of capital repairs creates problems that must be addressed as emergency technical repairs, often overloading the system.

All janitorial and technical work is now performed by contract with workers who formerly worked in the municipal housing enterprise. White collar workers are down by 50 percent, and blue collar workers are down to zero.

It should be noted that the scale of ZBM activities is very broad, with 35 ZBM employees responsible for 648 residential buildings. On average, each employee must tend to the needs of 18.5 buildings. Questions remain about the effectiveness of such a large span of control.

Delinquency rates are second highest in the case studies, at 4 percent.

Given the economic situation in Dzierzoniow and the low probability that it will change in the near term, maintaining the ZBM's financial viability is a challenging proposition. The options available to ZBM to raise new revenues are extremely limited, as are the options to reduce expenditures (which are already at austere levels). As time passes, it will be more and more difficult to maintain the stock without a capital repair program. On the other hand, the residents are aware of the local hardships and, given this reality, may have lower expectations of ZBM performance. In any event, the ZBM serves as a model of how restructuring can proceed and succeed, even under the most difficult of economic climates.

2.2 Krakow

Krakow has the highest population (741,000) and the lowest incidence of municipal housing (7.1 percent) of any of the cities in the group. The stock is also old, with 65 percent of municipal housing being constructed prior to World War II. The traditional state management organization was known as PGM and had 1,993 staff to manage 3,207 buildings.

In April 1993, a general resolution was passed on a strategy to transform municipal entities. The objective of the transformation was to create "more efficient management where tasks

shall be defined more precisely and responsibilities explicitly allocated." In July 1993, the city passed a resolution on housing economy to convert to limited liability partnerships and to separate ownership and management functions. PGMs were initially opposed to conversion, but a "no lay off" policy facilitated the transition.

In December 1994, the Communal Housing Management (CHM) was established by resolution of the city. It is supervised by the Department of Commercial Premises and Buildings, which is, in turn, supervised by the City Executive Board of Krakow. In March 1995, a city resolution abolished PGMs and CHMs took over. Although initially competition was attempted, there was no real competition for lack of bidders. Seventeen new companies were formed out of old PGMs privatizing in place. In June 1996, real competition did occur when re-bidding took place; one of the incumbents lost a district to a rival CHM at that time.

Vacancies are now being repaired. However, there remains a huge backlog of deferred maintenance estimated at 220 million PLN. There is also a large waiting list for municipal housing.

Residential and commercial rent delinquencies are down. Residential delinquencies are down from 4.7 percent in 1994 to 3 percent in 1996; commercial delinquencies are down from 6.1 percent to 3.2 percent for the same period.

CHM receives no budget subsidies, even though it is a budget entity.

Fifty-two condominium buildings have split from the CHMs and have procured alternative management firms.

There is a bonus system regarding rent collection: rents are expected to be collected at the 90 percent level; a 20 percent bonus is given for everything over 90 percent collected by ZGM.

One drawback is that, because CHM is not a legal entity, it cannot represent the city in court proceedings.

CHM's agreement with the city is for a three-year term, until 2001.

CHM claims savings of 9 million PLN per year due to staffing changes. Staffing levels are down from over 200 to 81 persons. This dramatic reduction in staff raises span-of-control issues.

Krakow is an excellent example of how a large city has tackled restructuring and has dramatically succeeded in making the transition, reducing costs, and maintaining an acceptable level of services.

2.3 Ostrow Wielkopolski

The restructuring in Ostrow Wielkopolski occurred in November 1994 with the formation of the MZGM. It was initially formed as a budgetary entity, but later restructured into a limited liability partnership that is a wholly owned subsidiary of the *gmina*. The reason for the change

to LLP was the desire to improve the general financial condition of the city in order to issue municipal bonds.

MZGM is both the owner and manager of municipal housing. This feature gives them the enviable power to receive bank credits using municipal housing as collateral.

Its duties are the most broadly cast of any city in the group, and include:

- management;
- maintenance (interior, exterior, and grounds);
- capital repairs;
- construction of residential and commercial space;
- selling of residential and commercial space;
- managing private housing; and
- managing commercial space.

They perform their own technical services. Since the transformation, the number of white collar workers is up, and the number of blue collar workers is down. Total staff equals 103 (39 white collar and 64 blue collar).

Commercial delinquencies are high at 12 percent. Maintenance costs are 7 percent higher than the national average. Operating costs were 22 percent higher, but technical costs were 25 percent lower than the national average. Residential rent is slightly higher than the national average (at 1.80 PLN), and commercial rent is significantly higher than the national average. Ninety-three percent of housing costs are borne by residential and commercial rents.

The Ostrow Wielkopolski agreement is an excellent one, clearly stating priorities and the need for competition. In addition, it stresses the possibility of giving jobs to private firms.

Although the need for tenders is stressed, true competition has not yet occurred in Ostrow Wielkopolski, and the new entity has a virtual monopoly on the business at present.

2.4 Sopot

Sopot enjoys the benefits of a tri-city location with Gdansk and Gdynia. It is a small city with an economy based on the traditional health resort and tourist reputation of the area. Sopot has a high reinvestment policy, including the renovation of historic buildings and infrastructure modernization. The city engages in extensive long-term strategic planning, having a plan through the year 2012.

Twenty-six percent of the population are deemed poor (with incomes below 500 PLN per month) and 13 percent of the population is very poor (with incomes below 300 PLN per month). Almost one-quarter (22.6 percent) of the population is over 60 years of age. Unemployment is a low 6 percent.

Two-thirds of the 2,400 buildings were built prior to World War II and 40 percent were built prior to 1918. Ninety-three percent of municipal buildings are over 50 years old, with a staggering 70 percent built prior to 1918.

Turnover is extraordinarily low (only 35 units in 1995). The stock decreased by 89 units (1990-1995), and no new units have been built. Eighty buildings are strong candidates for demolition. Some 4,000 coal heaters are still in use in municipal units. There is a huge backlog of deferred maintenance, and a serious shortage of land hinders new construction.

The conversion took place in two phases:

- In 1990, the Municipal Enterprise for Municipal and Building Management (MEMBM) was converted to the Municipal Buildings Board (MBB). This was merely a change in name. The new MBB was a budgetary entity, had 112 staff, and was highly dependent on commercial rents for survival. The quality of services **did not** improve. The city was not pleased and outlined new objectives.
- In September 1994, the city council passed a resolution to organize competitions for managing and maintaining municipal housing. Areas of service were left intact, and staff was transferred to the winners of the bidding. Three tenders were organized. The transformation had a results-oriented philosophy. There are contractual agreements, and the new entities are called "Administrators." The winners are supervised by the Building Management Department of the city. The number of staff has decreased. The financial goal of self-sufficiency has been achieved, with subsidies being virtually nil. Fees are defined for each of the three tender packages and range from 12 percent to 15 percent of receipts (not including VAT).

In August 1996, another city resolution was passed summarizing housing policy. Housing is the second highest priority in the city, public safety being the first.

The city also has an innovative loan program for condominiums, paying the interest on loans for condominiums to fix-up common areas. Forty condominiums have availed themselves of these loans.

Sopot is a model of careful planning, and an example of how restructuring often takes a two-stage approach. It is noteworthy for the extra precautions the city took to facilitate competition. Sopot is a model deserving study by other *gminas*.

2.5 Warsaw: Ochota District

Fifty-two percent of the housing in Ochota District is municipal, with 38,000 people residing in 17,238 units. In November 1991, the District formed the "Township Housing Authority, Ochota, Ltd. (GGKO), a wholly owned limited liability subsidiary of the district (which is like a *gmina* in its own right). A very well written agreement was signed with the District, and it has been amended to reflect current laws and policies. The goal was to explore entrepreneurial activities and generate profits, in addition to asset management and self-sufficiency. Its responsibilities are broad and include rent collection and management of commercial spaces. Ownership of the stock remains vested with the District. Decisions regarding capital repairs also remain with the District.

Repair staff are privatized into new companies. From 1990 to 1996, white collar workers were up from 24 percent to 43 percent; blue collar workers are down from 76 percent to 57 percent during the same period.

The rate of privatization in Ochota District is two times the national average and is a reflection of the highly desirable locations in the District. There are no privatized commercial spaces. Three hundred fifty-two condominium buildings are managed by GGKO.

Operations yield 5 percent profit, and the delinquency rate is a low 1.4 percent. A critical factor in achieving such a low delinquency rate is Ochota's willingness to accept installment payments for late rents.

Competition did not truly occur in the transformation process due to the lack of qualified alternatives to the existing housing organization.

One concern is the large span of control imposed on staff: 403 persons manage 557 buildings.

Warsaw Ochota is an outstanding example of how a successful transformation occurred in a large urban setting. It has pluses and minuses, but the formula has had sustained success in Ochota.

Lessons Learned and Conclusions

1. **Use “model” documents whenever possible.** Municipal and private owners don't have to reinvent the wheel every time they need a request for bids or contract. Sample documents are available and can save them a lot of time and effort. Of course, these documents are just suggestions — a starting point — for restructuring; owners may adapt materials however they wish to suit their specific circumstances.
2. **Local public education is critical to success.** Residents are naturally skeptical of any restructuring effort. Educating the consumer about restructuring, and what it has to offer, is important. Much fear and misinformation can be dispelled through good educational programs. Many times the rumor has started that restructuring is a plot to raise rents. Without public education, the consumer may believe such gossip.
3. **Consider the number and size of buildings when asking for competitive bids.** It isn't cost beneficial for a contractor to manage a building of 100 units, but if 10 buildings join in an “association of associations” with 1,000 units total, qualified bidders will view the work as economically feasible.
4. **Demand competition when restructuring.** It takes more time and effort to organize a competition, but owners will reap many benefits later on — competition ensures that owners and consumers get the best work at the lowest cost.
5. **Inspect buildings *before* new firms begin work.** The owners need to know the existing condition of the buildings or else there will be no accountability for the new firm.
6. **Explore partnerships that benefit both owners and new firms.** For instance, a new firm may take a maintenance contract for very low profit, *if* the owner can sweeten the deal with something the firm wants. This may be as simple as allowing the firm to use basements to create a shop — the shop can yield extra revenues for the firm (thereby decreasing the amount owners have to pay for maintenance) and create a convenient shopping area for the residents.
7. **Stipulate clear performance standards in maintenance contracts.** In fairness to both owners and contractors, each party's responsibilities should be well known. The beauty of competitive maintenance is that you can replace a lackluster firm with a better one, but you must define the performance standards.
8. **Don't superimpose unrealistic expectations on the restructured program.** Restructuring is a dramatic improvement, but it is not a panacea for all the deferred maintenance and low resident morale that have accumulated over the years. Before the housing sector becomes a true market, other service providers (such as rubbish removers and lift maintainers) must also be demonopolized. Municipalities and condominium associations can not realistically expect restructured municipal housing management and maintenance to “fix” all that is wrong with the system overnight; it will take time and some transition period is to be expected.

In Conclusion

The case studies presented in this report represent a variety of approaches to the restructuring of traditional enterprise style municipal housing management into more self-sufficient, more market-oriented housing companies. In each instance, economic necessity dictated that the new entities become more self-sufficient than their predecessors. In each instance, the local conditions determined the outcome. No single approach was superior, and no single approach was a panacea for the sector. It is expected that restructuring will evolve differently in each locality. Still, there are certain similar issues faced in each community, and these case studies can offer valuable insights into how to manage change.

It is important to recognize these restructuring efforts as first steps in a continuum of change in the municipal housing sector at the national and local level. As the housing market matures and as the localities gain more experience in responding to market forces, the refinement of housing organizations will continue.

Although true competition was rarely achieved in the initial restructuring efforts, important first steps were taken to set the stage for competition in the future. As *gminas* search for enhanced services and as the new condominium associations reach critical mass, existing firms will seek to compete in new locations and new firms will enter the sector. Restructured municipal management firms realize that with new contractual agreements, their work must be of sufficient quality and quantity, or else they may be replaced. The introduction of performance standards into the sector is giant step forward in managing and maintaining municipal housing.

Difficult decisions remain, however, regarding the future of municipal housing.

- Should national policy allow total deregulation of residential rents after 2004?
- Should eviction policies be strictly enforced to encourage better rent paying habits?
- Should the issue of unemployment be more aggressively handled during the restructuring process to allow for downsizing and outsourcing?
- Should there be an association of housing professionals with credentialing powers and ethical standards?

The answer to these and other questions will depend on the results of this first critical round of restructuring.

It is hoped that the experiences summarized in this report will facilitate the dissemination of information on restructuring and assist localities in meeting the challenges posed by today's municipal housing.



Appendix A

Case Study Comparisons

Transformation in Municipal Housing Resources Management and Administration: A Comparative Study

1 Goal of Ownership, Organizational and Legal Transformation Process

The fact that free-market solutions have been introduced into municipal management results from aiming at, among others things:

- better quality of municipal services;
- consumer protection against of monopolistic practices;
- more rational consumption of some municipal goods and services through elimination or reduction of subsidies;
- cost reduction with the same scope and quality of the services;
- elimination of political factors impact on economic decisions;
- involvement of private capital into municipal investments;
- elimination of conditions for non-transparent subsidizing by some consumers of others; and
- improvement of reliability of units operating on the municipal market.¹

2 Legal Conditions for Transformation Process

2.1 Tasks of a Municipality

Self-government reform in Poland started in 1990. The law of March 8, 1990 on local self-government became the main legal act constituting a system of local democracy. The law defined, among others things, the scope of municipal tasks. The tasks are related, first of all, to technical and social infrastructure, zoning order, and environmental protection, while implementation of the tasks serves, most importantly, improving living conditions for the local community.

Particular tasks of the municipality include:

- water supply;
- sewage system;
- sewage removal and treatment;
- landfills and utilization of municipal waste;
- electricity and heat supply;
- local mass transportation;
- municipal greenery;
- municipal cemeteries; and
- municipal housing construction.

¹ See: Collective work by T. Aziewicz, *Przekształcenia w sektorze usług komunalnych*. Instytut Badań nad Gospodarką Rynkową (Transformation in municipal services sector. Institute for Market Economics), Gdansk — Lublin 1992. p. 145.

2.2 Establishment of Municipal Property

According to the law of March 8, 1990 on amendments to the Constitution of the Republic of Poland (Article 45), local self-governments are entitled to property rights (including ownership rights).²

Ownership and other property rights allocated to certain municipalities and their unions, as well as property of other municipal legal entities, including enterprises constitute municipal property. The property has been separated and transferred to the local self-governments to ensure implementation of their statutory obligations.

The law of May 10, 1990 — regulations launching the law on local self-government as well as the law on self-government's employees³ — includes legal regulations defining the nature of the municipal property and procedures of its purchase by the municipalities.

The law sets up the obligation for the municipalities to choose a new organizational and legal form of economic activity that until now had been carried out through enterprises operating based on the law on state-owned enterprises, during the period defined by the law, which was later delayed.

The changes in organizational and legal form mean a situation where the activity is continued, but in a new form. Generally speaking, the following solutions are possible.

- The enterprise is transformed into a company.
- The activity is carried out in a form of non-budgetary activity — based on the budgetary law regulations.

A third solution involved civil and legal agreements for services ordered from other entities (for instance, private companies established in result of municipal entities privatization).

2.3 Organizational and Legal Forms of Activity in Municipal Economy

2.3.1 Budgetary Enterprise

The budgetary enterprise operates based on the regulations set up in the budgetary law; it does not have legal entity.

The decision on establishment of the budgetary enterprise is reserved to municipal council competencies.

An annual financial plan is a basis for financial management of the enterprise. It covers revenues and expenditures as well as cash flow and settlements with the budget.

² According to Article 165 of the newly adopted Constitution of the Republic of Poland, local self-government units are legal entities, with ownership and other property rights.

³ Other normative acts that defined the discussed process, include the law of July 13, 1990 on state-owned enterprises privatization; the law of Sep. 25, 1981 on state-owned enterprises; and the law of Jan.5, 1991 on budgetary law.

Any changes to the financial plan of the budgetary enterprise during its implementation are possible; however, it can result in reductions of the planned payments to the budget as well as in increase of budgetary subsidies to cover the deficit. But in practice a failure to implement the financial plan has to be reflected in increased budgetary subsidies even if they have not been mentioned in the municipal budget. Of course, the changes to the municipal budget in the chapter defining the subsidies are required.

Settlements with the municipal budget include transfer to the budget, on quarterly basis, any surpluses or subsidies to cover a deficit based on the principles and the scope defined by the municipal council. Investment expenditures are also covered by the municipal budget.

Since January 1992, the budgetary enterprise has been corporate income tax payers, regardless of the fact that they don't have the status. That's why the scope of their tax obligations is similar to those of the companies.

The budgetary enterprise as the one not having legal entity is a so-called invalid legal entity, carrying out its activity independently, but within the scope defined by the authority delegated by the municipal bodies. Lack of subjective independency in case of this organizational and legal form means full responsibility of the municipality for the budgetary enterprise's obligations.

There are very close ties between the budgetary enterprise and the municipal budget. The scope of the activity of the enterprise is defined by the municipal council, while the principles of financial management, by the financial plan, are decided by the municipality's board. The budgetary enterprise's interest in increasing its income is not related to its economic situation. In case where there is a surplus of revenues over costs, the surplus is transferred to the budget; in case of deficit, it is covered by the subsidy from the municipal budget. It leads to a non-incentive situation where the activity is carried out in spite of the results achieved.

The budgetary enterprise, while carrying out its financial management based on principles defined in the budgetary law, does not have to make obligatory write-offs from the fixed assets. On one hand, this means that depreciation does not increase the costs of activity carried out by the budgetary enterprise allowing less expensive services, but, on the other hand, lack of the depreciation write-offs results in lack of the fund to establish fixed assets as well as to develop the service-providing unit. The investment expenditures in total are financed by the municipal budget.

2.3.2 Companies Established According to the Commercial Law

Companies with municipal participation (including one-person municipally owned companies) are separate legal entities — they operate in their own name, on their own risk. The municipality bears no responsibility over their obligations, and neither do the companies bear any responsibility over the municipality's obligations.

The commercial law companies are equal participants in economic life and their organizational structure motivates them to more effective and rational use of their property in order to generate profit. Considering the typical commercial nature of the capital companies, the profits

make a potential source of income for the municipal budget. This income is taxed according to general principles.

The municipality as the owner or co-owner of the company acts through its bodies based on the principles defined in the law on local self-government. In spite of that, the municipality as the co-owner (shareholder) maintains all rights resulting from the commercial law and at the same time bears all obligations resulting from the law. One of the basic rights is the right to profit or dividend in the shareholding company.

2.3.3 Civil and Legal Agreements

According to the law on local self-government, the municipality, in order to achieve its tasks, is allowed to establish organizational units, including enterprises as well as **to conclude agreements with other entities**. The provision is crucial for implementing free-market solutions in the municipal sector.

Delegating the tasks based on the agreements allows the municipality to resign from direct activity in municipal services market and at the same time to fulfill its basic obligations. In such a situation, the municipality is limited to the role of:

- mouthpiece of social demand for public services;
- “smart buyer” who purchases the services;
- competent professional who evaluates the quality of the services purchased from private sector;
- effective collector of justified taxes; and
- thrifty payer who fulfills its obligations to vendors on time.⁴

On the other hand, the enterprise has clearly defined purposes:

- to provide services based on conditions defined in the agreement; and
- to maximize the income through cost reduction.

Principles, forms, and procedures for orders **related to the tasks where the municipality or its organizational units who perform public task while using public sources act as payers**, are defined by **the law of June 10, 1994 on public procurement**.⁵ The law contains a lot of guarantees in terms of transparency of administrative procedures before the order is placed; it also ensures equal treatment for all potential suppliers and contractors (including an access to full information).

Application of the civil and legal agreements to implementation of municipal services goes beyond the tasks financed by the municipality or its units. The self-government can delegate, by an agreement, provision of the services paid directly by inhabitants or economic entities

⁴ E.S. Sawas: Prywatyzacja — klucz do lepszego rządzenia (Privatization as a key to better governing). PWE. Warszawa 1992, pps. 78-79.

⁵ Regulations related to public procurement by local self-government units from their own means have been in force since January 1, 1996. According to Article 72 of the law, regulations of the civil code and civil procedures code (unless the provisions of the law state otherwise) apply to cases of public procurement.

(municipal housing administration, water and sewage system, heating system, landfills, etc.). Usually the lease of the property (network, landfill) is an important part of the agreement.

3 Housing — Description of the Industry

3.1 General Remarks

Housing is a very specific area of municipal services that includes:

- administration of municipal housing resources;
- exploitation of the buildings;
- supervision of the technical condition of buildings;
- organization and provision of maintenance and repair works; and
- repair and construction services for tenants.

As a result of legal regulations in force until 1994 (rents were in fact administrative fees and didn't cover even the current costs of maintenance), any activity in this sector of municipal services was a loser and needed permanent subsidies from the municipal budgets to cope with more and more difficult situation in terms of technical maintenance of housing resources. Lack of possibilities to make housing self-financing was a barrier for external entities (outside municipal sector) to enter the market.

Any attempts to privatize municipal resources and to privatize its administration brought no visible results. It should also be pointed out that these attempts were usually of temporary nature — municipal bodies started up activities without any vision how this area of services should function and develop.

Until recently, the municipal resources management had been implemented in different organizational and legal forms:

- budgetary units and enterprises;
- municipal companies (one-sector or multi-sector); and
- in a form of municipal enterprises (existing in spite of regulations requesting selection of new organizational and legal form).

3.2 Course of Transformation Process till 1995

According to the research of the Institute for Market Economics (IBnGR)⁶ carried out based on a representative sample, in 68 percent of questioned municipalities, housing resources management had been carried out (as of the end of 1994) by multi-sectoral municipal entities who, except in the function of managing municipal housing resources, had been also involved in, among others things, cleaning the administered area, exploiting small architecture, and maintaining greenery and cemeteries.

⁶ Collective works by T. Aziewicz: Monitoring wdrażania nowych ustaw mieszkaniowych (Monitoring of new housing laws implementation). The work prepared for the Programme of Municipal Enterprises Privatization and Restructuring financed by PHARE EEC, p. 81.

With organizational and legal transformations, most of the enterprises (PGMs) have been transformed into budgetary enterprises or — on a much smaller scale — into limited liability companies.

As mentioned before, the necessity to change the organizational and legal form has been imposed on the municipalities because of the law of May 10, 1990 — regulations implementing the law on local self-government and the law on self-government's employees (Dz. U. No 32, poz. 191 with amendments). According to Article 8, para 2, the municipal council has been obliged to choose new a organizational and legal form that had been implemented by municipal enterprises until December 31, 1991. The date has been changed several times. In spite of the regulation, some municipalities had not introduced any changes and part of PGMs kept the previous form of the enterprise acting based on the rules governing state-owned enterprises.

IBnGR's research showed that private entities in fact were not present among entities who managed housing resources, while organizational units of municipalities who acted only as administrators were in a minority.

IBnGR's research based on the target sample also showed that the questioned municipal units did not take (or took in limited scope) any real steps toward rationalization of organizational structures and management systems or toward higher effectiveness or improved competitiveness in the market. In the last case, it should be pointed out that the maintenance costs of the housing resources showed in analyzed calculations were higher than the costs showed by housing cooperatives for similar cooperative housing resources.

Analyzed municipal entities showed passive strategies of financial management and cost reduction as well as lack of investment strategies. All analyzed units showed a strategy of waiting for external help — which could be defined as a game of survival.

It should be also pointed out that domination (especially in large cities) of large managing units, with multi-leveled structures of management and bureaucratic decision-making processes, were partially at fault for lack of effectiveness in the system of housing resources management.

3.3 New Legal Regulations

Adoption by the Sejm and implementation as of January 1, 1995 of the law on housing rental and housing allowances allows the municipalities to set rents that take into account real costs of maintenance and reconstruction of housing resources.

According to the law on housing rental, an agreement is the source of rental relationships.

The law has introduced two types of rents: regulated and free. The regulated rents are paid by the tenants of houses being municipal property (except houses with the size larger than 80 sq.m.).

The law-maker has introduces the highest possible amount of the regulated rent that cannot exceed 3 percent of the reconstructive value of the apartment.

According to the regulations of the new "housing laws," existing housing enterprises can enjoy a form separate from other municipal housing enterprises set up in Article 36 in respect of Article 18 of the law on housing ownership, which describes in detail real estate administration statutes defined in Chapter 4 of the law, implemented under the municipality's control as the owner of the building as well as under control of housing community,⁷ in cooperation with representatives of the tenants.

Additionally, the law on housing rental and housing allowances that replaces the existing rental law requests additional limitations where the enterprises have been received managerial tasks in "private" buildings based on administrative decision issued according to Article 25 paras 2 and 3 of the rental law. According to transitional regulations to the law on housing ownership, it is necessary to take over administration of joint property by the owners of individual flats as well as contribution of the municipality as previous owner of this part of flats that have not been purchased by their tenants.

Because of the reasons mentioned above, the municipality, before making decision on transformation of the housing enterprises, should appeal to the owners of the houses and flats to take over the management of the joint property party that they partly bought.⁸ If the offer is accepted and legal, based on agreement or co-ownership management starts, it can turn out that statutory obligations of the existing housing enterprises will be limited to managing the part of the resources that is not to be sold and serves the interests (needs) of low-income households, as temporary and social flats. It's very important, since the law on housing ownership allows separating flats by one-sided legal operation, i.e., in all buildings to be sold, while the law on housing rental in Article 66 gives the municipality a right to rent for freely defined payment flats larger than 80 sq.m. In such a case, Article 25, para 1 of the law doesn't apply.

The following conditions influence transformation of the entities that until recently used to play managerial functions.

- As mentioned before, the municipal tasks include municipal housing construction (Article 7, para 1, item 7 of the law on local self-government) as well as satisfying housing needs (Article 4 of the law on housing rental and housing allowances);
- Joint property management can be delegated to an individual or legal entity (the law on housing ownership, Article 18, para 1).

⁷ So far, only Article 8 of the law — regulations introducing the law on local self-government (Dz. U. No 32, item 191 of 1990, with later amendments) — has been used as a common legal basis for transformation of all municipal enterprises, including housing enterprises. At present, Article 36 of the law on housing ownership states separate situations for housing management enterprises and their uselessness in houses where the ownership of all or part of the flats has been distinguished.

⁸ A similar position has been expressed by the Ministry of Space Planning and Construction in the article "Ownership of flats: costs of management," Rzeczpospolita No 9 of Jan. 11, 1995, saying that as of Jan. 1, 1995, the owners of the flats can bear any other costs except those that are the costs of managing the joint property and expenditures related to maintenance of their flats (heating, water, sewage and waste removal, electricity, gas).

In light of the above, property management can be implemented by individuals (acting independently or according to agreements, like civil company agreement⁹), state-owned (municipal) enterprises, and limited liability companies (a form of joint-stock company is not necessary for management). Because of that, where there is separated ownership of the flats, the management cannot be implemented by budgetary enterprises since they don't have legal entity. Co-owners of individual properties will decide about the way of management and to whom it should be delegated.

But the municipality, according to Article 5 of the law on housing rental, has been obliged to manage municipal housing resources. To fulfill the obligation, it has to delegate management of the municipal property flats to appropriate entities. According to Article 5, para 3, management of municipal housing resources should be defined by the municipal council. For municipal property flats that can't be sold due to, for instance, their historical character, long-term zoning plans, social housing, etc., the municipality can keep the entity that used to perform managerial functions. It should be emphasized that statutory tasks of the entity will be limited due to separation of the flats.

4 Restructuring of the Industry — Main Problems and Innovations

4.1 Transformation of an Enterprise Based on the Limited Liability Company Act

4.1.1 Description of the Issue

The process of ownership, organizational and legal transformations of municipal sector services started together with self-government reform, in 1990.

Until then, the municipal services — including the services in the housing area — had been provided by budgetary enterprises and enterprises operating based on the law on state-owned enterprises¹⁰ that reported to so-called local state administration bodies.

According to the law on state-owned enterprises, the enterprise's bodies (especially workers' council — self-government of the employees) enjoy a lot of rights to which, according to the civil law, the owners are entitled. Founding organizations received property rights toward the enterprise's property only at the moment of its liquidation.

Because of difficulties with the law on land management and expropriation, the enterprises, as of December 1990, have become the property owners as well as hereditary user of the municipal land.

On the other hand, the law obliges the enterprises to substantially limit their independence, which is manifested in:

- statutory defined type of production and services (and as a result, lack of possibility to correct assortment profile during longer period);

⁹ Commercial Code, A. Wiśniewski, page 10. Wydawnictwo Prawnicze, Warszawa, of 1992, states: "Civil company is not a legal entity, it's personal company. It means that partners are subjects to rights and obligations in relations in which the company takes part."

¹⁰ The law of Sep. 25, 1981 on state-owned enterprise (Dz. U. No 618 of 1991, with later amendments).

- a right to impose on the enterprises the obligation to implement certain production and service tasks as well as related investment tasks;
- giving prices of some services a form of officially regulated fee; and
- the right of the founding organization to interfere in the current affairs of the enterprises.¹¹

Because the form of municipal enterprises based on the law on state-owned enterprise does not contain effectiveness-stimulating mechanisms typical for a market economy and because the enterprise's goals are subordinated too much to the employees' interests because of the strong position of workers' self-government, the law-maker while introducing the self-government reform was clearly against provision of municipal services in such a form.

As mentioned, the law of May 10, 1990 — regulations implementing the law on local self-government and the law on self-government employees¹² — obliged the municipalities to choose a new organizational and legal form to carry out economic activity that till then had been carried out by enterprises acting based on the law on state-owned enterprise, during the period defined — and later on changed — by the law.

4.1.2 Innovations (Warszawa-Ochota)

Until 1991, all tasks in the area of current maintenance of municipal resources as well as administration and repairs in Warszawa-Ochota district had been performed by Municipal Management Enterprise (PGM) Ochota operating based on the law on state-owned enterprises.

In June 1991, the enterprise's liquidation started. Prior to that, departments related to repairs and reconstructions had been separated from its structure. All repair teams have been gradually privatized. Based on redundant employees, new repair companies have been established and started to cooperate with PGM in the area of repair, maintenance, and reconstruction.

In October 1991, the Ochota District board established a municipally owned limited liability company named Municipal Management Ochota (as a result of transformation of PGM Ochota).

The company started its activity on April 1, 1992. Its areas of operations included all economic manufacturing, commercial, service, and representative activity allowed by law, especially:

- managing of housing resources transferred by Warszawa Ochota District;
- repairs and maintenance of the buildings;
- management and maintenance of public space in housing districts; and
- repair services for public.

¹¹ Collective work headed by T. Aziewicz: Rynek usług komunalnych w Polsce (Market of municipal services in Poland). Institute for Market Economics, Gdansk — Lublin, 1994, p. 9.

¹² Other normative acts as follows:

- the law of July 13, 1990 on state-owned enterprises privatization;
- the law of Sep. 25, 1981 on state-owned enterprises; and
- the law of Jan. 2, 1991 — budgetary law.

The municipal authorities, while making decisions on establishing the company, assumed that, apart from the activity related to housing resources administration, the company will be able to start up another, profit-generating economic activity.

An agreement signed with the district board is a basis for the company's activity. In particular, the board ordered:

- administration of municipal houses as well as some other property covered by special rental rules; administration of lands and municipal infrastructure located on municipal land; and
- assurance of full technical efficiency of the managed resources.

Decisions regarding repairs are to be made by the municipality, which covers their costs, giving a target subsidy to the company.

The current exploitation costs, including service administration costs and maintenance costs, are financed from revenues from rents of flats and service space, as well as other fees to be paid to the municipality because of its property. The revenues are collected directly by the company.

After the new housing laws came in force, the agreement had been amended to reflect the new reality.

4.1.3 Results

- High self-sufficiency of the unit, which covers maintenance costs from its own sources.
- Very low ratio of outstanding payments, effective fee collection, especially in relation to service space. The absence of extensions should also be stressed as well as the fact that the company took over all financial obligations of the old PGM.
- High spending for technical maintenance of housing resources, including high spending for planned repairs.
- The company as municipal resources managing unit is perceived as more efficient, compared to other units of the Warszawa-Centrum district operating as budgetary enterprises.
- The company doesn't carry out the activity other than the basic one, i.e., resources management and administration.¹³

4.1.4 Summary

Warszawa-Ochota district has transformed an operating enterprise into a company based on the law on state-owned enterprises. The new company is to carry out management and administration of municipal and housing communities resources. At the same time, functions of the owner and administrator have been separated, thus defining mutual relations in contractual form. Any activity beyond public utility area has been privatized.

¹³ Prepared based on B. Mikołajewska, Studium przekształceń w zakresie zarządzania i administrowania komunalnymi zasobami mieszkaniowymi w Dzielnicy Ochota w Warszawie (Study on transformation in the area of management and administration of municipal housing resources in Warszawa-Ochota district). Warszawa, August 1997.

The direction of the privatization seems to be a right one, although the company operates under monopolistic conditions — the municipal authorities have not attempted to create any competition. Potentially, there is such a possibility when pro-market solutions are launched by neighboring districts. However, that would need the joint policy of all district boards that would lead to establishment of competitive schemes (tenders for management and administration).

It also seems that, from effective administration of housing resources point of view, the company is too large (it manages 557 buildings and as of the end of 1996 employed 403 persons).

4.2 Restructuring of Multi-Sectoral Companies

4.2.1 Description of the Issue

As mentioned before, a large part of the entities carrying out management and administration of municipal housing resources are multi-sectoral entities that at the same time take care of cleaning, greenery, cemeteries, etc.

The entities are multi-sectoral ones because of:

- mutual relationships of the units (enterprises) accounting for total municipal property;
- scarcity of local market (which is a threat to self-sufficiency of the units providing one type of services); and
- conviction that multi-sectoral activity guarantees higher effectiveness as well as of possibility of internal subsidizing of the services.

The last case results from conscious policy of municipalities who treat provided services as a whole and who focus on one organizational unit, making it responsible for continuity and efficiency of the services. Eliminating subsidies and reducing income tax is also important.

Studies mention the following shortcomings, among others, of multi-sectoral municipal entities:

- tendency to achieve their own goals that might be contradictory to public interests;
- monopolistic practices in terms of access to relevant information not revealed by the municipality;
- hiding reserves and manipulation with service costs and results with service prices; and
- insufficient effectiveness of the municipality's impact over more efficient provision of municipal services that would also meet public expectations.¹⁴

The diluted nature of the activity of multi-sectoral public enterprises as well as multi-sectoral budgetary enterprises creates a danger that real costs of individual services will be hidden. This might lead to non-transparent subsidizing of one group of consumers by another group or to the lack of competition.

¹⁴ Z. Kubot: Doświadczenia w zakresie przekształceń i prywatyzacji gospodarki komunalnej (Experiences in the area of transformation and privatization of municipal economy). Zachodnie Centrum Organizacji Warszawa — Zielona Góra, 1996, p. 111.

4.2.2 Innovation (Dzierzoniow)

In Dzierzoniow municipality, municipal housing resources management have been implemented within two-sectoral, municipal budgetary enterprise that, at the same time, carried out city cleaning activities. The multi-sectoral nature of the enterprise enabled redistribution of the sources between profit-generating branch (cleaning) and loss-generating branch (housing management). Under such a situation, there was no information about real costs of housing resources management.

On the mayor's initiative, by the decision of the City Council of June 1996, a one-sector budgetary enterprise has been established under the name Residence Housing Board (ZBM). Its scope of activity includes:

- ordinary management over municipal housing resources and service space as well as managing of property being municipal property;
- programming, planning, and implementation of effective maintenance and repair activity;
- activities resulting from the municipality's policy regarding the rental of municipal housing and service resources; and
- control and coordination of the activities related to housing communities; supervision over all issues related to housing allowances.

The new enterprise does not include its own transportation, purchase, and storage units.

Additionally, applying suggestions from external experts, all maintenance and current repairs as well as cleaning have been privatized (the work is done by existing maintenance people and housekeepers based on agreements).

4.2.3 Results

- Transparent cost accounting of housing resources management. In the future, it opens the possibility of creating competitive schemes.
- Higher effectiveness due to privatization of services.
- Employment reduction:
 - ▶ reduction of white-collar workers by half; and
 - ▶ reduction of blue-collar workers to zero.
- Low exploitation costs (lower than average costs in Poland by about 20 percent)¹⁵

4.2.4 Summary

Dzierzoniow municipality has implemented successful restructuring of multi-sectoral budgetary enterprise leading to separation of the activity related to housing management and privatization of auxiliary activity.

However, the municipality maintains an inefficient form of budgetary enterprise and does not start any activities leading to the creation of competition. It should be mentioned that 15 hous-

¹⁵ Prepared based on the work: T. Żelawski: Ocena przekształceń w zakresie zarządzania i administrowania komunalnymi zasobami mieszkaniowymi w Dzierżonowie (Evaluation of transformation in the area of management and administration of municipal housing resources in Dzierżonowie). Warszawa, August 1997.

ing communities (with majority contribution of individuals) have resigned from the administration of the municipal housing unit.

It seems that, as in Warszawa Ochota district, there is a problem of scale (35 people administer 648 residential buildings). Further restructuring should lead to reduction of the distance between administrator and tenant.

4.3 Combining of Ownership and Administration Functions within Limited Liability Company. Transformation of a Budgetary Enterprise into a Company.

4.3.1 Description of the Issue

Before the new housing laws came into force, the whole area of housing management used to be unprofitable and because of that — from the municipalities' point of view — establishing a budgetary enterprise based on the law of January 5, 1991 — budgetary law (Dz. U. of 1993 No. 72, item 344 with later amendments) was the most appropriate form. Detailed procedures for establishing and principles of financial management of the budgetary enterprise have been set up in the Ordinance of Finance Ministry of May 8, 1991 on budgetary enterprises (Dz. U. No. 42, item 183).

As previously mentioned, operations based on budgetary enterprise principles are not efficient from the point of view of achieving economic goals. The budgetary enterprise's interest to increase revenues is not related to its economic situation. Where there is a surplus of revenues over costs, the surplus is transferred to the budget, while in case of deficit, it is covered by a subsidy from municipal budget. This leads to a non-incentive situation where the activity is carried out in spite of results achieved.

Because the launch of new housing laws has created a foundation for introducing some market solutions to the municipal economy, some municipalities have resigned from the budgetary enterprise form in favor of carrying out its activities in a form more suitable for a market economy, i.e., in a form of limited liability company. The organizational structure of the company motivates more effective and rational use of the property in order to generate profit.

Because the municipality's main purpose is to satisfy the collective needs of the local community rather than to generate profits, economic activity of the municipality based on a limited liability company may be a contradiction with market principles of economic activity, including the principle of microeconomic profitability of any undertakings.

As a result, there might be discrepancies between public needs of local community (which can be expressed in a very different way) and the request for economic profitability of the units providing the services.¹⁶

¹⁶ Collective work headed by T. Aziewicz: Rynek usług komunalnych w Polsce (Market for municipal services in Poland). Institute for Market Economics, Gdansk — Lublin, 1994, p. 8.

4.3.2 Innovation (Ostrow Wielkopolski)

Ostrow Wielkopolski municipality had carried out its activity in the housing management area through budgetary enterprise. One of the weaknesses of such a legal form is its low efficiency. The budgetary enterprise is oriented, first of all, at spending legality control, not costs calculation and spending effectiveness analysis.

On the city board's initiative, by the decision of the City Council of November 29, 1994, the budgetary enterprise has been liquidated and a company called City Housing Management has been established. In the rationale of this decision, it was stated that delegating housing resources management to the company will ensure complex and competent management of the resources.

One of the important goals was to create an owner of buildings with flats and service space separated from the city. According to the city's plans, it should ensure rational management of city property and guarantee radical reduction of maintenance costs.

The company is obliged to carry out the activity according to general rules, including depreciation of the buildings' value. At the same time, in order to maintain the housing resources, the company is allowed to use exclusively its own means, since the law sets up limits for subsidizing current activity of the commercial law company from the budget.

Determination to improve the general financial situation of the city by issuing municipal bonds was another relevant reason to start housing restructuring.

The new company combines two functions: ownership and administration.

These are the areas of the company's activity:

- managing housing resources through satisfying housing needs of self-governmental community;
- managing the property of housing communities;
- managing owned utility space, especially organization of tenders for rental of the space, concluding rental agreements, etc.;
- sale and purchase of housing and utility space;
- keeping the owned resources in the best technical shape;
- current maintenance, repairs, and modernization;
- housing and utility buildings construction; and
- managing open-air areas and garages.

4.3.3 Results

Positive

- Transferring housing services to separate enterprise allows the company to make use of external sources of financing, especially banking loans and credits that are not the municipality's liability. A mortgage on property, including utility space, can be used as collateral. Credit independency of the company is also important because of municipal housing construction program.

- In spite of substantial decapitalization of the housing resources, the company is able to effectively implement its tasks based on full self-financing principle.
- Within the company, a mechanism of covering the costs resulting from housing services performed by the municipality with the revenues generated from utility space, without the municipal budget, has been established.¹⁷
- Because of the increase in the scope of the company's activity in relation to the budgetary enterprise, white-collar workers participation (by about 5 percent to 20 percent) has increased, while the participation of blue-collar workers (technical) has decreased.
- Direct tenders for rental of the utility space and in result — very high average level of rents for the space.

Negative

- Operation on real estate management market with lack of competition.
- High exploitation costs per unit related mainly to administration and overhead costs as well as cleaning and waste removal costs.
- Delays in payments of rents for utility space longer than average.
- Relatively negative financial results in the area of basic activity for 1996.
- Too low expenditures for technical maintenance of the resources, in relation to maintenance and current repairs as well as general renovations.¹⁸

4.3.4 Summary

Ostrow Wielkopolski municipality has decided to combine ownership and administrative functions in relation to municipal housing resources through limited liability company operating as separate legal entity.

As mentioned before, implementation of the municipal tasks, including satisfying housing needs, can be contradictory to microeconomic goals of the company — a legal entity aimed at generating profits.

The commercial code defines competencies of the company's bodies from its capital nature point of view. The bodies do not seem appropriate from the point of view of supervising implementation of public municipal tasks by the company. It seems that separation of ownership and administrative functions and defining mutual relations through agreement would be better solution. If the municipality does not want to separate these two functions, the budgetary enterprise form seems to be much safer. It seems that, in time, these unclear goals of the company can create many conflicts that might lead to unjustified increase in costs,

¹⁷ W. Oleś: Relacje pomiędzy gminą a spółkami prawa handlowego użyteczności publicznej i innymi jednostkami organizacyjnymi gminy (Relations between a municipality and commercial law public companies as well as other organizational units of the municipality). Cooperation Fund, Warszawa 1997, p. 83.

¹⁸ Prepared based on: T. Żelawski: Ocena przekształceń w zakresie zarządzania i administrowania komunalnymi zasobami mieszkaniowymi w Ostrowie Wielkopolskim (Evaluation of transformation in the area of management and administration of municipal housing resources in Ostrow Wielkopolski). Warszawa, August 1997.

making the company's activity more political and leading to improper allocation of sources (wages or repairs).

We should also point out the total monopoly in municipal housing resources management. Under the lack of a market, it is very difficult to evaluate the company's effectiveness.

4.4 Creation of Competitive Schemes in Housing Administration

4.4.1 Description of the Issue

As mentioned before, domination of large, monopolistic units with multi-layer managerial structure and high level of bureaucracy in decision-making processes is one of the main reasons why the housing resources management system is not effective. Division of these entities as well as creation by the municipality of competitive schemes can only lead to cost reduction and improve the quality of provided services. One should remember, however, that proper functioning of the market depends on several conditions.

- There will be several suppliers on the market, enough to provide competition (in some cases, municipal authorities act in favor of creation or increase in service supply by establishing municipal entities that in the long term should be privatized, or by divining and forcing to competition already existing entities).
- Consumers should have enough purchase power to buy given services (local authorities create demand, for instance, by subsidies).
- Buyers should have an easy access to sellers.
- Consumers should have information on price, quality, and risk related to the purchase of certain product or service.
- Authorities should define principles valid on the market as well as execute their observance.¹⁹

Civil and legal agreements, as mentioned before, are an important tool in the process of launching market solutions into housing economy. The main advantages of the agreements applied to delegation of public tasks are:

- interest of private administration in exploitation cost reduction;
- competition among entities competing for administration contract;
- price increase reductions (administrator's salary) as a result of above mentioned factors; and
- possibility of mobilizing the administrator to guarantee an appropriate quality of services based on the contract's provisions (contractual penalties, termination of the contract).

4.4.2 Innovation (Sopot)

In 1990, the Sopot City Council changed legal form for its activity in housing economy area. The City Enterprise for Municipal Economy that had operated based on the law on state-owned enterprises was liquidated and the budgetary enterprise City Housing Board was established.

¹⁹ See: D. Osborne, T. Gaebler: *Rządzić inaczej* (Governing in a different way). Poznań 1992, pps. 392-418.

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The change in organizational and legal form did not bring an expected growth in effectiveness. The multi-layer organizational structure of the enterprise, the lack of motivation to execute outstanding rents, and the perception of the municipal budget as the main source of financing led ZBM to substantial financial drawbacks. Municipal resources management based on a monopolistic structure did not improve the company's image in the eyes of Sopot's inhabitants.

Because of the reasons mentioned above, the City Council on September 29, 1994, approved a decision on the liquidation of the City Housing Board and delegation of municipal houses administration to the entities selected during tender process. The following principles have been adopted:

- to increase effectiveness through competitive management of budgetary means transferred to private companies;
- to delegate administration of municipal houses and administration of housing communities to economic entities selected in the tender;
- to delegate administration according to the existing borders of Regions of Services for Inhabitants, with a possibility of further separating smaller complexes of buildings;
- lack of interference in the size of the company (number of employees) — only the results and quality of services will be evaluated; and
- to delegate all technical services to new administrators.

These principles have been launched as of January 1, 1995. The administrators (probably the structures established based on employees of closed enterprise) selected during the tenders carry out their activity based on an agreement concluded with the municipality, based on annual financial plans.

Due to their activity, the administrators receive salaries in the amount of 12-15 percent of the amount of collected fees due to rents and other due payments defined in the financial plan for given year (without VAT). The amount of the salary is to be negotiated every year.

The financial means left to the administrator's use come from rental payments, advance payments, allowances, and other due payments, as well as from repair subsidies from the municipal budget.

The Housing Economy Department supervises the administrators.

4.4.3 Results

- Reduction of employment.
- Physical jobs (cleaning, repairs, maintenance) are performed based on external agreements concluded with other companies.
- In 1996, the collected fees ratio was higher than planned (90 percent was planned while the actual ratio was 100 percent, including classified rents).
- In 1995, maintenance costs were reduced to 1.56 (before transformation, 2.09).²⁰

4.4.4 Summary

Sopot municipality decided to take very radical steps to create competition. It seems that it's a right solution and worth recommending to other municipalities. Positive effects should grow together with administrators' market and the municipality's experience in its role of the market organizer. The following should be also emphasized: the municipality's openness to further decentralizing (possibly to separate smaller groups of buildings) and the fact that 66 housing communities are administered by private economic entities other than administrators selected by the municipality during tender process.

4.5 Budgetary Enterprise as an Entity Playing a Role of an Ordinary Manager under the Situation where Ownership Functions (Municipality) and Administrative Functions (Limited Liability Company) Have Been Separated

4.5.1 Description of the Issue

In the case where ownership and administrative functions are separated, a question as to the form of the entity to be manager of municipal houses appears. The function can be implemented by the municipal board's structures (for instance housing economy department); it is also possible to establish a specialized budgetary enterprise that can, among others things, organize administrators' market.

4.5.2 Innovation (Krakow)

The Krakow City Council during its session on July 7, 1993, adopted a resolution on housing economy restructuring. The following decisions have been made.

- Transformed housing economy enterprises will take the form of commercial law companies.
- It is necessary to separate the function resulting from the ownership rights from the administrative and service activity.
- The City Council is willing to delegate, in the form of orders, administration and maintenance of part of the buildings to the commercial law companies established by former PGM's employees.

By Krakow City Council's decision of December 21, 1994, the Municipal Housing Board (ZBK) was established, with its scope of activity of real estate management. Revenues from

²⁰ Prepared based on: A. Czyżewska-Lach: Ocena przekształceń w zakresie zarządzania i administrowania komunalnymi zasobami mieszkaniowymi w Sopocie (Evaluation of transformation in management and administration of municipal housing resources in Sopot). Sopot, August 1997.

rents for housing and service space are the base of ZBK's financing. ZBK is entitled to delegate to private entities, on the municipality's behalf, administration of housing resources, preparation and implementation of the repairs, organization of tenders for service space rental, and provision of services for inhabitants and housing communities, according to the law.

By the resolution of the Krakow City Council of March 29, 1995, PGMs have been liquidated. ZBK started to take over housing management from the Housing Management Enterprises (PGMs). Seventeen commercial code companies have been established based on the liquidated enterprises. Twelve of them handle exploitation while five provide repair, construction, and transportation services. Based on the mentioned resolution and without tender procedures, the new companies took over administration, which allowed for the maintenance of continuity and for the avoidance of collective redundancies in the enterprises.

The agreements have introduced a motivation system related to the level of flats and utility space rents collection (contractual collection that is within the company's obligations is defined in the amount of 90 percent of due rents; the bonus is paid in the amount of 20 percent of the amount above 90 percent level).

First tenders for the administration took part in December 1996. In practice, it turned out that on the market there are not enough professional managers and administrators.

As a result of almost no competition, the tender was won by the companies that used to administer the housing resources. The companies started to compete with each other. In June 1997, as a result of the tender to administer Nowa Huta district, one of these companies got an additional space of 145,460 sq.m.

Based on the experience gained, the agreements defining the relations between ZBM and administrators have been improved.

4.5.3 Results

Positive

- Personnel costs reduction savings in the amount of 9,000,000 PLN per year.
- Employment in PGMs in the management was over 200 persons. ZBK, after delegating its tasks to companies, plans to have 81 jobs.
- Exploitation costs of one square meter of utility space of PGM's building was 0.59 PLN, in ZBK's building, 0,50 PLN, which results in the savings of about 315,800 PLN per month.

Delays in rent payments decreased compared to the previous form:

- from 4.7 percent to 3 percent in case of flats; and
- from 6.1 percent to 3.2 percent in case of utility space.

Negative

- ZBK, because of not being a legal entity, has serious problems representing the municipality in courts (lack of trial ability).
- There are problems related to duality of the roles: ZBK as representing the municipality in the role of the owner during housing communities meetings and ZBK as an entity that, on behalf of the municipality, manages the communities. Separation of these functions necessitates an increase in the number of municipal workers.²¹
- "Stiffness" of the management based on the budgetary enterprise form. The budgetary law limits flexibility of financial means use.
- After closing down four housing management enterprises, there was too much concentration of tasks resulting from ownership functions in one unit, which puts decision-makers further from the managed buildings.

4.5.4 Summary

Like in the Sopot and Warszawa-Ochota cases, Krakow authorities decided to separate the ownership and administrator functions defining mutual relations in the contractual form. The main direction of the restructuring seems to be right and possible for copying in other municipalities. It is difficult to clearly evaluate usefulness of the budgetary enterprise in the role of the entity that represents the owner. In my opinion, the problems of Krakow's ZBK result from too much concentration of obligations and decision-making, not from the essence of the budgetary enterprise form. The idea to establish smaller units with closer relationships with the tenants (communities) probably makes sense, as does better understanding of technical conditions of the buildings and quality of administrators' work.

5 Conclusions and Recommendations

- It seems that in the long run management and administration of housing resources should be delegated to individuals or small private companies operating on competitive market, based on agreements, in the environment of external entities providing municipal services, repairs, etc.
- To achieve this, it is necessary, on one hand, to restructure old, large structures inherited by old housing management enterprises and, on the other hand, to create a market of administrators.
- Establishment of competitive structures should occur through separating ownership and administrative functions, separating monopolistic enterprises, and allowing other entities to enter the market (tenders).
- It is important to catch real costs of municipal resources administration. That's why housing activity should be separated within the restructuring of multi-sectoral entities.
- It is especially important to educate staff able to perform managerial and administrative functions. It is necessary to create proper educational system (vocational schools, training courses for unemployed) that would increase supply of such services.

²¹ Prepared based on: K. Jurek: Ocena przekształceń w zakresie zarządzania i administrowania komunalnymi zasobami mieszkaniowymi w Krakowie (Evaluation of transformations in the area of management and administration of municipal housing resources in Krakow). Krakow, August 1997.

- It also seems necessary to catch optimal proportion between the size of the company and the size of administered resources that would enable the provision of services of the right quality (close relations with the building and tenants) and, at the same time, a decent salary for the administrator.

Appendix B
Case Studies

Dzierzoniow

Dzierzoniow

1 General Data on the Housing Situation in Dzierzoniow

General data on the size of the housing stock in Dzierzoniow are presented in Table 1.

Table 1
The Size of Housing Stock in Dzierzoniow

Specification	31 Dec. 1995
Number of population/thousand	38.1
Number of flats/thousand	12.6
Number of rooms/thousand	39.2
Usable space/thousand square meters	640.6

The basic quantitative indices reflecting housing conditions in Dzierzoniow as compared to the national average are shown in Table 2.

Table 2
Basic Quantitative Indices of Housing Conditions in Dzierzoniow at the End of 1995

Specification	Dzierzoniow Average	National
Number of rooms in a flat	3.11	3.35
Number of persons in a flat	2.96	3.03
Usable space per flat	50.8	55.2
Usable space per person	17.2	18.2

Data in Table 2 indicate that in terms of average quantitative indices, housing conditions in Dzierzoniow are worse than in the country as a whole. That applies to the average number of rooms in a flat, as well as the average usable space per flat and per person.

This is primarily due to the existing structure of the housing stock in regard to the form of property and manner of management. Data in Table 3 indicate that the share of multi-family housing in Dzierzoniow stock — that applies in particular to municipal housing — is considerably higher than on the average in the country. Yet the share of private stock consisting of individual one family homes is smaller.

Table 3
The Structure of the Housing Stock in Dzierzoniow as Defined by Its Form of Ownership and Manner of Management

Specification	Total in %	Municipal* Housing	Cooperative Work Places	Owned By	Private
Dzierzoniow	100	47	35	3	15
Average in the country	100	21	37	9	13

* Together with housing community buildings.

2 A Description of Municipal Housing Stock

Basic figures on municipal housing stock in Dzierzoniow are presented in Table 4.

At the end of 1996, 648 municipal buildings in Dzierzoniow accommodated 6,199 flats and 369 commercial premises. The size of the municipal housing stock amounted to 301,000 sq.m. About 90 percent was occupied by flats and 10 percent by commercial premises.

It is noteworthy that with respect to age and standard of the housing substance in Dzierzoniow, the respective parameters of the municipal housing stock fall much behind those in the country as a whole. Particularly high is the share of second category buildings shown in Table 5.

Table 4
A Description of the Municipal Housing Stock in Dzierzoniow in 1996

Specification	31 Dec 1996
Number of apartment buildings	648
Number of housing premises	6199
Number of commercial premises	369
Total operational space (in 000s m2 of usable space)*	302
Space of housing premises (in 000s m2 of usable space)	271
Space of commercial premises (in 000s m2 of usable space)	31

* Applies to housing and commercial premises

Table 5
Structure of the Municipal Housing Stock in Dzierzoniow According to Age and Quality Standard of Buildings at the End of 1996

Specification	Total (in 000s m2 of usable space)	%				
		I	Ia	Ib	II	III
Dzierzoniow	302	10	12	21	54	3
National average	x	23	28	17	30	2

Categories of buildings:

- I Built after 1960
- Ia Built between 1950-60
- Ib Built before 1950, but representing contemporary standard
- II Pre-war brick buildings with wooden ceilings
- III Wooden buildings and ones with brick nagged timber walls

Indices of basic installations in homes — with the exception of those for central gas supply — are lower than those in municipal housing stock in the country. See Table 6.

Table 6
**Basic Installations and Equipment in the Municipal Housing in Dzierzoniow/
 Percentage of All Housing Stock as of 31 December 1996**

Specification	Dzierzoniow	National average
Total number of flats	100	100
Of these equipped with:		
• water supply system	81	93
• sewerage	77	91
• water closet	58	74
• bathroom	47	68
• gas supply installation	86	71
• central heating	34	50
• central hot water supply	1	24

When assessing property transformations and their potential impact on the mode of management and administration, it is necessary to define the scope of privatization with respect to housing premises in Dzierzoniow's municipal housing stock.

Table 7
The Scope of Property Transformations in Dzierzoniow's Municipal Housing Stock
As of 31 December 1996

Specification	Dzierzoniow	National Average
Share of privatized housing premises (%)	38	19
Scope of co-ownership of buildings (%)	64	37
Housing communities with a majority share by physical persons (%)	45	18

By the end of 1996, about 38 percent of housing premises in stock administered by ZBM (the Board of Apartment Buildings) had been bought by their tenants — that is two times more than on the average in the whole country. In addition, more than 50 percent of commercial premises had been privatized. The scope of co-ownership of buildings and the number of housing communities with a majority share by physical persons was also considerably higher than the average in the country — 15 communities declined administration by the local housing authority offices.

3 Changes in the Management of the Housing Stock

The functioning of the local housing economy within the framework of a two-branch budget enterprise — including waste disposal services — enabled the re-distribution of means between the branch that generated profits, that is, waste disposal, and that which brought great deficit, that is, the housing economy. Such a situation did not allow to define the real costs of managing housing stock. In such a system of operation, the housing economy focused less attention due to its nonprofitability.

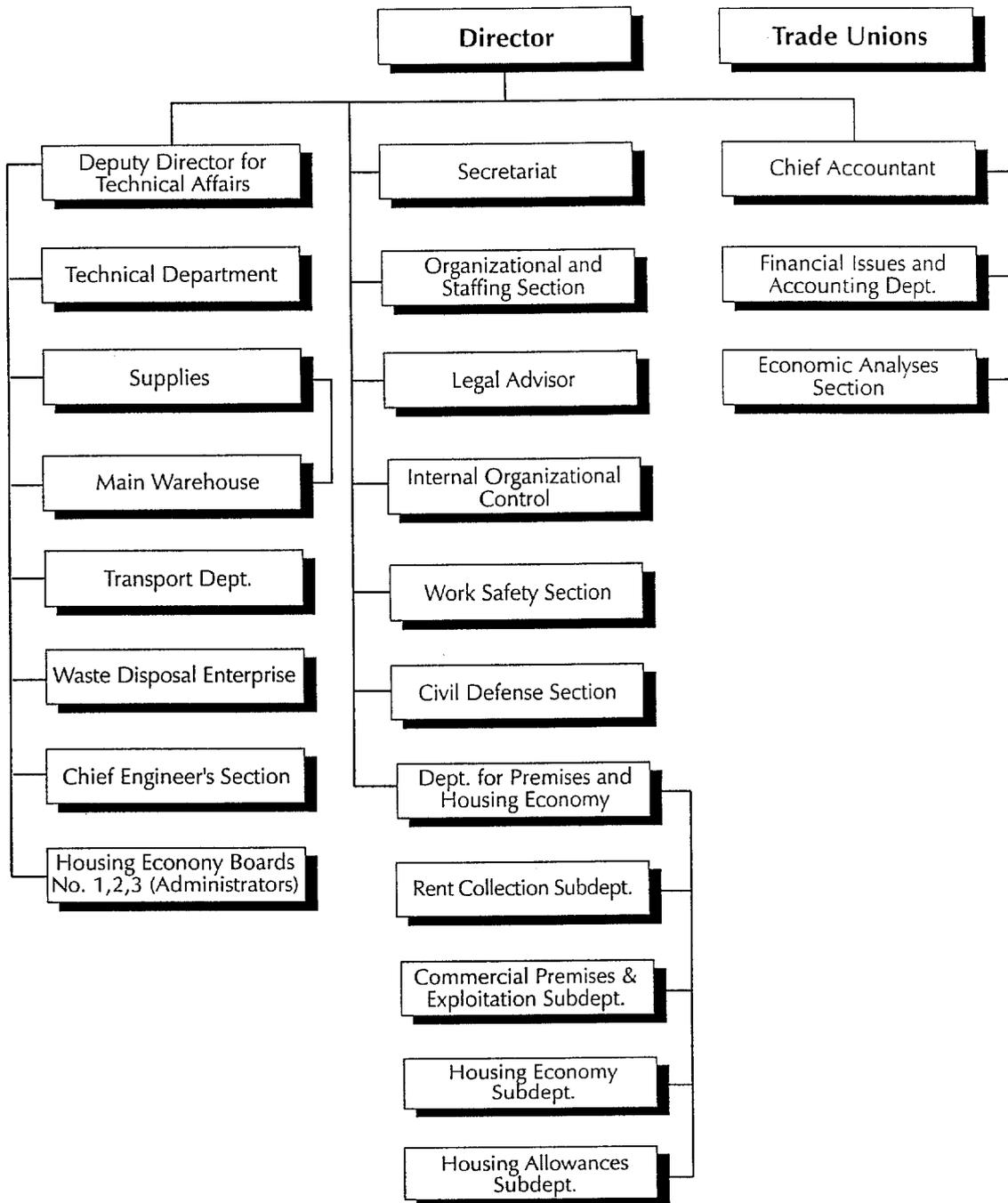
Chart 1 demonstrates the organizational structure of a two-branch budget enterprise that was still in operation in Dzierzoniow in the first half of 1996.

By resolution adopted by the City Council in June 1996, a budget enterprise was set up under the name of the Board of Apartment Buildings (ZBM). Its responsibilities consist of:

- managing municipal housing and commercial premises, as well as property belonging to the local government and other entities;
- programming, planning, and implementing effective maintenance and repair economy;
- pursuing activities in line with the local government's policy with regard to settling the housing and commercial premises owned;
- supervising and coordinating operations concerned with the functioning of housing communities; and
- handling and supervising matters related to housing allowances.

As a one-branch budget enterprise, ZBM resigned from having its own transport and supply departments, as well as a warehouse such as were functioning in the previous organizational structure.

Chart 1
The Structural Organization of the
Municipal and Housing Economy Board in Dzierzoniow



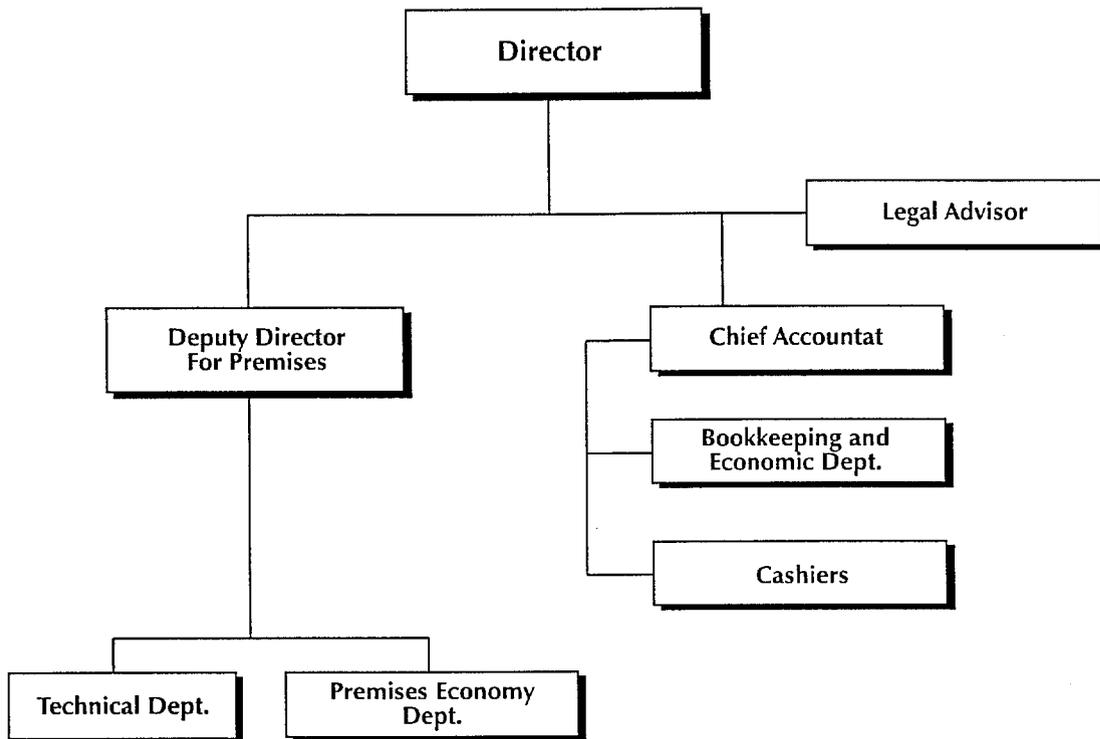
Moreover, the following operations were privatized within the framework of the new unit:

- the performance of maintenance and current repair works; and
- maintaining cleanliness.

As a result of these moves, maintenance men, caretakers, and cleaners who were previously employed in the organizational unit now perform their tasks under contracts as workers from outside. That ensures a more effective allocation of financial resources set aside for these types of work.

Chart 2 presents the current organizational structure of the ZBM in Dzierzoniow.

Chart 2
The Organizational Scheme of the ZBM



As a result of these changes, the number of office workers employed had been reduced by half, and the number of manual workers was brought down to zero. See Table 8.

Table 8
The Size and Structure of Employment in Dzierzoniow
At the End of 1996

Specification	Total	Of These:				
		Officer Workers	Laborers	Of These:		
				Caretaker and Cleaners	Maintenance Workers	Others
Number	35	35	—	—	—	—
%	100	100	—	—	—	—

4 Financial Aspects of Managing Municipal Housing Stock

The financial situation in municipal housing stock is shaped on the one hand by the amount of rent paid for housing and commercial premises and, on the other, by the changing maintenance costs. As the costs of maintaining municipal housing stock have grown, as the principle has been introduced of defining the rent for municipal flats locally, and as the *gminas* have been given the right to set the rent for commercial premises by tender or negotiations, the economic situation of housing stock management boards in towns and *gminas* has diversified.

In towns with a relatively good financial situation and in which the housing economy has been regarded as a top priority, considerable subsidies have been allocated for maintaining the housing stock. This development has helped to maintain a relatively high level of outlays for the repair of buildings. However, that has not been the case in Dzierzoniow.

In 1966, the relatively low revenues acquired from rent paid for housing premises, and even lower ones for commercial premises, meant that, with a relatively very low level of outlays for maintenance and repair works, subsidies for the day-to-day maintenance of the municipal housing stock have been symbolic. The result was a relatively small negative financial balance by the end of 1996. See Table 9.

Table 9
The Financial Situation in the Municipal Housing Stock in Dzierzoniow
With Respect to Maintenance Costs in 1996

Specification	Maintenance Costs per 1 m2 of Usable Space per Month				
	Total in PLN	Revenues for Maintenance			Financial Result
		Own Means from Rent		Subsidies	
		Housing	Commercial		
Dzierzoniow	1.13	76	18	4	(-)2
Comparative Study	1.69	48	25	25	(-)2

The increase in rent for housing and commercial premises, the limited possibility of acquiring a housing allowance by tenants, and the slow increase in wages, as well as the unemployment rate, all account for the large outstanding payments. In extreme cases, these arrears can lead to the loss of financial liquidity by units managing the municipal housing stock. There is no such danger in Dzierzoniow. The overall ratio of outstanding payments in relation to annual revenues planned amounted to four points at the end of 1996 and was lower than the national average for the municipal housing stock. However, the ratio of households with outstanding payments of more than three months was higher than on the average in the country and amounted to 20 percent. Arrears in payments for commercial premises were on par with the national average. See Table 10.

Table 10
The Ratio of Outstanding Payments for Housing and Commercial Premises in
Municipal Housing Stock in Dzierzoniow in 1996

Specification	Total	Housing Premises	Commercial Premises
Dzierzoniow	4	4	5
Comparative Study	7	7	5

4.1 The Costs of Maintaining the Stock

The costs of maintaining housing stock involve two basic factors:

- operational costs; and
- costs of technical upkeep.

Operational costs are borne through day-to-day activities concerned with the stock owned, while the costs of their technical upkeep reflect the range of maintenance work made, as well as current and routine repairs. The size and structure of costs of maintaining the housing stock is presented in Table 11.

Table 11
The Costs of Maintaining Municipal Housing Stock in Dzierzoniow in 1996

(in PLN for 1 m2 of usable space per month)

Specification		Maintenance Costs Total	Of These:	
			Operation	Technical Up-Keep
Dzierzoniow	PLN	1.13	0.92	0.21
	%	100	81	19
Comparative Study	PLN	1.69	1.14	0.55
	%	100	67	33

It follows from Table 11 that, in relation to the comparative study, the unit costs of maintaining municipal housing stock in Dzierzoniow in 1996 were about 33 percent lower than the national average set for that group of towns.

The costs of operation cover all expenses for managing and administering the stock, as well as payments made for services rendered to the housing economic sector mainly by municipal organizations.

Table 12
Operational Costs Involving Municipal Housing Stock in Dzierzoniow in 1996

(in PLN for 1 m2 of usable space per month)

Specification		Total Costs	Of These:					
			Water and Sewerage	Solid Waste Disposal	Cleaning	G&A	Local Taxes	Others
Dzierzoniow	PLN	0.92	0.30	0.09	0.08	0.30	—	0.15
	%	100	33	10	9	33	—	15
Comparative Study	PLN	1.14	0.32	0.10	0.16	0.33	0.06	0.17
	%	100	28	9	14	29	5	15

The costs of operations include remuneration for manual and office workers involved in operating housing stock as well as for employees of management and administration units. They also include the cost of cold water supply, sewerage, solid and fluid waste disposal, electricity, etc.

It follows from Table 12 that unit operational costs in Dzierzoniow in 1996 were about 20 percent lower than on the average in the rest of the country. Particularly low were costs of maintaining cleanliness.

The second factor in costs involves those of technical upkeep covering maintenance, damage, and thorough repairs, as well as modernization. In 1996, outlays for the technical upkeep of municipal housing stock in Dzierzoniow were two times lower than the national average, with no allocations made for thorough repairs. See Table 13.

Table 13
The Costs of Technical Upkeep of the Municipal Housing Stock
In Dzierzoniow in 1996

(in PLN for 1 m² of usable space per month)

Specification		Total	Of These:	
			Maintenance and Current Repairs	Thorough Repairs and Modernization
Dzierzoniow	PLN	0.21	0.21	—
	%	100	100	—
Comparative Study	PLN	055	0.47	0.08
	%	100	86	14

It is estimated that with the cost of reproduction in Dzierzoniow set at PLN 1,050 and with the rate of repair, which is determined by the structure of the housing stock, amounting to minimum 1.5 percent of reproduction costs during the year, the indispensable monthly outlays for technical upkeep should amount to about PLN 1.30 for one square meter of usable space. These outlays should therefore be about six times higher than in 1996.

4.2 Means for Maintaining the Stock

The introduction in municipal housing of the principle of defining rent rates locally, or defining the sum of advance on account of rent calculated against costs in premises bought from the local government, has caused striking differences in the rates in various towns and cities.

It is noteworthy that the maximum rent rate binding in the municipal housing stock in Dzierzoniow at the end of 1996 — PLN 0.90 for one square meter of usable space per month — was by PLN 0.33 lower than the average in towns of similar size in the country. Also the minimum rate — PLN 0.31 for one square meter of usable space per month — was by PLN 0.17 lower than the national average. See Table 14.

Table 14
Binding Rent Rates in the Municipal Housing in Dzierzoniow at the End of 1996

(in PLN for 1 m² of usable space per month)

Specification	Rent Rates		
	Lowest	Average	Average
Dzierzoniow	0.31	0.60	0.90
Comparative Study	0.48	0.80	1.23

In 1996, the average rent rates charged in Dzierzoniow for municipal housing units were lower than the national average. Average rent rates charged for commercial premises were also lower than in towns and cities of similar size — a result of their privatization. See Table 15.

Table 15
Average Rent Rates Charged in Municipal Housing Stock in Dzierzoniow in 1996

(in PLN for 1 m² of usable space per month)

Specification	Housing Units*	Commercial Premises
Dzierzoniow	0.96	2.00
Comparative Study	1.09	3.45

* Including services, but without charges for central heating and central hot water supply.

Financial means for the upkeep of the municipal housing stock depend first of all on:

- the standard of the housing stock in hand;
- the ratio of housing units to commercial premises in stock being used;
- the approved rent rates for housing and commercial premises; and
- the amount of subsidy from the local government budget, which in fact depends on the planned maintenance level of the stock and on the approved program of repairs and modernization.

In 1996, the share of own means derived from housing and commercial premises constituted in Dzierzoniow as much as 95 percent and was considerably higher than the average in the country. That was accounted for primarily by the lack of subsidies for the day-to-day upkeep of the stock. See Table 16.

Table 16
Financial Means for the Upkeep of Municipal Housing Stock in Dzierzoniow in 1996

(in PLN for 1 m2 of usable space per month)

Specification	Overall	Means of These:		
		Revenues from Premises*		Subsidies and Allowances
		Housing	Commercial	
Ostrow Wielkopolski PLN %	1.11 100	0.86 77	0.20 18	0.05 5
Comparative Study PLN %	1.65 100	0.97 59	0.36 22	0.32 19

* Including services, but without charges for central heating and central hot water supply

An analysis of the amount of subsidies granted toward the upkeep of municipal housing stock, which included funds for the technical upkeep of the stock and subsidized central heating and central hot water supply, shows that in terms of all the stock managed by the local authority, subsidies granted in Dzierzoniow in 1996 had been almost two-and-a-half times lower than on the average in the country. See Table 17.

Table 17
Subsidies Toward the Municipal Housing Stock in Dzierzoniow in 1996*

(in PLN for 1 m2 of usable space per month)

Specification	All Subsidies	Of These:	
		Subsidies	Housing Allowances
Dzierzoniow	0.14	—	0.14
Comparative Study	0.33	0.27	0.06

* Including subsidies toward central heating and central hot water supply

5 An Assessment of Transformations Carried Out

Assessing the transformations in managing and administering municipal housing stock in Dzierzoniow, one should point out the positive (+) and negative (-) changes in managing housing premises owned by the local government.

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5.1 Positive Changes (+)

- Management of the housing stock within a one-branch unit
- Very low unit costs of operating the stock
- Much lower overall outstanding payments than on the average in the country
- Complete privatization of material services, involving maintenance and repair works, as well as those concerned with maintaining cleanliness
- The achievement of a very favorable level of financial self-sufficiency with respect to basic operations
- The creation of an element of competition between various housing administration boards

5.2 Negative Changes (-)

- Relatively low revenues generated from housing units, this being the result, among other things, of the rent policy pursued on the local government administration level of the *gmina*
- Very low revenues generated from commercial premises, due to the scope of their privatization carried out in the early 1990s
- Very low outlays allocated for the technical upkeep of the stock, involving maintenance as well as current and thorough repair works, which situation leads to an accelerated depreciation of the stock

In Conclusion

- Management of the housing stock in the system of multi-sector units is not effective due to difficulties in the possibilities to precisely specify financial costs concerning individual sectors.
- The changes are encouraged both by the Municipal Office (the mayor) and part of the employees of the budgetary enterprise.
- Reorganization effected in changes on top positions of managers responsible for the housing stock.
- Guided by the suggestions of external experts, the maintenance and repair workshops and cleaners were privatized (despite the original opposition of the interested party).
- Part of responsibility for current operation (for example vindication of outstanding payments) was shifted to the level of housing administrations.
- Due to the fact that Dzierzoniow is a city with a high structural unemployment, a relatively low level of people's incomes impedes the introduction of too-high rents.
- Since the sale of housing apartments in the municipal stock was carried out on the basis of dispersed and not selective privatization, the number of immovables owned by housing communities makes effective housing management difficult.
- There are serious difficulties in carrying out thorough repairs in buildings belonging to housing communities, due to the load of necessary repair works.
- The privatization of more than 50 percent of utility premises at the beginning of the 1990s was a grave mistake, since it limits the possibilities of financing of the management of the housing stock.

Krakow

Krakow

1 General Demographic Data

Table 1
Population of Krakow Based on Age as of 31st December 1996

City	Total population	Male	%	Female	%
Krakow	740,675	347,413	46.9%	393,262	53.1%
Under age	162,716	83,522	51.3%	79,194	48.7%
Employment age	463,887	229,406	49.5%	234,481	50.5%
Post-employment age	114,072	34,485	30.2%	79,587	69.8%

Source: Voivodeship Statistic Office (VSO)

Table 2
Education

Education	1995
Higher	17.9
Secondary	55.5
Primary	20.7
Partial primary education and non-educated	5.9
Total	100.0

Source: VSO

Table 3
Households and Household Populations according to Professional Activities (per 000)

	1995	Households	
		Professionally Active	Professionally Non-Active
Number of households	269.7	190.3	79.4

Source: VSO

Table 4
Population Income
Average Krakow Wages and Salaries between 1994 and 1997

1994	1996	1997
540 PLN	968 PLN	1,141 PLN

Source: VSO

2 Housing Resources

Table 5
Houses Occupied Based on the Forms of Housing Ownership in 1995

Form of ownership	Number of flats (per 000)
Total	238.8
State owned	4.3
Communal houses	12.6
Company owned	3.5
Co-op owned	97.1
Condominiums	56.9
Private owned	62.5
Remaining entities	1.8

Source: VSO

Table 6
Housing Stock Resources in Krakow

Description	31st December 1995	1996
Population number (in 000s)	719.5	740.7
Number of flats (in 000s)	238.8	245.3
Number of rooms (in 000s)	768.9	
Usable area (000 sq.m.)	13.206	
*Accessibility indicator of housing per 1,000 inhabitants	331.9	331.2

* The housing accessibility indicator per 1,000 inhabitants in Krakow was 331.2 housing units in 1996. This indicator in Poland is equal to 295 housing units. According to the existing accessibility indicator, 400 housing units per 1,000 inhabitants allows avoidance of acute population conflicts of a housing character. In Krakow, 1,000 inhabitants share 331 housing units, which is more than the average in Poland. However, this means that at least 12 percent of families live together with another family.

Source: VSO

Table 7
Basic Residential Factors in Krakow (Status for the End of 1995)

	Krakow	National Average
Number of rooms in a unit (average)	3.22	3.35
Number of persons in a unit (average)	3.01	3.03
Usable area per 1 unit	55.3	55.2
Usable area per 1 person	18.3	18.2

Source: VSO

Table 8
Structure of Housing Resources Depending on Ownership and Management (Ref. to Buildings)

Description	Total %	Communal	Co-op*	Company	Private*
Krakow	100	7.1	40.7	1.5	50.7

* Condominiums established on the basis of communal and company property ownership are not presented separately here, as VSO does not possess such data.

Source: VSO

The condominiums in the municipality of Krakow that established management by June 30th 1997 is 55 buildings.

Table 9
Basic Installations and Equipment of Housing Units in Krakow By the Percent of Total Resources

Description	Krakow	National Average
Total housing units	100	100
Equipped, connected to:		
water supply system	98.3	93
sewage system	96.5	91
bathrooms	94.5	68
gas system	95.4	71
central heating	79.6	50
centrally heated water	0.8	24

Source: VSO

Table 10
Characteristic Features of Housing Resources in Krakow under City Management

Description	Status as of 31st December 1996
Number of residential buildings	2,626
Number of residential units	46,589
Number of commercial facilities under management	3,501
Total commercial area (in 000s of sq.m. usable area)	3,287,703

Source: VSO

Table 11
Structure of Housing Resources Remaining under City Management

Housing till 1918	Housing of the period between World War I and World War II	After 1945	Total
735	972	919	2,626
28%	37%	35%	100%

Source: VSO

General Types of Housing Units

Both communal and private housing units may be typically classified as follows:

- single-room flats with all modern conveniences
- multi-room housing units with kitchen, bathroom, and all rooms accessible from corridor (so-called "central-hall arrangement") with hot water and central heating system
- similar, but with individual-story heating — electric accumulated heating systems or coal furnaces
- multi-rooms housing units with kitchen and bathroom, but with some or all transitory rooms (with entrance/exit), i.e., with minimum-communication area single rooms accessible from corridors of building with exteriorly located toilet, without kitchen and bathroom, sometimes with cold water located outside of the unit
- one room with kitchen, entrance to kitchen from corridor, and toilet located outside unit

Changes in this area are directed toward the elimination of below-standard residential units, which according to our understanding are units without a kitchen, bathroom, and toilet within premises of the unit. Bathrooms are fitted and equipped and water supply and sewage systems are connected to refurbished units prior to resettling. Some single-room units are connected to adjacent units. A tendency exists where the population is leaving housing units in multi-family apartment blocks and toward single-family housing. However, this is not a dynamic process, as plots are very expensive. Therefore, wealthy people who may also afford complete infrastructure development of purchased plot construct single-family houses.

The general master plan of Krakow predicts construction of single-family houses (on privately owned plots); a decisive majority are multi-family four-story apartment blocks (less frequently two-story buildings, due to landscape protection) or high constructions. The construction development indicator is, practically, equivalent to population density, which means intensive multi-story housing development.

3 Background of Housing Resources Management Organizations

Responsibility for the management of real estate and property that belonged to the State has, in the post-war period in Krakow, been taken over by the National Council Presidiums for Housing Economy.

The Temporary Urban Real Estate Board was established in 1949 in a subordinate role to the City Executive Board, which succeeded the tasks of the a/m body.

In 1952, the Temporary Urban Real Estate Board was liquidated and a new organization was founded, namely, the Communal Housing Management. It is also subordinate to the City Executive Board of Krakow.

The specific character of the Old City (*Stare Miasto*) is creating problems regarding real estate administration of houses in this area connected with the historic character of many buildings. This made it necessary to establish a separate company responsible for the features of these buildings. Therefore, the authorities of the Old City Borough (*Dzielnica Stare Miasto*), by way of the resolution dated January 1st 1960, established the Borough Housing Management Board (*DZBM — Dzielnicowy Zarz¹d Budynków Mieszkalnych "Stare Miasto"*).

Further, Borough Housing Management Boards were established in 1962 for Grzegórzki, Krowodrza, Kleparz, and Podgórze on the basis of the Communal Housing Management (*MZBK — Miejski Zarz¹d Budynków Komunalnych*). DZBM were supervised by the Presidium of the Borough's National Council (*Prezydium Dzielnicowej Rady Narodowej*). The Borough Housing Management Board "Ćródmiećcie" was established, on January 1st 1973, as a result of Krakow's new administrative structure and establishment of four new boroughs.

In 1976, responsibility for DZBM operations were given to the Housing Economy Company "Ćródmiećcie" (*Przedsiębiorstwo Gospodarki Mieszkaniowej "Ćródmiećcie"*) based on the City Mayor's Resolution No. 18 of 3rd March 1976.

Due to a new administrative division of the country, and based upon the Resolution No. 17/76 of the City Mayor of Krakow, dated 3rd March 1976, regarding organizational changes of DZBM housing management companies, the Podgórze borough was linked with the Regional Housing Economy Company (*Rejonowe Przedsiębiorstwo Gospodarki Komunalnej*) in Skawina, and transformed as a Communal Economy Company — Podgórze (*Przedsiębiorstwo Gospodarki Komunalnej — Podgórze*).

On 1st July 1976, based on Resolution No 16 dated 3rd March 1976 of the City Mayor of Krakow regarding the transformation of DZBM "Nowa Huta" in Krakow, the company was named Housing Economy Company — Nowa Huta in Krakow (*Przedsiębiorstwo Gospodarki Mieszkaniowej — Nowa Huta w Krakowie*).

On 3rd March 1976, based on Resolution No 15/76 of the City Mayor of Krakow, DZBM was transformed to Housing Economy Company — “Krowodrza” (*Przedsiębiorstwo Gospodarki Mieszkaniowej “Krowodrza”*).

Administrative units of DZBM, Residential Houses Administration (*Administracja Domów Mieszkalnych*), existing at that time were transformed to District Inhabitant’s Services (*Rejony Obsługi Mieszkańców*).

The Organizational Structure

The individual Housing Economy Companies (PGMs) possessed a similar organizational character.

- Company managing board
- Districts of services rendered on behalf of the inhabitants
- Construction/repair works
- Equipment and transportation works
- Storage areas

The organizational structure of PGMs in Krakow (see annexes) represents a traditional arrangement. The characteristic division according to the type of services is worth noticing:

- direct services on behalf of the citizens;
- technical and procurement division; and
- administrative and accounting division.

Subordination of the first two divisions in respect to one linking unit creates a strong decision-making body. A strong degree of organizational connections servicing the basic types of activities existed. (See enclosed examples of PGM Œródmięcie Structures, Annex No. 1.)

Services — Objectives and Functions of PGMs

The company’s objective was management and administration of housing stock within the area of the borough.

The companies achieved their objectives through:

- operation and administration of buildings and their vicinity according to the situation by 31st December 1994; PGMs were responsible for 3,747 buildings, which included those owned by:
 - ▶ the municipality — 2,601
 - ▶ private persons — 1,090
 - ▶ companies — 56

The total surface area of these equaled 3,619.7 thousand sq.m., including:

- ▶ residential — 3,187.9
- ▶ commercial — 386.4
- ▶ garages — 45.4
- monitoring appropriate housing unit usage

- technical supervision and maintenance
- performance of repair and construction works on behalf of the tenants
- execution of all activities connected with preparing and executing main repair works of buildings under the company's management.

Employment in PGMs in 1994 was as follows.

Total:	1,998 employees
• administrative staff	608
• conservators	488
• caretakers	718
• maintenance personnel	61
• remaining	123

4 The Process of Restructuring

Legislative regulation changes in the area of housing economy management necessitated introduction of changes in the structure of management.

The policy in 1990 regarding management of housing resources did not favor solutions for the most important needs — management, repair works, and upgrading buildings. Because of these needs and wishing to broaden the plane of the municipalities' influence on housing management, new principles of exploiting housing resources strategy were created in the city.

Resolution No. LXXXI/525/93 of the City Council of Krakow, on 30th April 1993, accepted the "Theses regarding city strategy concerning transformation or municipal companies" developed by the City Executive Board of Krakow as the obligatory direction while transforming these companies.

This resolution expresses the idea that the objective of transformation is to achieve better control over branch activities, which are the mandatory tasks of the municipality.

At that time, the compulsory organizational form of managing units, significantly limited municipalities interference.

The PGMs acted on the basis of a resolution concerning state-owned companies, with labor councils, trade unions, and according to their own budgets (including subsidies from the municipality) as independent organizational units.

According to the assumptions, the process of transformation should lead to exempting the municipality from activities that do not have to be physically performed by the municipality. The objective was to achieve more efficient management where tasks shall be defined more precisely and responsibilities explicitly allocated.

Also, it was important for finance accounting to become more transparent and controlled. The City Council of Krakow gathered on 7th July 1993 and passed a resolution concerning trans-

formation of the Housing Economy Company (Eródmieócie, Podgórze, Krowdrza, and Nowa Huta. The resolution read that:

- the transformed housing economy companies will accept the form of commercial law companies;
- it is necessary to separate functions of ownership rights from administrative and production and service activities; and
- the City Council of Krakow is inclined to charge partial administration and conservation in the form of assignments to commercial law companies established by PGM employees. Preferences were declared to the work teams, which express the practical will for transformation.

The Department of Commercial Premises and Housing Buildings (Wydział Lokali i Budynków) of the City Hall of Krakow began to survey the first transformations. The City Council of Krakow Resolution No. XCIII/611/93 dated 24th November 1993 formed a District Inhabitants' Service (Rejonowa Obsługa Mieszkańców — ROM) unit on the basis of two PGMs, and administration of these resources was entrusted to the commercial law companies formed on the basis of ROMs.

Practically, the most difficult issue was separation of board functions from administrative activities and precise determination of tasks within this scope. The agreement signed with companies mentions, among other issues, the administrator's tasks, their financing, the scope of authorizations and responsibilities, and remuneration differentiated according to performed activities, for example:

- administration of charged buildings;
- performing as tenant within municipal premises; and
- administration of territories under municipal management.

In reality, direct supervision over task performances by companies and cooperation with them (via accounting invoices, transfer of means) significantly burdens employees of the Department of Commercial Premises and Buildings of the City Hall of Krakow.

Simultaneously, it is necessary to emphasize that both the Department of Commercial Premises and Buildings and Transformation Division, also a City Hall unit, were actively engaged in the process of transformation. In effect, from an organizational point of view, part of the employees of said Department left to join the newly formed Communal Housing Management taking their tasks with them. This referred to those employees who were engaged in the transformation processes, issues connected with the operating buildings, and commercial premises. Already at the beginning of 1993, after linking the Department of Buildings and the Housing Department as one Department of Commercial Premises and Buildings, the necessity was noticed to introduce changes as to the functioning of the hitherto existing housing management structure (inefficiency of PGMs).

Not only the Board's and City Council's will were necessary in this scope, but also the PGM personnel's conviction and choosing of the right time resulting from obligatory laws. PGMs were very much in opposition, mainly Labor Councils and Trade Unions, and it was quite difficult to convince them that the transformation might be beneficial. The objective of

restructuring was not based on causing revolutionary personnel changes, and this is the reason why a majority of employees of adequate qualifications, including PGM managers, decided to continue their employment in these companies. Such a course of action created a smooth transfer to the new model approach, maintaining continuous employment without turmoil using the qualifications of staff in newly formulated structures.

Current Structure of Municipal Housing Resource Management and Basic Competencies at Each Level

Levels of management	Competencies
City Hall Executive Board	Strategic decisions concerning issues exceeding normal management activities and referring to: ownership rights, investments, financing, allocation of means, and other.
City Hall of Krakow Department of Commercial Premises and Buildings	Developing propositions to a/m decisions and supervision of CHM performance, preparation of draft laws, budgeting, realization of premises policy.
Communal Housing Management or Boards appointed by condominiums	Performing activities of regular management regarding communal buildings, owned or mutual-owned private buildings. The CHM is authorized particularly to: <ul style="list-style-type: none">• sign administrative agreements• supervise exploitation of buildings and their vicinity• prepare and execute repair and preservation works as assignments• render services towards inhabitants and condominiums according to obligatory rules• organize bids for leasing commercial premises
Building or complex of building's administration (currently these are companies organized according to commercial laws)	Rendering services on behalf of the inhabitants deriving from leasing agreements, including signing agreements based upon Department of Commercial Premises and Buildings applications. Maintaining buildings and vicinity, common areas in buildings of non-deteriorated status. Minor preservation and repair works, organizing repair of defects.

5 Current Methods of Management and Administration

The Communal Housing Management was established as a budgetary unit based on the City Council of Krakow Resolution No. X/98/94 dated 21st December 1994. The CHM Charter determines the subject of its activities as regular real estate management. The CHM is supervised by the City Executive Board of Krakow, and essential supervision regarding CHM activities is performed by the Department of Commercial Premises and Buildings of the City Hall of Krakow. CHM is not a legal entity and settles municipal budgetary issues through the Finance Department of the City Hall of Krakow. Sources for financing CHM are generated from commercial premises and housing rent incomes. CHM was empowered to assign, on

behalf of the Municipality, tasks performed by private entities. These tasks included administration of housing stock resources, supervising task execution, preparation and realization of assigned repair works, organizing bids for leasing commercial premises, and rendering services for the inhabitants and condominiums according to respective laws.

Entrusting regular management of building to the Communal Housing Management does not exhaust the municipal obligations concerning its mandatory tasks, including satisfying public housing demands of the self-government community. Strategic decisions exceeding regular management and referring to ownership rights, investments, and financing and allocating resources remain as responsibilities of the Executive Board of the City of Krakow. The Department of Commercial Premises and Buildings is developing a proposition of the a/m decisions, supervises CHM activities, prepares a budget, and monitors budget performance. Acting through the Department of Commercial Premises and Building, the Municipality continues with the realization of strategy referring to premises.

The Department is also developing a strategy for managing residential resources, issues applications for signing leasing agreements, regulates issuance of certificates confirming residential premises ownership titles, and supervising residential housing development.

The establishment of the Communal Housing Management authorized the Department to transfer to CHM supervision and co-operation with the established pilot companies.

The City Council of Krakow's Resolution No. XV/166/95 dated 29th March 1995 decides to liquidate PGMs.

Simultaneously, CHM began to take over housing management from Housing Economy Companies (PGMs).

Seventeen commercial law companies were established on the grounds of liquidated companies. Tasks were allocated, as 12 of these companies are not responsible for exploitation and five companies operate in the area of construction services, repair works, and transportation. Owing to the abovementioned City Council resolution, administrative tasks were entrusted to these newly formulated companies, excluding a bidding procedure. This guaranteed continuity of administrative services to inhabitants and the use of the labor potential in new structures. It also permitted avoidance of group downsizing in companies.

Restructuring generated measurable financial effects. Only by limiting personnel was it possible to save approximately 9,000,000 PLN/annum.

More than 200 persons responsible for management were employed in PGMs, and CHM planned employment for 81 job positions in new structures after assigning tasks to newly established companies.

In 1996, 85 menial workers were employed within CHM structures.

The separation of managerial, administrative, and executive functions also caused a significant impact.

PGM operating costs per 1 sq.m. of usable area were 0.59 PLN, while CHM cost per sq.m. equaled 0.50 PLN. This difference of 0.09 PLN multiplied by the volume of square meters of usable surface area in managed buildings generated savings equal 315.800 PLN/month. It is necessary to stress that realistic results would be even more profitable if a wider scope of tasks executed by CHM would be considered, such as payment of housing benefits, realization of capital investments, executing procedures connected with leasing commercial premises, services toward condominiums, individual accounting of private buildings, and inflation rates.

At first, the companies were established on the grounds of PGMs and received assignments for administering resources, based on organized bids, for a period of three years (City Council of Krakow Resolution No. 353/95 dated 8th May 1995 concerning entrusting housing resources [residential] to the Municipality of Krakow, regarding the administration of companies established due to the transformation of PGMs, and signing agreements with above mentioned). These agreements were amended many times during this period, due to the process of improving task allocation and precise description of duties in such a manner so as it would be possible to adequately manage control and not permit degradation of service quality.

An essential element of these agreements was a system of initiatives regarding the level of collecting rents for leasing residential and commercial premises.

Buildings managed by CHM (status 1997):

- Total 2,573
- Municipal units 545
- Private units 608
- Company units — administration assigned to companies

Operating surface — 3,287,703 thousand sq.m. of residential housing usable surface area.

Table 12
Operating Costs for Communal Resources in Krakow
(in PLN per 1 sq.m. of Residential Usable Surface Area)

	Costs	Repair works	Conservation	Cleanliness	Administration and in General	Taxes for the Municipality	Remaining
PLN	1.17	0.47	0.27	0.16	0.16	0.08	0.3
%	100	40	23	14	14	7	2
PLN	1.03	0.20	0.09	0.51	0.14	0.05	0.04
%	100	19	9	49	14	5	4

Source: Department of Commercial Premises and Buildings

The cost increase per 1 sq.m. of usable surface area regarding Communal Housing Management in comparison with the Housing Economy Companies equals 13.6 percent, i.e., below the inflation level. This quite obviously indicates advantages due to restructuring.

Payment of Housing Benefits in 1995-97

Year	Paid Housing Benefit in PLN	Voivode's Subsidies	City Budget	Subsidy % of Total Amount
1	2	3	4	5
1995	4,489,069	2,098,026	2,391,043	46.74
1996	6,739,351	2,581,904	4,157,447	38.31
First six months of 1997	3,975,118	1,521,833	2,453,285	38.29

Source: VSO

Financial Situation in Communal Housing Resources in Krakow regarding Maintenance in 1997

Maintenance costs of 1 sq.m. of usable area per month				
Income	Income for maintenance in %			
(in PLN)	Own means from units		Subsidies	Financial result
Total	Residential	commercial		
CHM — 1.17 PLN/sq.m.	53	47	-	-
PGMs — 1.03 PLN/sq.m. 1994	19	45	5	-31

Source: VSO

Efficiency Factor

Vacancies

The management of vacant housing units has decisively improved. Prior to reorganization, vacancy repair works were performed by PGMs according to their recognition of the situation and based on planned means. In effect, certain vacant housing units had not been repaired for years.

Currently, the sequence of repair works, including future utilization of the premises (social, full standard, or designated for other purposes than residential) is agreed by the Department of Commercial Premises and Buildings, and repair works of vacant housing units is assigned to private companies of Communal Housing Management. Therefore, vacant units are under strict control and their resumed possession and resettlement has been increased, over time.

In 1996, CHM had repaired 111 vacant units; in 1997, through 30th June, it had already repaired more than 150 units.

Outstanding Repair Works

Disposition of Repair Works

These delays, according to prices of the 1st quarter of 1996 have been evaluated at 220 million PLN. Preserving the human and material resources of today's CHM would result in the execution of repair works valued at 16.5 million PLN (based on 1996 prices). These delays would be liquidated by the year 2010.

However, it is necessary to emphasize that new tasks arise due to more rigorous laws and rules concerning safety and construction, e.g., exchanging old gas installations and reconstructing and also insulating chimney ducts.

Expropriation

There have not been any cases of expropriation since the establishment of local authorities. However, a reverse process continues to exist, i.e., handing over building management to owners and repurchasing of communal housing units from local authorities.

Waiting List

In 1995, approximately 2,500 applications were reviewed from people applying for communal housing units who fulfilled the preliminary qualification criteria.

In 1996, there were 3,100 applications. The capability of the municipality to aid and supply the inhabitants, in any form, with housing units is close to 10 percent of the demand.

The number of co-op members and candidates within the municipal limits is 440,000 persons. These people have already engaged their financial means in hope of obtaining a co-op housing unit.

Cases of Eviction — Solutions

Restructuring the management system did not cause changes. These changes derived from substituting the Premises Act of 1974 with an act concerning leasing residential premises and housing benefits dated 1994.

Under the current situation, bailiffs execute eviction notices given out after November 12th, 1994. In certain cases, the local authority supplies public housing units. Executive organizations of the municipality hand out eviction notices before the a/m date, which in many cases supplies units of a lower standard, as eviction was possible to this type of housing units (so-called substitutes) at the time of issuing these verdicts. This is the realization of acquired rights.

Introducing New Tenants and Rotation of Housing Units

Impact on a/m management reorganization factors has not been observed. The number of new tenants in a given year and the rotation of housing units depend on:

- the size of natural population movement (number of deceased and resettling); and
- the size of the development and purchase of ready housing units in a given year.

Compulsory Rent Rates in Communal Resources in Krakow – PLN/sq.m.

Krakow	Regulated Rent Rates			
	Lowest	Average	Highest	Base
1996	0.19	0.83	0.97	0.92
1997	0.28	1.26	1.47	1.40

Rent Payment Delays and Fees

	1994 – PGMs	1996 – CHM
Residential units	4.7%	3.0%
Commercial premises	6.1%	3.2%

6 The Self-Dependence Indicator

The Communal Housing Management does not receive any budget subsidies. Its operations are based on the income generated from leasing residential and commercial premises.

7 Competition and Public-Private Partnerships

The first bids for administering took place in December 1996. Unfortunately, there is a lack of professional managers and administrators in the market.

Low competition in tenders was the reason why hitherto administering companies submitted the most creditable and price-wise attractive offers.

It is normal that administering companies began to compete between each other. In June 1997, a bid was organized for administering resources of the former Nowa Huta borough.

The companies operating in the former boroughs of Podgórze and Krowodrza participated in the bid. During the first phase of reorganization, the whole area of the former Nowa Huta borough was transferred for management, without organizing a bidding procedure, to the Nowa Huta company established within the structures of the former Nowa Huta PGM, for a defined period. This was the largest company of those established and encompassed the largest surface area, approximately 1,400,000 sq.m. of housing usable surface area. After the agreement expired, the CHM decided to divide the area into smaller regions, and organize seven bids for each Regional Inhabitant Service, separately. The candidates competing for management offered:

- for administering 1 sq.m. of usable surface area from 0.16 to 0.18 PLN
- for administering premises from 0.03 to 0.04 PLN
- for administering land from 0.01 to 0.10 PLN

Four companies participated in the bidding process. In effect, ADREM S.A. lost one serviced area covering 145,460 sq.m.

Several years of experience regarding contacts of Communal Housing Management with private organizations resulted in a precise leasing agreement after the bid. Details of the assignment were introduced in theme annexes to the agreement for the purpose of clarity. For instance, Annex No. 3 – “current technical maintenance of resources” was recorded on page 4 mentioning the indispensable operations that had to be performed; Annex No.4 – “tasks concerning exploitation” were described on page 8 making an effort not to omit any everyday operations concerning services on behalf of the citizens.

The stock privatization process with regard to current allowances causes day-to-day changes of the municipalities’ share in condominiums. At present, 52 condominiums, in which the municipality has approximately 50 percent share, have resigned the management performed by municipal units. The municipality transfers its liabilities concerning common real estate management to accounts indicated by these condominiums.

The strategy for condominium management has approved that, at the present stage, the municipality does not transfer (apart from municipal condominium managers) execution of tenant duties in relation to communal premises. This task is still executed by companies administering on the basis of an agreement signed with the Municipality, as defined in Annex No. 4 to the agreement.

Tasks and duties included in the annexes to the agreement are very differentiated from the point of time and complexity. Therefore, remuneration for performing these activities is differentiated and on the average is:

- for administering activities – 0.16 to 0.18 PLN/sq.m.
- for administering units rented from the Municipality – 0.01 to 0.05 PLN/sq.m.
- for land management – 0.04 PLN
- for conservation works defined in Annex No. 3 to the agreement, the company receives a monthly averaged prepayment 0.36 PLN/sq.m. + VAT in buildings equipped with central heating, and 0.31 PLN/sq.m. + VAT in buildings without central heating.

The vindication of rents, fees, and prepayments from condominium members is important to each manager. This task, according to the agreement, lies in the competencies of the administering companies. The CHM has foreseen a special “bonus for collecting” in the agreement, so as to stimulate activities in this area. Collecting agreed rents and other payments for which the companies are responsible has been defined at 90 percent of the ascribed sum. A 20 percent bonus is paid for sums exceeding 90 percent of the ascribed sum. Experience has proved that this is to the advantage of the municipality.

It is necessary to emphasize that private real estate managers exist on the Krakow market, but only to a limited extent. Omitting housing co-ops and single-family houses’ private owners, for obvious reasons, the Association of Real Estate Owners and the Union of Real Estate Owners are the largest. New companies that have already achieved a certain position, such as Set-Estates, are developing. At the present, as has been observed, these organizations are still

not interested in taking over housing management, which traditionally has been in the hands of municipal managers. However, it is necessary to expect increased competition and mutual penetration of organizations into spheres still not controlled.

8 Management — Maintenance of Commercial Premises

The City Council of Krakow, in its current policy for premise management, is not selling commercial properties. Rents generated through leasing these facilities are an important stream for financing the activities of the Communal Housing Board, as, today, it is 46 percent of rent income. However, a tendency to sell commercial premises has been noticed. Therefore, the Department of Premises and Buildings has developed the first draft for such a concept which is based on the following.

The principle of sales will consider prioritizing:

- the first group – condominiums
- the second group – commercial premises tenants
- third group — unlimited bidding process

These three groups are the object criteria.

Subject criteria:

- classifying buildings in which sales is justified, e.g., unprofitable tenant houses requiring repair works where there exists a permanent conflict between co-owners, located far from the city center;
- classifying buildings that the municipality would want to continue hold, sales due to realization of own needs, for self-government institutions, nonprofit, promoting the city, etc.;
- determining the level (amount) of premises that should not be sold due to a permanent, high income.

Resulting from sales, it would be necessary to change the repair work strategy and other designs based on the permanent income derived from commercial premises.

At the end of 1996, the CHM was responsible for 362,000 sq.m. of commercial premises, and the income was 24,500,000 PLN, i.e., 67.00 PLN/sq.m.

It is probable that quite a satisfactory solution would be, first of all, the transformation of CHM to commercial law companies and then sales of commercial premises; thus, generated incomes would be allocated with a newly formulated organization for economic development. This organization's charter would be oriented toward housing, including construction of new housing units.

Consuming financial means deriving from sales of premises, for any other purpose than housing, would decisively deepen regression in this area.

A general principle is leasing commercial premises based on an unlimited oral bid process aimed at achieving the highest rent. The realization of this objective is achieved by organizing bids twice a month, which significantly improved commercial premise economy in relation to the period in which the bids took place, i.e., once a month, till 1994.

Organization of bids is not assumed as an "administrating activity," and this task remains in the hands of Communal Housing Management. The bid winner is directed to the appropriate administering company for signing a leasing agreement.

The companies account with Communal Housing Management according to rates and principles defined by the agreement. The incomes generated from leasing commercial premises are not related with their interests; rather, rent collection is stimulated by bonuses.

Commercial premise management is significant to the Communal Housing Management. According to the CHM charter, rent incomes are the funding source for CHM. This assumption is not profitable in a situation where the City Executive Board of Krakow is permitted to issue rent rebates and exemptions and may exclude selected premises from participating in bidding processes. It has been estimated that such CEB rights have deprived Communal Housing Management from obtaining some 404,670 PLN.

Therefore, the CEB is preparing a resolution draft. This resolution draft will substantially commit the departments of the City Hall of Krakow to present justifications for granting rent rebates and exemptions to future tenants guaranteeing necessary means for compensating CHM for losses that may arise due to rent rebates. The idea is that the aid and support granted to individual commercial tenants will not be financed from rent incomes.

9 Conclusions

The relatively short period in which the Communal Housing Management has functioned as a budgetary unit has proven that the structure is not perfect. CHM is not a legal entity and as such may not conduct business exceeding tasks and duties of a public nature. CHM has serious problems in representing the municipality in court, as a self-dependent company, deprived of the capacity to be a party in a given civil case. The budget law obliges CHM to apply a rigorous fiscal economy — accounts, sub-accounts, and chapters do not permit flexible use of possessed financial means.

Executing repair works at the level of CHM in consideration of Public Commissioning Law forces to expand the necessary, in this case, employment. This is even more unprofitable as, after liquidating four PGMs (Housing Economy Companies), organization of repair works is concentrated in one unit.

It is essential that CHM, considering Krakow conditioning, is responsible for managing buildings classified according to three forms of ownership. The municipality of Krakow is the only municipality in Poland that manages approximately 600 private buildings based on Article 61 of the Act on Leasing and Housing Benefits and in compliance with the Civil Code on conducting foreign issues without assignment.

There are approximately 1,470 condominiums in Krakow. The CHM has been authorized to represent the municipality at meetings, as the owner. Simultaneously, CHM manages condominiums on behalf of the municipality. Practically, such a solution is difficult to apply due to technical issues. Separating the a/m function will automatically cause an increase in the number of municipal employees. The sole appointment of municipal representatives authorized by the Mayor of Krakow to represent the local authority, as co-owner of property, is insufficient. If such persons are to perform their duties properly, they must possess the knowledge of how condominiums function. This may be achieved only through direct contacts with condominium members and thorough knowledge of the technical status of buildings. Today, if a conflict occurs between a condominium and the manager, an employee of the Department of Premises and Buildings represents the municipality at the meeting. The CHM may fully realize the will of the municipality only in relation to 545 buildings, which are purely communal property. The income generated by this portion of resources may be used 100 percent for needs of the municipality. The legal grounds for CHM activities depend on the type of ownership, as described above, and various manners of behavior. In the light of this, the deliberations seem justifiable to reorganize the structure of management making it possible to form three smaller units, each specializing in a separate activity so as to satisfy the expectations of the owners entrusting management of their resources.

It would also be reasonable to transform Communal Housing Management as commercial law companies as Association of Public Construction (Towarzystwo Budownictwa Społecznego - TBS).

Such a formula would allow for generating profits, which would replenish funds for charter (status) operations. Many problems still have to be resolved, such as company property and the will of the municipality to transfer its competencies to it.

Charter

Communal Housing Management in Krakow

1 General Provisions

§ 1

The Communal Housing Management in Krakow further referred to as CHM operated according to:

- Act dated March 8th, 1990 concerning territorial self-governments (uniform text Dziennik Ustaw No. 13, pos. 74 of 1996).
- Act dated January 5th, 1991 of the Construction Act (Dziennik Ustaw No. 14, pos.18).
- Minister of Finances Act dated May 8th, 1991 regarding budgetary units (Dziennik Ustaw No. 42, pos. 183).
- City Council of Krakow Resolution No.X/98/94 dated December 21st 1994 concerning the establishment of budgetary units entitled Communal Housing Management (Zarz'd Budynków Komunalnych) amended by Resolution No. XLV/392/96 of the City Council of Krakow dated January 24th, 1996.
- This here charter.

§ 2

The Communal Housing Management in Krakow is an organizational unit of the Municipality of Krakow acting in the form of a budgetary unit.

§ 3

The Communal Housing Management resides in Krakow.

§ 4

CHM is not a legal entity and settles its accounts with the City of Krakow budget.

§ 5

The subject of CHM activities is performing regular communal housing management of the Municipality of Krakow and buildings owned or co-owned by persons:

- unknown as to their place of residence
- deceased and whose successors are unknown
- do not express their will to take over management

The subject of CHM is, in particular:

- signing agreements regarding administering, operating, conservation of buildings and surrounding land, supervising their realization;
- preparing and signing agreements for repairing buildings and housing units;
- fulfilling the duties of an investor, including: preparing according to own or assigned system and realizing according to assigned system housing developments;

-
- complex planning and supervising realization of repair works of buildings belonging to municipal resources;
 - rendering services on behalf of the inhabitants occupying units belonging to the municipality's housing resources within the scope defined by laws, including:
 - ▶ applying on behalf of the City of Krakow Municipality to courts for annulling debts encumbering buildings due to these building's repair work expenditures covered by the State Treasury or Municipality;
 - ▶ applying on behalf of the City of Krakow Municipality to courts with applications for declaring a person deceased, confirming decease, appointing curator of the estate, guardian for an absent or unknown by residence person, conservator, court-appointed curator, legal entity curator and representative for a person with the incapacity to act; and
 - ▶ representing on behalf of the City of Krakow Municipality during court procedures at common courts of law, Supreme Court, Principle Administrative Court within the competencies of issued authorization, excluding cases assumed by the Department of Commercial Premises and Buildings of the City Hall of Krakow specifically defined in the Organizational Charter of the City Hall of Krakow and Provision of the Mayor of Krakow.
 - rendering services to the condominiums, including financial and accounting within the area of transferring the Municipalities share in estate costs for maintenance of those buildings owned by the Municipality and not managed the Municipality, signing agreements for performing the duty of lessor of Municipalities premises;
 - executing other tasks regarding public administration assigned by entitled bodies of the Krakow Municipality conditioned by these bodies guaranteeing adequate financial means; and
 - keeping an archive of documents received from the former Housing Economy Company (PGM).

§ 6

- The Communal Housing Management is subordinate to the City of Krakow Executive Board.
- The Department of Commercial Premises and Buildings supervises the CHM.
- The City of Krakow Executive Board periodically evaluates CHM activities and operations from the point of view of:
 - ▶ efficiency regarding accumulating financial means allocated to building maintenance;
 - ▶ correct usage of means allocated for determined objectives;
 - ▶ appropriate operation and maintenance in required technical status of buildings and housing units; and
 - ▶ correctness of performing assigned tasks.
- The City of Krakow Executive Board approves the annual CHM material and fiscal plan.

§ 7

The City of Krakow Executive Board:

- defines the directions of CHM activities;
- appoints and recalls the CHM General Manager;

-
- evaluates CHM performance;
 - may cancel CHM General Manager's decision and oblige the General Manager to change the decision or revoke it; and
 - controls CHM activities.

§ 8

The CHM operates within the area of Krakow Municipality.

§ 9

The CHM General Manager defines the internal CHM structure in the organizational rules.

§ 10

- The Communal Housing Management functions on the basis of an annual financial plan, and the basis of its activities are: income generated from leasing residential housing units, commercial premises including garages and other spaces, City budget subsidies and other sources of income, also advertising.
- CHM will allocate received income towards realization of tasks defined in § 5 of this charter.

2 Managing CHM

§ 11

- The General Manager is the head of CHM.
- The General Manager is responsible for the management of Communal Housing Management and represents CHM outside the organization, undertakes independent decision concerning set material and financial plans approved by the City of Krakow Executive Board.
- The General Manager of CHM is the Plenipotentiary of the Krakow Municipality. The authorization comprises factual and legal activities performed within the scope of tasks realized by Communal Housing Management specifically determined in § 5 of this charter.
- The General Director performs his function with the aid of:
 - ▶ a deputy for technical issues;
 - ▶ a deputy for operation issues;
 - ▶ chief accountant; and
 - ▶ subordinate to him units and functional positions.
- The deputies and chief accountant act in compliance with the authorization granted to them by the General Manager, and are responsible to him for making decisions.

§ 12

The deputies and chief accountant are nominated and recalled by the general Manager of CHM after:

- deputies are approved by the Manager of the Department of Premises and Buildings; and
- chief accountant I approved by the Treasurer of the City of Krakow.

§ 13

The basic rights and duties of the CHM General Manager are, in particular:

- setting the internal organization of CHM labor, especially determining the scope of duties, responsibilities and rights of personnel employed at managerial and independent posts
- signing and annulling labor agreements
- making decisions regarding employment and remuneration of employees
- applying disciplinary sanctions against employees in breach of work regulations, and, directing applications to appropriate organs for bringing to justice, in a criminal or civil case, persons proved guilty of causing material damage or committing other acts forbidden by law
- determining the directions and subject of internal control and making decisions depending on the results regarding said control
- setting the principles for processing internal CHM documents and guaranteeing their efficient processing.

3 Final Provisions

§ 14

The Communal Housing Management is an employer as recognized by labor laws.

§ 15

The principles for remuneration of Communal Housing Management employees is determined by the Remuneration Rules developed and approved by the employer.

§ 16

The General Manager is authorized to develop and approve the work regulations and rules of the social benefits enterprise fund.

§ 17

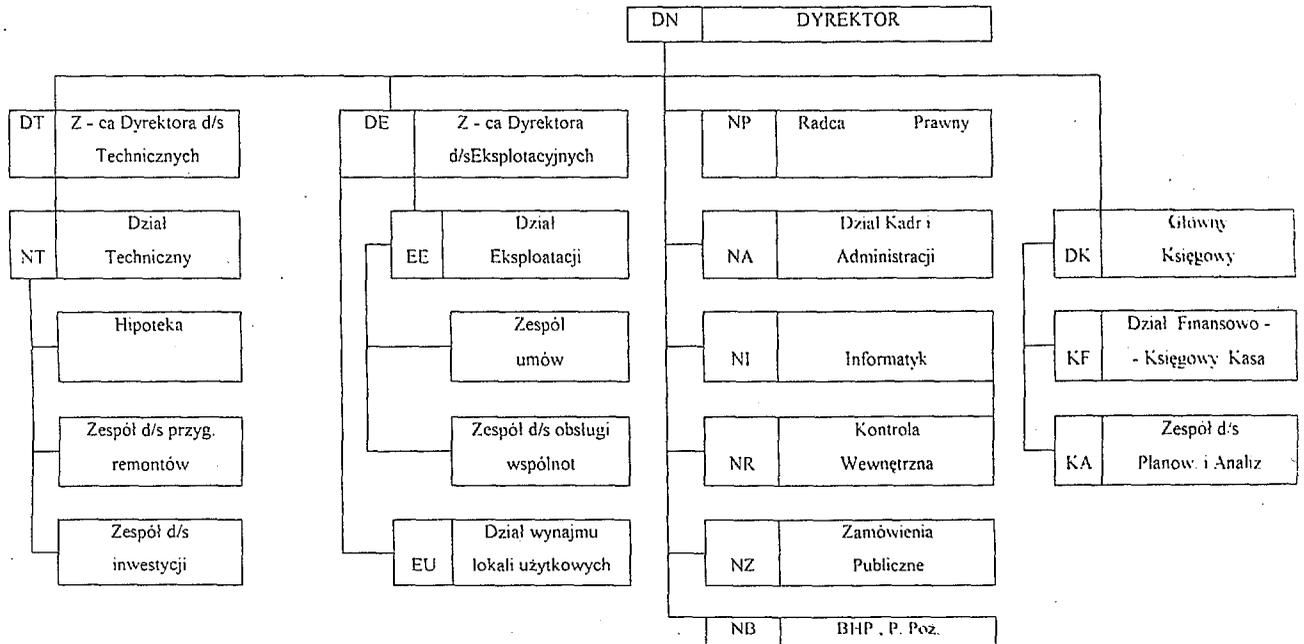
Issues not covered by this Charter are governed by commonly binding rules.

Krakow Communal Housing Management (ZBK) Organization Chart

- DN — General Manager
 DT — Technical Manager
 DE — Operations Manager
 NP — Legal Advisor
 NT — Technical Department
 EE — Operation Department
 NA — Personnel and Administration Division
 NI — Computer Services
 NR — Internal Control
 NZ — Public Commissioning
 NB — Safety, Fire-Fighting Department
 DK — Chief Accountant
 KF — Finance Division — Accounting, Cashier
 KA — Planning and Analysis Team
 EU — Commercial Premises Leasing Division
 Zespół umów — Agreement Team
 Zespół ds. obsługi wspólnot — Condominium Services Team
 Hipoteka — Mortgage
 Zespół ds. przyg. Remontów — Preparing Repair Works Division
 Zespół ds. Inwestycji — Development Team

SCHEMAT ORGANIZACYJNY ZARZĄDU BUDYNKÓW KOMUNALNYCH W KRAKOWIE

Załącznik nr 2

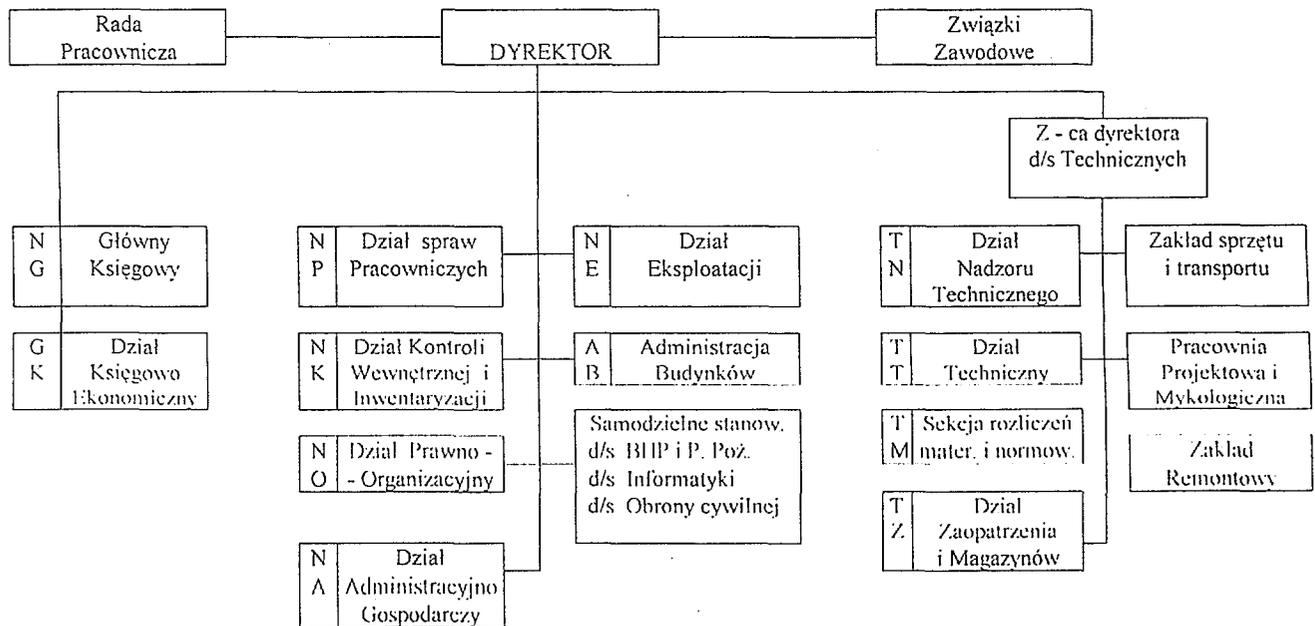


Annex No. 1
Krakow — Śródmieście Housing Economy Company (PGM)
Organization Chart

Rada Pracownicza — Labour Council
 Dyrektor — General Manager
 Związki zaw. — Trade Unions
 Z-ca dyr. Ds. Tech — Technical Manager
 NG — Chief Accountant
 GK — Accounting and Economic Division
 NP. — Personnel Division
 NK — Internal Control and Inventory Division
 NO — Legal and Organization Division
 NA — Administrative and Economy Division
 NE — Operation Division
 AB — Building Administration
 Samodzielna ... — Independent posts for Safety, Fire-fighting, Computers and Civil Defense
 TN — Technical Supervision Division
 TT — Technical Division
 TM — Material and Standards Accounting Section
 TZ — Procurement and Storage Division
 Zakład sprzętu ... — Equipment and Transportation Works
 Designing and Mycology Workshop
 Zakład remontowy — Repair Works Shop

Załącznik nr 1

SCHEMAT ORGANIZACYJNY PRZEDSIĘBIORSTWA GOSPODARKI MIESZKANIOWEJ „ŚRÓDMIEŚCIE” W KRAKOWIE



Ostrow Wielkopolski

Ostrow Wielkopolski

1 Housing in Ostrow Wielkopolski: General Statistics

Table 1 shows general statistics about the size of housing stock in Ostrow Wielkopolski.

Table 1
Size of Housing Stock in Ostrow Wielkopolski

Item	Dec 31, 1995
Population (in thousands)	74.6
Housing units (in thousands)	22.0
Rooms (in thousands)	82.3
Usable floor space (in thousand sq.m.)	1,435.2

Table 2 shows key housing-quality indicators for Ostrow Wielkopolski, expressed in quantitative terms, vis-à-vis average national indicators.

Table 2
Key Housing-Quality Indicators for Ostrow Wielkopolski (as of end 1995)

Item	Ostrow Wlkp.	National Average
Number of rooms per housing unit	3.73	3.35
Number of occupants per housing unit	3.33	3.03
Usable floor space per housing unit	65.1	55.2
Usable floor space per occupant	19.5	18.2

Figures in Table 2 show that the average housing-quality indicators for Ostrow Wielkopolski, expressed in quantitative terms, are better than the national averages, both in respect to the average number of rooms per housing unit and in respect to the average size of usable floor space per housing unit and per occupant.

This is mainly due to the structure of Ostrow Wielkopolski's housing stock in regard to the type of ownership and management. Figures in Table 3 show that, in Ostrow Wielkopolski, the proportion of private housing — in the form of family houses — is much higher than the national average, whereas the proportion of apartment buildings (owned by housing cooperatives and the municipality) is lower.

Table 3
Housing Stock Structure in Ostrow Wielkopolski by
Type of Ownership and Management

Item	Total (%)	Municipal*	Owned by Housing Co-ops	Owned by Companies	Private
Ostrow Wlkp.	100	11	26	5	58
National Average	100	21	37	9	33

* Including buildings managed by housing associations.

2 Description of Municipal Housing Stock

Table 4 shows basic figures for Ostrow Wielkopolski's housing stock.

By the end of 1996, there were 230 municipally owned houses in Ostrow Wielkopolski, containing 3,026 housing units and 139 retail units. The total space of housing stock in use is currently about 164,000 square meters, with housing units accounting for about 89 percent and retail units for 11 percent of that space.

It should be pointed out that Ostrow Wielkopolski's municipal housing stock is, on average, older and of poorer quality vis-à-vis the national indicators. In particular, there is a large proportion of second-class buildings. (See Table 5.)

Table 4
Municipal Housing Stock in Ostrow Wielkopolski in 1996

Item	Dec 31, 1996
Number of houses	230
Number of housing units	3,026
Number of retail units	139
Total floor space in use (in thousand sq.m. of usable floor space)	163.8*
Space in housing units (in thousand sq.m. of usable floor space)	145.9
Space in retail units (in thousand sq.m. of usable floor space)	17.9

* Space in housing units and retail units

Table 5
Structure of Housing Stock in Ostrow Wielkopolski by Age and Quality Standard
(as of end 1996)

Item	Total (000 sq.m. of u.f.s.)	Including (%)				
		I	Ia	Ib	II	III
Ostrow Wlkp.	163.8	33	18	0	46	3
National average	n/a	23	28	17	30	2

Classes of buildings:

I: built after 1960

Ia: built in 1950-60

Ib: built prior to 1950 but their quality is of a modern standard

II: built before World War II, of brick, with timber floor structure

III: built of timber or half-timbered

[NOTE: u.f.s. = usable floor space]

On the other hand, indicators showing the provision of basic amenities (with the exception of centrally provided hot water) are better than the national average for municipal housing stock. (See Table 6.)

Table 6
Municipal Housing Units with Basic Amenities in Ostrow Wielkopolski
(% of Total Housing Stock)

(as of December 31, 1996)

Item	Ostrow Wlkp.	National Average
Total housing units:	100	100
including those with:		
- a water-supply installation	96	93
- a sewer	96	91
- a flush toilet	86	74
- a bathroom	81	68
- a gas-supply installation	90	71
- central heating	53	50
- centrally provided hot water	11	24

To evaluate the scale of ownership changes and their possible impact on management and administration, it is necessary to find out how many housing units have been privatized in municipally owned houses in Ostrow Wielkopolski.

Table 7
Ownership Changes in Municipal Housing Stock in Ostrow Wielkopolski

(as of end 1996)

Item	Ostrow Wlkp	National Average
Privatized housing units (%)	5	19
Mixed-ownership buildings (%)	31	37
Housing associations where private owners have a controlling interest (%)	6	18

By the end of December 1996, only about 5 percent of the housing units located in the housing stock administered by the Municipal Housing Corporation (MZGM) were privately owned (this figure is approximately 14 percentage points lower than the national average). About 10 percent of the retail units had been privatized. The figure for mixed-ownership buildings and the number of housing associations where private owners had a controlling interest were also much smaller than the national average. (See Table 7.)

3 Changes in Housing Stock Management

When municipal housing stock was managed by a public sector establishment, local authorities were able to monitor in detail the socioeconomic aspects of its operation. A public sector establishment is a safer way to manage municipal housing stock, as its financial position (whether profit-making or not) is incorporated into the *gmina* annual budget statement. The disadvantage is that a public sector establishment is not so efficient, as it is primarily concerned with legal aspects of spending rather than cost calculation or cost effectiveness.

Diagram 1 shows the structure of the public sector establishment that operated in Ostrow Wielkopolski almost until the end of 1994.

On November 29, 1994, the Ostrow Wielkopolski Municipal Council adopted a resolution to wind up the public sector establishment and create a limited liability corporation called the Municipal Housing Corporation. In his recommendations, the President of Ostrow Wielkopolski said that creating a corporation was the best way to manage the *gmina*'s housing stock efficiently and expertly. The corporation has a twofold function:

- it is the owner; and
- it is the administrator.

A corporation wholly owned by the *gmina* is a particularly good arrangement for *gmina* authorities. As the *gmina* is the sole owner, it is the *gmina* that decides on the aims of the corporation and the way it operates. At the same time, the corporation's managing board enjoys substantial freedom in decision-making, which usually leads to greater involvement and efficiency. There are, however, some potentially negative aspects of a corporation. In order to maximize its economic performance in the narrow meaning of the term, a corporation can be tempted to disregard some of the needs of occupants. Therefore, *gmina* authorities must — through the supervisory board — ensure that the corporation does not lose its unique character.

95

The corporation:

- manages the housing stock by satisfying the housing needs of local community members;
- acts as property manager for housing associations;
- manages municipally owned retail property and, in particular, organizes bidding procedures for potential lessees, concludes lease agreements, etc.;
- sells and buys housing and retail property;
- keeps the property entrusted to the corporation in proper technical condition;
- is responsible for routine maintenance, renovation, and modernization;
- keeps the property entrusted to the corporation and the immediate surroundings clean and tidy;
- constructs housing and retail property; and
- takes care of the area around the buildings and of garages.

Diagram 2 shows the current structure of MZGM in Ostrow Wielkopolski.

It should be noted here that the corporation has more responsibilities than the old public sector establishment, which did not perform the roles mentioned in the second, third, fourth, and eighth points above. As a result, the structure of the labor force has changed: the number of white-collar workers has increased (by some 15-20 percent), whereas the number of blue-collar workers (particularly those connected with technical services) has fallen.

Table 8 shows the size and structure of the labor force at MZGM in Ostrow Wielkopolski as of the end of 1996.

Table 8
Size and Structure of Labor Force at MZGM, Ostrow Wielkopolski

(as of end 1996)

Item	Total labor force	Including:				
		White-collar workers	Blue-collar workers	Including:		
				Janitors and cleaners	Maintenance workers	Others
Number	103	39	64	36	5	23
%	100	38	62	35	5	22

4 Municipal Housing Finance: The Current Situation

Two factors have an impact on housing-related finance: first, changes in the levels of rents and rates paid for housing and retail property; second, changes in the levels of housing maintenance costs. Maintenance costs have increased again, rents for municipal housing are now set at local level, and *gminas* can now organize bidding procedures or negotiations in regard to retail-property rental. As a result, the financial position of housing stock managers varies from municipality to municipality.

In cities whose financial position is good, and where the housing question is a priority, large subsidies have been provided to help cover housing maintenance costs, making it possible to keep expenditures on renovation projects at a relatively high level. This, however, cannot be said of Ostrow Wielkopolski.

In 1996, the relatively high income from housing and retail property, coupled with the relatively low level of expenditure on maintenance and renovation, led to a situation where subsidies to routine maintenance projects in Ostrow Wielkopolski were practically negligible. Consequently, the financial result as of the end of 1996 showed a substantial negative balance. (See Table 9.)

Table 9
Municipal Housing Maintenance Costs in Ostrow Wielkopolski in 1996

Item	Monthly maintenance costs per sq.m. of u.f.s.					
	Total (zlotys)	Including % (costs = 100):				Financial result
		Income allocated for maintenance			Subsidies	
		Income from				
		Housing	Retail property			
Ostrow Wlkp	1.80	55	27	7	(-)11	
Comparative analysis	1.69	48	25	25	(-)2	

[Note: u.f.s. = usable floor space]

An increase in rents and rates paid for housing and retail property, limited opportunities to receive a housing allowance, and slow growth in salaries, coupled with unemployment, have contributed to a quite high level of payments in arrears. In extreme cases, payments in arrears can lead to a situation where municipal housing stock managers lose their financial liquidity. There is no such danger in Ostrow Wielkopolski, however. By the end of 1996, the proportion of payments in arrears to the estimated annual income was about 7 percentage points, a figure close to the national average for municipal housing.

The proportion of households who had been over three months in arrears with payment of their rents and rates was 12 percent, the same as the national average. On the other hand, payments in arrears for retail-property rental were much higher than the average. (See Table 10.)

Table 10
Payments in Arrears for Housing and Retail Property in Municipal Housing Stock in Ostrow Wielkopolski in 1996

Item	Payments in arrears as % of estimated annual income		
	Total	Housing	Retail property
Ostrow Wlkp	7	6	12
Comparative analysis	7	7	5

4.1 Housing Maintenance Costs

Housing maintenance costs involve two basic components: operating costs and technical maintenance costs. Operating costs are related to the day-to-day running of the housing stock, whereas technical maintenance costs are related to routine maintenance, repair work, and modernization projects. The table below shows the amounts and structure of housing maintenance costs.

Table 11
Municipal Housing Maintenance Costs in Ostrow Wielkopolski in 1996

(in zlotys per sq.m. of u.f.s. a month)

Item	Total maintenance costs	Including:	
		Operating	Technical maintenance
Ostrow Wlkp zlotys	1.80	1.39	0.41
%	100	77	23
Comparative zlotys	1.69	1.14	0.55
analysis %	100	67	33

Table 11 shows that, in 1996, municipal housing maintenance costs per square meter of usable floor space a month in Ostrow Wielkopolski were about 7 percent higher than the national average for this group of cities.

Operating costs include all expenses related to housing stock administration and management and also charges for housing-related services, mainly public-utility services.

Table 12
Operating Costs for Municipal Housing Stock in Ostrow Wielkopolski in 1996

(in zlotys per sq.m. of u.f.s. a month)

Item	Total costs	Including					
		Water and sewage	Waste disposal	Cleaning	Adm. and overhead	Gmina taxes	Other
Ostrow Wlkp zlotys %	1.39 100	0.26 19	0.10 7	0.22 16	0.46 33	0.08 6	0.27 19
Comparative analysis zlotys %	1.14 100	0.32 28	0.10 9	0.16 14	0.33 29	0.06 5	0.17 15

Operating costs include remuneration for manual and white-collar workers, executive officers, and administration personnel in the housing sector, as well as rates for cold water, sewage disposal, solid and liquid waste disposal, electricity, etc.

Table 12 shows that, in 1996, operating costs per square meter of usable floor space a month in Ostrow Wielkopolski were some 22 percent higher than the national average. This was especially true of administrative costs and overhead and of cleaning costs. Water and sewage-disposal rates were relatively low.

The other component of maintenance costs are technical maintenance costs, related to routine maintenance, small and major repairs, and modernization. In 1996, the level of expenditure on technical maintenance for Ostrow Wielkopolski's municipal housing stock was much lower than the national average (by as much as approximately 25 percent). The level of expenditure was particularly low in the case of routine maintenance and repair work. (See Table 13.)

As the replacement cost for Ostrow Wielkopolski is currently 1,170 zlotys and the renovation rate (reflecting the structure of the housing stock) is a minimum 1.4 percent of the replacement costs per annum, it is estimated that the necessary level of expenditure on technical maintenance should be about 1.36 zlotys per square meter of usable floor space a month, i.e., 3.3 times higher than in 1996.

Table 13
Technical Maintenance Costs for Municipal Housing Stock in
Ostrow Wielkopolski in 1996

(in zlotys per sq.m. of u.f.s. a month)

Item	Total	Including:	
		Routine maintenance and small repair	Major repair and modernization
Ostrow Wlkp	0.41	0.32	0.09
zlotys	100	78	22
%			
Comparative analysis	0.55	0.47	0.08
zlotys	100	86	14
%			

4.2 Sources of Housing Maintenance Funds

As rents for municipal housing stock are now set at local level and charges for owner-occupied apartments are based on a cost formula, those payments vary substantially from city to city.

It should be pointed out that, by the end of 1996, the minimum rent in Ostrow Wielkopolski (1.02 zlotys per sq.m. of usable floor space a month) was 0.21 zlotys lower than the national average for cities of a similar size, whereas the maximum rent (0.74 zlotys per sq.m. of usable floor space a month) was 0.26 zlotys higher. Thus, rent levels in Ostrow Wielkopolski did not differ much (only by 35-40 percent vis-à-vis 160 percent, on average, elsewhere in the country). (See Table 14.)

In 1996, payments made in Ostrow Wielkopolski by municipal housing occupants were only slightly higher than the national average, whereas payments made by occupants of municipally owned retail property were much higher than in other cities of a similar size. (See Table 15.)

Table 14
Rent Levels for Municipal Housing Stock in Ostrow Wielkopolski as of End of 1996

(in zlotys per sq.m. of u.f.s. a month)

Item	Rent levels		
	Lowest	Medium	Highest
Ostrow Wielkopolski	0.74	0.88	1.02
Comparative analysis	0.48	0.80	1.23

Table 15
Average Payments Made by Occupants in Municipal Housing Stock in
Ostrow Wielkopolski in 1996

(in zlotys per sq.m. of u.f.s. a month)

Item	Housing units*	Retail units
Ostrow Wielkopolski	1.11	4.44
Comparative analysis	1.09	3.45

* Including utility rates, with the exception of central heating and centrally provided hot water

Funds for municipal housing maintenance depend primarily on:

- the quality of municipal housing stock;
- the proportions of housing units and retail units in the housing stock in use;
- payments set for occupants of housing units and retail units; and
- subsidies paid from the *gmina* budget, which depend on the estimated level of maintenance work, and on renovation and modernization projects adopted by the *gmina*.

In 1996, payments made by occupants of housing and retail units accounted for as much as 93 percent of the housing maintenance funds in Ostrow Wielkopolski — a much higher figure than the national average. This was largely due to the fact that no subsidies were provided for routine maintenance work. (See Table 16.)

Table 16
Sources of Municipal Housing Maintenance Funds in Ostrow Wielkopolski in 1996

(in zlotys per sq.m. of u.f.s. a month)

Item	Total funds	Including:		
		Income from:*		Subsidies and allowances
		Housing	Retail property	
Ostrow zlotys	1.60	0.99	0.49	0.12
Wielkopolski %	100	62	31	7
Comparative zlotys	1.65	0.97	0.36	0.32
analysis %	100	59	22	19

* Including utility rates, with the exception of central heating and centrally provided hot water

The analysis of subsidies for municipal housing maintenance, which include subsidies for technical maintenance and subsidies to central heating and centrally provided hot water, shows that, in relation to total housing stock, subsidies in Ostrow Wielkopolski in 1996 were over 80 percent smaller than the national average. (See Table 17.)

Table 17
Subsidies to Municipal Housing Stock in Ostrow Wielkopolski in 1996*

(in zlotys per sq.m. of u.f.s. a month)

Item	Total subsidies	Including:	
		Grants-in-aid	Housing allowances
Ostrow Wlkp	0.18	-	0.18
Comparative analysis	0.33	0.27	0.06

* Including subsidies to central heating and centrally-provided hot water

5 Evaluation of Changes Made

In evaluating changes introduced in the management and administration of Ostrow Wielkopolski's municipal housing stock, it seems necessary to show **positive (+) and negative (-) changes** in the management of MZGM municipal housing.

5.1 Positive Changes (+)

- The body that now manages the housing stock is a *gmina* corporation, which appears to be more efficient than a public sector establishment.
- Being both administrator and owner, the managing body is more independent of the local authorities.
- Bidding procedures for retail-property rental are now organized directly by the managing body, which means that the medium rent for retail property is now very high.
- A very high level of financial self-reliance has been achieved in regard to basic responsibilities.
- There has been a reduction in the number of technical-service workers.

5.2 Negative Changes (-)

- There is no competition whatsoever in the property management market.
- It is not possible to set housing rent levels according to current renovation needs.
- Operating costs per square meter are too high, especially in regard to administrative costs, overheads and cleaning costs;
- There is not enough expenditure on technical maintenance in regard to routine maintenance, small repairs, and major renovations.
- Payments in arrears are at a higher level than the national average.
- In regard to basic responsibilities, the financial result at the end of 1996 showed a quite substantial negative balance.

Sopot

Sopot

1 General Information on Sopot and the Housing Situation in the Town

Sopot is a town of 45,000 residents, covering 17.3km², the summer capital of Poland, located in the center of the Gdansk conurbation between the cities of Gdansk and Gdynia. The town is surrounded by moraine hills on its west side and the Bay of Gdansk in the east. Once the largest summer resort on the Baltic, the town still boasts relicts of its grand past: the quiet charm of its architecture, historical parks and gardens, protected forest areas, as well as numerous facilities, which include the pier, the Forest Opera, a horse racing course, and tennis courts. Among the positive aspects of the town are a variety of facilities, a lack of industry, clean beaches and streams, the high quality of drinking water, health water springs, and environmental standards that make it possible for Sopot to recover its health resort status. The town is the location for three departments of Gdansk University.

The municipality of Sopot has a relatively high revenue per capita. In 1996, it amounted to 650 PLN, which places Sopot in the third position among the 63 communes.

In absolute figures, the town budget for 1996 totaled 52,225,550 PLN. The draft budget for the current year provides for 65,768,245 PLN.

Recent years have witnessed a growth of investment projects (including modernization and major repairs) in the town's overall budget expenditures. In 1994, the investment projects were worth 25,621,000 PLN, while those for 1995 amounted to 36,460,000 PLN. Per capita, the projects were worth 583 and 834 PLN, respectively. The investment policy adopted by the municipality aims first of all:

- to eliminate sources of pollution, both airborne and waterborne, to help Sopot regain its health resort status;
- to renovate the historical value of buildings; and
- to repair and modernize the technical infrastructure of the town.

Table 1
The Volume of Housing Resources in Sopot

Specification	31st December 1995
Inhabitants (000s)	43.5
Number of flats (000s)	16.2
Number of rooms (000s)	54.4
Usable floor area (000s of m ²)	931.1

Table 2
Basic Indicators of Living Standards in Sopot
As of the End of 1995

Specification	Sopot	National Average
Rooms per flat	3.37	3.35
People per flat	2.66	3.03
Usable floor area per flat	57.6	55.2
Usable floor area per head	21.6	18.2

The flats in Sopot are characterized by a usable floor space that is larger than the national average for Poland, as shown in Table 2, and the fact that they house two or three tenants per flat, as shown in Table 2a.

Table 2a
Flats according to Number of Households
(cooperative, private, and municipal jointly)
As of 6th of December 1988

Flats in general	15,692
Households	19,731
Average number of households	1.24

Category	No of flats	No of inhabitants
One-household flats	12,929	33,277
one-member	3,114	3,114
multi-member	9,815	30,163
Two-household flats	2,397	10,268
kin:	1,844	7,289
both one-member	157	314
one of them multi-member	824	3,290
both multi-member	863	3,659
non-kin:	753	2,999
both one-member	184	368
one of them multi-member	370	1,442
both multi-member	199	1,189
Three or more household flats	926	3,977
all kin	256	1,670
all non-kin	214	1,211
at least 2 kin	156	1,096

Table 3
Structure of Housing Resources in Sopot in Relation to the
Forms of Tenure and Management
(census of 1988)

Category	Numbers of buildings	Number of flats	Number of inhabitants	Number of rooms	Average number of rooms per flat
Municipal buildings	1,189	7,198	23,226	23,900	3.32
Housing co-ops	128	6,574	17,156	20,182	3.07
Other state-owned units	62	333	1,048	1,075	3.23
Private jointly	1,151	1,837	6,120	8,315	3.23
Private under special rent conditions	90	393	1,263	1,349	3.43
Private used by natural persons		1,444	4,857	6,944	4.82
Total	2,620	17,779	53,670	61,765	3.36

Table 3 reflects the status quo of the latest census, which serves as the starting point for considerations, for it took place prior to privatization. All the later data quoted in this paper register the next stages of the process of privatization and, thus, embrace the changes in the ownership structure of the resources that stem from continuous changes in administration and management of resources.

Financial Power of Sopot's Residents

The financial capacity of the people who live in Sopot varies considerably. The survey "Sopot and its residents" (1993) reveals that 10 percent of the population belong to the group of the "well-to-do"; the "pretty well off" group embraces 19 percent, the "not so well off" group comprises 45 percent, while 26 percent fall into the category of "poor" (below the level of bare subsistence). Another "Report from the survey on the revitalization of Sopot's historical centre" (autumn 1996) divides people into four groups with the following incomes:

- a group of family households with the per capita income lower than 300 PLN — 13 percent of the selection;
- households where the per capita income ranged from 300 PLN to 499 PLN, 26.2 percent;
- households with the income ranging between 500 PLN and 1000 PLN, 16.9 percent; and
- a group with the income of 1,000 PLN or more, 3 percent.

Some people would not respond.

In Sopot, people over 60 years of age constitute 22.6 percent of the whole population.

It should be stressed that Sopot does not suffer from high unemployment. The number of the registered unemployed (percent in relation to the number of population in active age) does not exceed 6 percent, which places the town on the 59th place in the Gdansk province.

2 Characteristics of Municipal Resources

The town as a whole constitutes an architectural and landscape complex of historical value and has been entered into the register of historical monuments in the Gdansk province. The complex includes:

- 90 registered buildings; and
- 1,100 buildings evidenced by the Historic Buildings Conservation Officer.

Of the 2,400 buildings of various forms of tenure as recorded in Sopot at the end of 1995, there were:

- 40 percent of residential buildings that had been built before the year 1918;
- 26 percent of residential buildings built in the years 1919-44;
- 16 percent of residential buildings built in the years 1945-60;
- 9 percent of residential buildings built in the years 1961-70; and
- 9 percent of residential buildings built after the year 1970.

In this light, the residential buildings managed by the municipality are characterized by a worse age structure because:

- 70 percent were built before the year 1918;
- 23 percent were built in the years 1919-44;
- 4 percent were built in the years 1945-60;
- 2 percent were built in the years 1961-70; and
- 1 percent was built after the year 1970.

Table 4
Characteristics of Municipal Housing Resources in Sopot in 1996
(without condominiums)

Specifications	31st December 1996
Number of residential buildings	393
Number of flats	4,613
Nonresidential premises	443
Total usable area (000s sq.m.)	284
Area of flats (000s of m2 of usable floor)	262
Area of non-residential premises (000s of m2 of usable floor)	22

Table 5
Structure of Municipal Resources in Sopot in
Relation to Age and Quality Standard of Buildings

Specification	% I	% Ia	% Ib	II	III
Sopot	2.9	2.1	4.9	86	4.1
National Average	23	28	17	30	2

Depending on the structure and the year of construction, buildings have been grouped into five categories:

- category I – buildings of durable construction built after 1st Jan. 1961
- category Ia – buildings of durable construction built after 1st Jan. 1950
- category Ib – buildings of durable construction built before 1st Jan. 1950
- category II – buildings from before World War II of mixed construction: brick walls and beam-framed floor
- category III – buildings of unstable construction (timber and half-timber)

Table 6
Municipal Flat Facilities in Sopot – Installations and Fixtures
(in % of total resources)

Specification	Sopot	National Average
Flats jointly	100	100
provided with:		
• water supply system	100	93
• sewage system	98	91
• flushing toilet	98	74
• bathroom	95	68
• gas supply system	100	7
• central heating	5	50
• hot water supply system	5	24

It is estimated that in the nearest future about 80 buildings will qualify for demolition.

The tables above (4-7) show that the municipal housing resources consist of a complex of historical art nouveau tenant houses and villas that were built at the turn of the 19th and 20th centuries. They are in poor technical condition with large usable floor areas (even more than 200 m²), provided with basic installations and fixtures of higher indicators than the national average values. The flats are heated mainly individually (gas heaters, and still about 4,000 coal heaters to be exchanged; the town has already introduced a subsidy program for ecological sources of heat), and half of them are privately owned.

The old age of the buildings administered by the municipality calls for immediate repairs of:

- 650 roofs
- internal gas installations in 515 buildings
- internal electricity supply installations in 270 buildings
- horizontal and vertical damp-courses in 470 buildings
- external woodwork
- lifts in 2 buildings
- water supply installations in 275 buildings
- in 300 buildings, walls that should be lagged
- in 740 buildings plaster work ought to be renewed.

In about 60 percent, the above-mentioned range of repairs refers to buildings that are co-owned by the town and other persons. A study of the residents' incomes reveals that there is a danger that many co-owners will not be able to meet the full costs of those repairs in proportion to their shares; one-quarter live on various pensions. For this reason, the town should participate in the costs of major repairs in an amount that will exceed its proportional share.

A serious hindrance to house building is the shortage of land. The last lot (apart from gaps) is to be found in Wl. Lokietka Str., and it is about 20,000 m² in area.

An extra 60 flats are needed urgently, for the town has to execute court-ruled evictions and move people out of unhabitable premises, and there are flats do not comply with health regulations (decision of SANEPID, the Polish Sanitary and Health Inspection Office). The Building Management Department of the Sopot Town Hall bought for 112,477 PLN a common building in another municipality (Straszyn, ul. Spacerowa) and adapted it to obtain 12 flats of total usable area of 370.03 m² (overall cost of the work in the years 1995-96 evidenced in the public notary office amounted to 242,682.44 PLN). It houses evicted tenants.

3 Changes in the Management of Municipal Resources

In Sopot, the management of municipal resources ran in two stages. Until 1990, there had existed in Sopot the Municipal Enterprise for Municipal and Building Management (MEMBM). The Sopot Town Council appointed a liquidator of the enterprise, Krzysztof Olszewski, a councillor at that time, who in April 1991 presented a diagnosis of the state of

the municipal buildings in Sopot for the future managing company. At that time, the MEMBM administered 1,168 residential buildings with 7,006 flats and 119 non-residential buildings.

Taking into account the fact that the buildings in Sopot were erected at the beginning of the century, they have with years fallen into the state of disrepair (life-span for this category is envisaged for 80-100 years); the fact they were constructed as "summer" buildings has made things even worse.

The liquidator emphasized the constant needs for repairs.

Table 8
Repair Needs in 1991

Specifications	Major Repairs	Preventive Repairs	Buildings to Be Urgently Demolished
Number of buildings	213	925	27
Number of flats in buildings above	1,278	5,631	88

In that time, 615 buildings required exchange of roofing: 284 ceramic and 331 roofing paper.

Small repairs of roofs and maintenance jobs should have been made in 503 buildings.

Since in 1990 and 1991 technical documentation of repairs was not recommended, it was never prepared.

The change of the organization and legal status of the MEMBM in Sopot and creating the Municipal Buildings Board in 1990 in the form of a budget entity resulted from the need of legal regulations on the local level in the "new" self-governing Poland, to bring house administration closer to people, and to use budget funds more effectively.

The transformation turned out to be merely cosmetic for the running costs, the effectiveness of budget expenditures, the organizational structure, and the people barely changed.

In December 1992, the MBB's reports looked almost identical.

Table 9
State of Municipal Flat Resources in 1992

Specifications	HMA 1	HMA 2	HMA 3	HMA 4	Total
Number of nonresidential premises	126	74	81	146	427
Usable floor - jointly	14,883.45	8,338.94	6,944.16	12,959.34	43,125.89
Number of premises in detached buildings	9	16	11	18	54
Number of flats in residential buildings	117	58	70	128	373
Empty premises	6	0	2	4	12
Contract under termination	11	3	1	12	27
Regained through eviction	0	0	0	0	0

The MBB administered at that time 1,156 residential buildings with 6,958 flats and 431 non-residential premises.

Due to bad technical condition, 37 buildings were selected for demolition, as listed on 19th December 1991.

The number of buildings earmarked by the MEMBM for major repairs (213 buildings with 1,278 flats) was still found to come into consideration and due to further depreciation and lack of money for repairs was expected to increase.

Even preventive repairs in 925 buildings, repairs of roofs in 582 (264 ceramic, 318 roofing paper) were also found to be still a live issue.

The MBB's basic duties consisted in:

- safeguarding the correct exploitation of buildings, areas within housing estates, green areas, and playgrounds;
- servicing the tenants, within the duties of the lessor, and other law-imposed duties;
- planning, bookkeeping, and analyzing incomes and expenditures;
- privatization of municipal buildings; and
- administering matters connected with adaptation of various spaces and attics, and building new stories.

The personnel of the MBB included:

- organization section - 4 people
- law and organization department - 6 people
- administration and supply department - 2 people
- technical department - 12 people
- exploitation department - 4 people

- bookkeeping department – 10 people
- HMA Nr.1 – 8 people
- HMA Nr.2 – 9 people
- HMA Nr.3 – 9 people
- HMA Nr.4 – 8 people

There were also employed physical workers:

- administration and supply department – 12 people
- HMA Nr.1 – 8 people
- HMA Nr.2 – 8 people
- HMA Nr.3 – 7 people
- HMA Nr.4 – 14 people

This gives a total of 112 employees.

In 1994, the subsidy from the town budget (direct and indirect) amounted to 35 bn zł. The financial analyses from those days show that the town budget paid 1.5 zł. in the form of a direct subvention to 1 zł from tenants' rent in order to administer residential buildings with maintenance and repairs cut down to minimum. An indirect subvention — 1.5 zł — was also possible owing to the fact that the incomes and costs of residential buildings were combined with those of nonresidential ones.

In the years 1993–1994, the average rent per 1 m² in more than 500 nonresidential premises was 31–32,000 zł, that from residential premises was 1.5–2,000 zł. To the 3 percent of replacement value — in Sopot conditions about 20,000 zł per 1 m² — the value of the rent that could cover the costs of exploitation, maintenance, and running repairs, but not high enough for replacement, it was still a long road.

The organization structure and legal status of a budget enterprise to manage municipal resources, which had a complex multi-level organization and no motivation to collect back rents, and which saw the budget as the main source of funds, led the MBB to payments in arrears with a simultaneous deficit (in relation to the funds on account). The three-year period when the MBB functioned showed that managing municipal resources from the position of a monopolist, not only did not improve the image of the firm in the eyes of the residents, but also did not fully fit in the qualitative pro-market changes. As a result of high cost of managing the municipal resources and poor effectiveness of the funds spent on repairs, as well as the dissatisfaction of residents with no advancement in quality, another attempt was made to decentralize the management of municipal buildings.

The main aim of the changes in the management of municipal buildings was to:

- lower the own costs of the management and to increase effectiveness;
- reduce the number of thresholds;
- facilitate tenants' contacts with the management; and

- adapt methods to the new requirements defined in the new laws (on renting flats and housing allowances, of 2 July 1994, and on the ownership of buildings, of 24th June 1994).

In support of the decision, it was argued that according to tentative estimates winding up the MBB and handing over the administration to business entities will result in lower wage costs by about 2 bn zł annually (costs of 1994), further savings to the amount of 1 bn zł being obtained from the discontinued use of and the lease of the MBB offices. It was also pointed out that the new law on the ownership of buildings created conditions to exclude about 300 buildings from the municipal administration, and that the number would be increased in accordance with the Sopot's privatization policy.

On 29th September 1994, the Sopot Town Council adopted a resolution Nr.IV/29/94 on the liquidation of the Municipal Buildings Board as of the 1st October 1994 and the passing over of the administration of municipal buildings to business entities selected by way of competition.

The executor of the resolution, the Sopot Town Ruling Board, was put under obligation to appoint liquidator, present detailed principles for the administration of municipal buildings after the MBB has been wound up, and submit the rules of the competition and the draft contract to be signed with the prospective administrators.

The following principles of implementation were adopted:

- to increase effectiveness through greater competitiveness between the private firms to which budget funds have been allocated;
- to hand over the administration of municipal buildings and the administration of condominiums to business entities selected through competition;
- to hand over the administration in agreement with the existing boundaries of the HMAs (four areas) with a possibility to create smaller building complexes when the condominiums decide to choose administrators other than those selected through competition;
- the party ordering should not interfere with the quantity of personnel, it should only control the effectiveness and the way the residents are serviced; and
- to pass over the administrative and technical personnel to the new administrators.

The adopted principles were put into effect in Sopot together with the law on ownership of buildings as of 1st January 1995.

The "administrators" operate within the framework of the contract concluded with the municipality of Sopot, represented by the Sopot Town Ruling Board in accordance with the annual financial and objective plan approved by the Sopot Town Ruling Board.

The administrators are particularly obliged to:

- prepare draft contracts for the lease of flat or garage with the people who have the authorization of the Ordering Party;
- calculate the charges for the tenants in virtue of the lease of premises, i.e., the rent and other charges inherent in the exploitation of the building and the allocated space (including

advertising), as well as to calculate compensation for the use of space without the legal title under the regulations adopted by the Town Council;

- put the charges mentioned in the second point into their own account;
- recover back rents and charges on behalf of the Ordering Party;
- keep the financial and accounting record of the activity in accordance with the current accountancy laws;
- analyze the chances of recovery of the due charges; and
- prepare the advice of termination of the lease contract when the lessee:
 - ▶ in spite of earlier reminders still:
 - uses the premises contrary to the agreement or against its purpose;
 - neglects his duties so that damages occur or damages fixtures to be jointly used by other tenants;
 - persistently and shockingly breaks the established order making in this way living in the building intolerable;
 - ▶ has been late with payment of rent or charges for a least two full contractual periods in spite of prior written reminders to terminate the contract and setting a new one month's date for paying the back and the current dues;
 - ▶ took a lodger or let out his flat or part of it to be used free of charge without a prior consent of the Proprietor;
- officially take over the premises after the contract of lease has expired and safeguard it against squatting;
- make a former lessee restore the flat to its previous condition in case of devastation;
- permit improvements introduced by the tenant and draw up a contract that defines the allocation of costs;
- immediately inform the Housing Management Department of the Sopot Town Office about cases of squatting so that appropriately authorized bodies can exercise eviction;
- conclude, on Sopot Town Ruling Board's authorization, agreements on behalf of the Ordering Party and onto his account for the following:
 - ▶ waste disposal
 - ▶ disposal of sewage
 - ▶ supply of cold and hot water
 - ▶ supply of gas and electricity
 - ▶ sweeping chimneys
 - ▶ maintenance of community antennas and lifts(the agreements have to be earlier approved as to their main terms by the Building Management Department)
- make sure that contracting parties properly execute the agreements mentioned in &4 section 1 article 12;
- keep the premises in good condition and order and make sure they are clean; this refers also to the spaces and fixtures that are jointly used by tenants;
- carry out repairs of buildings, their spaces and fixtures regardless of the causes; however, it is the tenant who bears the cost if he is to blame;
- make repairs in flats, repair or exchange installations or elements of technical equipment so that the tenant does not bear the cost;

- file and consider the tenant's complaints and suggestions;
- be on duty in cases of emergency (e.g., breakdowns) during hours set by the Ordering Party;
- overhaul buildings and keep records;
- keep books of buildings administered by the company;
- supervise repairs;
- insure buildings and pay taxes and other municipal and legal charges, unless they are paid by individual tenants;
- secure protection against fire;
- maintain buildings of civil defense in good condition; and
- take steps, on behalf of and from the Ordering Party's account, provided for in the building law in case of a building disaster.

Administrators also perform, under the law on building ownership, duties and rights of the administrator of joint property in buildings that are co-owned by the town and third parties and which are managed by the Ordering Party.

Their duties in this respect cover:

- drawing draft contracts for the municipality for the management of the property;
- calculating and receiving into the Ordering Party's account advance payments for the management of the joint property, as well as other charges connected with the exploitation of the building and flats;
- keeping financial books of flats and buildings and making appropriate settlements; and
- concluding, on the Sopot Town Ruling Board's authorization, on behalf of the Ordering party and onto his account, agreements for the performance of:
 - ▶ waste disposal
 - ▶ disposal of sewage
 - ▶ supply of cold and hot water
 - ▶ supply of gas and electricity
 - ▶ sweeping chimneys
 - ▶ maintenance of communal antennas and lifts, and other fixtures that are jointly used.

The administrator is also responsible for the proper execution of contracts:

- keeping the premises in good condition and order; this refers also to the spaces jointly used by the owners of flats;
- being on duty during emergency situations;
- overhauling buildings and keeping records;
- drawing annual economic plans for the management of the joint property;
- making orders for overhauling and repairs, within the funds allocated by the condominium, and supervising their correct execution;
- repairing breakdowns and neutralizing the effects on the joint property;
- keeping books of buildings managed by the company;

- analysis of the chances of recovery of the due charges as stipulated in the management agreement;
- recovery of dues by right of usufruct and other earnings from the joint property;
- insuring buildings and paying taxes and other municipal and legal charges, unless they are paid by individual owners;
- secure protection against fire; and
- filing and considering the owners' complaints and suggestions.

In agreement with the earlier plan, this range of duties was submitted to each of the three business entities selected by way of competition to administer the former HMA Nr.1, HMA Nr.2, and combined HMA Nr.3 and Nr.4.

The administrators receive the following remuneration:

- 1/ 13%, 2/ 15%, 3/ 12% without VAT of the receipts as stipulated in lease contracts and other earnings from management activities which are defined in the financial and economic plan approved by the Town Ruling Board for the given year. Each year the remuneration is the subject of negotiations.

The funds at the administrator's disposal come from rents paid, advance payments for management costs, charges, and other due earnings, as well as repair subventions from the town's budget.

The administrators also received without tender premises for their activity (they pay rent).

The administrators are supervised on behalf of the Sopot Town Ruling Board by Building Management Department (see diagrams at the end of the text: 1. Distribution of competence, 2. Organizational structure of the Building Management Department in the Town Office in Sopot, and 3. Housing Management Companies in Sopot).

The prediction that total employment in the organizational unit will drop has come true, which is shown in Table 9.

Table 9
Number and Structure of Personnel

Specifications	Overall	Office workers	Physical workers
HMC - 1	13	13	0
HMC - 2	14	13	1
HMC - 3	16	16	0

Re: HMC 1 — 1 manager, 1 deputy manager, 4 administrators, 3 building inspectors, 2 accountants, 1 in rent calculating section, 1 cashier

Re: HMC 2 — 1 manager, 1 secretary, 3 administrators, 4 building inspectors, 1 in rent calculating section, 2 accountants, 1 cashier, 1 charwoman

Re: HMC 3 — 1 director, 2 coordinators, 1 secretary, 4 administrators, 3 building inspectors, 2 in calculating charges, 2 accountants, 1 cashier

All the physical work (cleaning, repairs, maintenance, etc.) is contracted with firms from outside.

4 Financial Situation in the Management of Municipal Resources

The process of privatization of administration and the changes in management were accompanied by financial assumptions.

- It is in the interest of the town that the management of buildings be financed from the town budget at the lowest possible level; it is also desirable for the town budget not to participate in the financing of municipal residential buildings.
- To extra finance housing solely through social assistance, as a relief for those residents who find themselves in a very difficult financial situation.
- Administrators should be financially self-relying.

Table 10
State of Administered and Managed Resources of 1st January 1997

Specification	HMC 1	HMC 2	HMC 3
buildings	308	307	421
municipal flats	518	1097	1826
flats purchased	787	763	1049
garages	125	152	246
Area of nonresidential premises	15,955 m2	11,666 m2	15,379.18 m2
Area of usable floor in flats	137,103 m2	129,119 m2	160,733.42 m2

Three financial and economic reports for 1996 submitted by the "administrators" show that the assumed financial plans were considerably exceeded. Thus, generally speaking, outstripping the plan targets on the assessment side (exceeding 100 percent) was due to the fall in the dynamics of sales of nonresidential premises and in this way a higher calculated assessment.

Overfulfillment of the plan on the earnings side (well over 100 percent) resulted from:

- exceeding the planned 90 percent level of the debt recover ability coefficient (more than 100 percent, including recovered back flat rents, and 98 percent in case of nonresidential premises);
- higher assessment from nonresidential premises/sales lower than anticipated;
- refunding the costs of some repairs from the town budget; and
- the assessment on flats higher than anticipated.

Implementing the plan in excess on the cost side was due to higher incomes, where the surplus was used for repairs (plan fulfilled in 178 percent).

Compared to 1995, a higher recovery of rents from nonresidential premises was observed.

Table 11
Financial Situation in Municipal Housing Resources in Reference to Upkeep Costs

Specification	Monthly upkeep costs in PLN per 1 m2 of usable floor
Sopot - before privatization of management	2.09
Sopot - after privatization in 1995	1.56
Comparative study	1.69

4.1 Costs of Maintaining Resources

Table 12
Upkeep Costs in Municipal Housing Resources in Sopot

Specification	Total costs	Operating	Technical Maintenance
Sopot PLN	1.56	1.20	0.36
%	100	77	23
Comparative study PLN	1.69	1.14	0.55
%	100	67	33

Table 13
Operating Costs of Municipal Resources in Sopot

Specification	Total costs	Water supply and sewage	Waste disposal	Cleaning	Administration and general costs	Local rates	Other
Sopot PLN	1.20		0.92		0.22	0	0.06
Comparative study PLN	1.14	0.32	0.10	0.16	0.33	0.06	0.17

Table 14
Technical Maintenance Costs of Municipal Resources in Sopot

Specification	Total	Overhauling and running repairs	Major repairs and modernization
Sopot PLN	0.36	0.30	0.06
%	100	83	17
Comparative studies PLN	0.55	0.47	0.08
%	100	86	14

4.2 Sources of Funds for Maintaining Resources

Table 15
Current Rent Rates in Sopot's Municipal Resources in 1996

Specification	Lowest	Intermediate	Highest
Sopot	0.6	0.8	1.3
Comparative studies	0.48	0.8	1.23

Although the rent rates in flats resemble the national average values, the average obtained charges are much higher.

The advance payments for the management costs of joint property set by condominiums range from 0.45 to 2.0 PLN per 1 m² of usable floor space (in one case = 19.34 PLN); on the average, though, they are 0.63 PLN/1 m² of usable floor space.

Table 16
Average Rent Rates Obtained in Municipal Resources in Sopot
(jointly with service charges, central heating, and water supply payments)

Specification	Residential Premises	Nonresidential Premises
Sopot	2.37	9.72
Comparative study (jointly with service charges; without central heating and water supply payments)	1.09	3.45

Table 17
Financial Sources for the Upkeep of Municipal Resources in Sopot

Specification	Total funds	Receipts from residential premises	Receipts from non - residential premises	Subsidies and allowances
Sopot %	100	74	26	minimal
Comparative study				
PLN	1.65	0.97	0.36	0.32
%	100	59	22	19

The maintenance costs of nonresidential premises in condominiums are difficult to separate because they are entered per given property. The costs are specified according to the ownership structure, i.e., costs per individual owners (if the municipality owns flats in the property, participation is per share).

The Sopot budget statement for 1996:

& 36 – material services – p.56 section V – subventions to repairs of housing resources in the town for the total sum of subsidies – 491.797 PLN to the jobs supervised by the Housing Management Department the following were transferred:

- the sum of 250,858 PLN in settlement with HMCs allocated for repairs; and
- repairs made by the administrators but ordered by the municipality were refunded to the amount of 188,527 PLN.

In 1995, 1,064 families received housing benefits:

- 638 families living in municipal flats – 60 percent
- 404 families living in co-operative flats – 38 percent
- 22 families living in other flats – 2 percent

The total sum of housing benefits granted in 1995 amounted to, respectively:

- 240,216 PLN for those living in municipal flats
- 183,037 PLN for those living in co-operative flats
- 9,821 PLN for those living in other flats

The average benefit amounted to:

- 37.65 PLN
- 45.30 PLN
- 44.64 PLN

The relatively few housing benefits and their lowest average value is not so much a consequence of the tenants being rich but the fact that they live in large flats (over-normative areas). The last factor proves that there are reserves in exchange of flats.

5 Assessment of the Transformations

Since 1990, the Sopot authorities have been consistently implementing the policy of privatization of municipal resources and services, including the management of residential building economy. The two years of privatized administration and management of municipal housing resources in action have led to a decrease in the share of the town's budget funds in maintaining and modernization housing resources, with the private co-owners' share on the increase.

The authorities of the town of Sopot are aware that this is a long-term process with still a lot of room for improvements in the adopted solutions. Their aims, chances, and threats have been discussed on the pages to follow.

Strategy

The earlier endeavors to prepare a social strategic plan (85-person Strategy Preparation Team), after internal consultations (Council commissions, the Ruling Board, departments of the Municipal Office) and external ones: among people and institutions who were interested in cooperation in implementing the Sopot's adopted mission ended in the adoption of a strategy

by the Town Council on 25th April 1996 as a set of initial guidelines for devising a plan of operation.

The adopted strategy defines among others the following aims concerning housing:

- a housing market which is developed, efficient, and open;
- providing accommodation for people who are in permanently bad situation, both socially and economically;
- preserving the cultural heritage (historical arrangement and monuments, objects of art, landscape) and the unique architectural and urban qualities of the town; and
- renovation of building resources and their surroundings.

The most important conclusions from that work include the following.

- The time perspective for the formulation of a housing policy in Sopot is defined by the suggested planning period for strategic targets as the year 2012 (17 years is a period best suited for the implementation of the adopted aims in spatial transformations), with the sub-periods: 1995–1998 (term of office of the present Council) and 1999–2001, up to Sopot's centenary as a town (which can be honored by the implementation of certain aims) and 2002–2012.
- An analysis of needs has shown that the need for accommodation is second (out of 16) only to the need for safety of life, health, and property.

Among a hierarchy of problems in respect to this need the following were mentioned in the order of importance:

- inefficient system of exchange of flats;
- difficulties in obtaining independent flats promptly;
- inability by some residents to keep flats for economic reasons;
- problem of troublesome neighbors, eviction;
- financial and organizational problems in transforming the substance of the flat;
- the problem of condominiums; and
- lack of the state's patronage over historical monuments.

The established favorable factors in satisfying housing needs include:

- considerable number of big flats;
- big differentiation in the sizes of flats;
- negative population growth; and
- possibilities in the exchange and intensification of housing.

The unfavorable factors are as follows:

- a growing number of residents who are unable to fully meet the costs of keeping their flats and improving their living standards;
- the existence of flats jointly used out of necessity;
- overpopulation in a number of flats and areas;
- bad technical condition of the flats' substance;

- insufficient area for new house-building; and
- limits in transformation of historical buildings.

External developmental factors include:

- existence of building lots in neighboring communes (favorable);
- nonexistent easy housing credits (unfavorable);
- non-introduction of system solutions in agreement with expectations and possibilities (unfavorable); and
- privatization of nonresidential premises, buildings, and land that can still be sold.

Housing Policy

As a consequence of the adopted strategy, the Town Council passed on 17th October 1996 a resolution (Nr. XXIV/285/96) that approved still another document, the Assumptions of Sopot's Housing Policy. Its main target is to reconstruct and modernize Sopot's housing resources. This target embraces three detailed aims that highlight the main roads to follow.

- To increase the effectiveness of management of housing resources:
 - ▶ to stimulate condominiums;
 - ▶ to boost the transfer of the management of condominiums into private hands, and, among others:
 - increase the number of condominiums with limited participation of the town
 - handing over the management into private hands in condominiums with a major participation of the town
 - ▶ to stimulate the creation of a market for administrators;
 - ▶ to verify and enhance the existing system of administration;
 - ▶ to boost the increase of condominiums (settlement of costs per building);
 - ▶ to encourage the tenants in municipal flats to supervise the administration of municipal resources;
 - ▶ to exchange flats with the assistance of the Sopot Municipal Office;
 - ▶ to improve the system of purchasing municipal flats;
 - ▶ to get rid of jointly used flats; and
 - ▶ to build a system of information about the housing resources in Sopot;
- To intensify investment projects and repairs in housing resources through creating mechanisms that will help engage more private capital into modernization and repairs of buildings (capitalized own work including):
 - ▶ to finance from the town budget repairs of buildings up to 30 percent of the total sum of advance payments and rents from condominiums where the town has its share and municipal buildings, as well as create an easy-to-read system of financing repairs;
 - ▶ to introduce a system of reductions for the purchase of municipal flats up to 70 percent the flat's value;
 - ▶ to increase by the year 2001 rent rates to the level that will meet the costs of exploitation and repairs of flats;
 - ▶ creating a municipal pool of flats with temporary lease contracts in cases of emergency (through building or purchase);
 - ▶ to promote high-standard building projects; and
- To secure a social shield for poorer residents, to provide community flats.

Revitalization Program

With the process of decentralization of the state's finances still not completed, Sopot, like many other towns, has been left alone with the problem of renovation of the historical substance of residential buildings, a problem which has a long history of neglect in repairs and modernization (until 1990s there was no owner!). Without the participation of the state's budget, Sopot ambitiously undertook to define the municipality's housing policy and to introduce a program of revitalization.

Great importance in both documents is attached by Sopot authorities to education and promotion of condominiums. The Sopot Council has approved a tangible help in the form of preferential credits for condominiums to repair tenant houses (the town pays the interest). In the last few months, 40 condominiums have been carrying out repairs of their buildings.

The revitalization program is being effected thanks to a mobilization of efforts of about 700 condominiums, the privatized administration of municipal resources and those that belong to condominiums, groups that finance the process of transformation on behalf of the municipality, private developers of communal and commercial buildings, and the town's budget.

The Sopot's special feature is the lack of free building lots with the consequence that the solution to the problems lies in the program of revitalization through modernization of existing resources, demolishing, gaps for housing, building up new stories, adaptation of attics, and unrestricted exchange or purchase of flats on the free market.

On the whole, the following factors further the improvement in managing and administration of the municipal housing resources in Sopot.

- The handing over of the management of the municipal resources into the hands of independent business entities had its effect in the decrease of costs of maintaining and administering the resources, i.e., achieving higher efficiency of the engaged funds (especially in the repairs policy).
- Plotting the directions for development in managing the municipal resources and putting in order of the housing substance through drawing and accepting for implementation:
 - ▶ the town's development strategy
 - ▶ the assumptions of the housing policy
 - ▶ the program of revitalization of the historical center of Sopot.
- Creating instruments for securing funds from many sources to put in order and reconstruct the housing substance:
 - ▶ credits for condominiums
 - ▶ a program of small improvements
 - ▶ allowing additional funds for repairs of facades
 - ▶ subsidies for the exchange of coal heaters.

Ochota District of Warsaw

Ochota District of Warsaw

1 Basic Data about Housing in Municipal Resources in the Ochota District in Warsaw

The Ochota District, which is a portion of the Centrum Township in Warsaw, spans an area of approximately 972 hectares and is inhabited by approximately 100,000 residents.

Table 1 depicts the primary data describing the extent of the Ochota District's resources in juxtaposition to the Warsaw Centrum Township.

Table 1
Extent of Municipal Housing Resources in the Ochota District

As of December 31, 1996

Item	Ochota	Centrum Township	Percent
1	2	3	4=2/3
Population Residing in Municipal Resources	38,739	414,724	9.3%
Number of Municipal Apartments*	17,238	186,713	9.2%
Number of Rooms in Municipal Apartments	45,515	476,295	9.6%
Usable Area in 000s of m2	721.4	7,986.3	9.0%

* Along with housing commune buildings.

The fundamental quantitative ratios describing housing conditions in the Ochota District's municipal resources have been depicted in Table 2 in comparison with the data pertaining to the Centrum Township and national averages.

Table 2
Fundamental Ratios on Housing Conditions in the
Ochota District's Municipal Resources

As of December 31, 1996

Item	Ochota	Centrum Township	Warsaw	National Average
1	2	3	4	5
Number of Rooms in Apartment	2.64	2.55	3.01	3.35
Number of People in Apartment	2.25	2.22	2.59	3.03
Usable Area in Square Meters Per Apartment	41.85	42.8	48.7	55.2
Usable Space Per Person	18.6	19.26	18.8	18.2

The data set forth in the table above indicate that the average quantitative ratios describing the housing conditions in the Ochota District as pertains to the number of people in an apartment and the amount of usable space per person are more favorable than on average in the nation; at the same time, the statistical apartment is smaller and has fewer rooms. The ratios on housing conditions in Ochota are similar to the average ratios for the Centrum Township to which Ochota belongs.

Table 3 depicts the amount of municipal housing resources in the Centrum Township in light of the ownership structure of housing resources in Warsaw and on average across the nation.

Table 3
Structure of Housing Resources in Warsaw by Form of Ownership
Extent of Municipal Resources in the Ochota District and the Centrum Township

Item	Total	Municipal*	Cooperative	Employer	Private
1	2	3	4	5	6
Ochota	100%	52%	Total 48%		
Centrum Township	100%	40%	Total 60%		
Warsaw	100%	33%	49%	9%	7%
National Average	100%	21%	37%	9%	33%

* Along with Housing Commune Buildings.

One may note in the table above that the percentage of municipal housing resources is much higher in Warsaw than on average across the nation. The extent of municipal resources in the Centrum Township is nearly double the national average. The percentage of municipal buildings is even higher in the Ochota District. Cooperative resources also constitute a substantially higher percentage of the total number of apartments than on average in Poland.

One trait that is typical for Warsaw is the fact that the percentage of private homes is several times lower than the national average. This is primarily the result of historical determinants. The aforementioned circumstances have led to a situation in which the average municipal apartment is 13 percent smaller in terms of usable space than the national average. It is manifest that apartments in private houses are usually larger than in township housing.

2 A Description of the Resources Managed by Ochota Ltd.

A limited liability company wholly owned by the township operates in the Ochota District under the business name Township Housing Authority Ochota Ltd. (GGKO). This firm manages and administers municipal resources, 99 percent of the housing communes, in which the township has its own municipal premises, and several other buildings belonging to other owners (employers, private individuals). Table 4 depicts the extent of the resources administered by the company by form of ownership.

Table 4
A Description of the Resources Administered and Managed by
GGKO by Form of Ownership

As of December 31, 1996

Item	Total	Belonging to the Following							
		Township 100% Municipal Housing	Housing Communes			Private Individuals	Employers	Total Township	
			Total	Township	Purchased			9	10=4+6
1	2	3=4+5+8+9	4	5=6+7	6	7	8	9	10=4+6
Buildings		557	202	352	x	x	1	2	202
Including:	Apartments	417	62	352	x	x	1	2	62
	Commercial	140	140	x	x	x	x	x	140
Premises		18,916	2,090	16,678	9,748	6,930	3	145	11,838
Including:	Apartments	17,385	1,025	16,213	9,283	6,930	3	144	10,308
	Commercial	1,531	1,065	465	465	x	x	1	1,530
Exploited Area in 000s of m2		807.9	75.7	726.6	431.1	295.5	0.2	5.4	506.8
Including:	Apartments	726.9	37.8	683.6	388.1	295.5	0.2	5.3	425.9
	Commercial	81.0	37.9	43.0	43.0	x	x	0.1	80.9

At the end of 1996, there were 557 municipal buildings (including housing communes) in the Ochota District, of which there were 414 housing buildings and 140 commercial properties (trade and service plazas and garage units).

The total exploited area was 807.9 thousand m2, of which 726.9 thousand m2 (90 percent) is the area of housing units, while 81.0 thousand m2 (10 percent) is the area of commercial premises. Three hundred fifty-two of the housing buildings (84 percent) are buildings in which apartments have been purchased by their heretofore tenants, in other words housing communes. The usable area of housing commune buildings constitutes 90 percent of total exploited area. At the end of 1996, the township's percentage interest in common real estate amounted to 59.3 percent.

Several tens of the housing communes in the Ochota District are in buildings under military administration. The township does not have any ownership interest in these pieces of real estate; in connection with above, this paper does not treat these housing communes.

2.1 Housing Communes in the Ochota District

The Ochota District has a total of 352 pieces of common real estate, in which the township is one of the co-owners. A review of the housing commune buildings by the coefficient of the township's ownership interest is portrayed in Table 5.

Table 5
Housing Communes in the Ochota District by
Coefficient of Co-ownership Held by Township

As of December 31, 1996

Item		Township	Township's Share in Ownership		
			Below 30%	30%-50%	Above 50%
1	2	3	4	5	6
Housing Commune Buildings		352	15	85	252
Including:	Up to 10 Units	20	9	6	5
	More than 10 Units	332	6	79	247

The degree to which privatization has occurred in housing units has an extensive impact on the efficiency with which the township entity managing housing resources operates. Table 6 portrays the extent to which ownership transformation has occurred in the Ochota District's municipal resources and the Centrum Township's municipal resources.

Table 6
Scale of Ownership Transformation in
Municipal Housing Resources in the Ochota District

As of December 31, 1996

Item	Ochota	Centrum Township	National Average
1	2	3	4
Percentage of Privatized Housing Units	40%	34%	19%
Scale of Building Co-ownership*	41%	40%	37%
Communes with Majority Share Held by Private Persons	28%	No Data	18%

* Percentage of housing units purchased in housing commune real estate calculated in usable space.

The quantitative share of privatized apartments in total apartments is more than twice as high in the Ochota District than is the national average. The number of majority communes, where natural persons have a dominant share, is also more than 1.5 times higher in the Ochota District than elsewhere. The average share held by owners of premises in common real estate is practically the same in the Ochota District as in the Centrum Township, while it is more than 10 percent higher than the national average.

These circumstances exert a very substantial impact on the financial condition of the company managing housing resources, including privatized resources to a large degree; it also has a large effect on the overall organization and principles of operation. The issue of housing communes, the range of individualized accounting and the organizational servicing of communes is taking place on a substantially greater scale than on average across the nation.

2.2 Rate of Sale of Apartments

In the Ochota District, with a total number of 17,238 housing units in housing commune buildings and buildings that are wholly owned by the township, there are 6,930 apartments that have been purchased, i.e., 40.2 percent of the total number of housing units. With regard to apartments that are only located in common real estate — there are 16,213, which constitutes 42.7 percent.

The incremental increase in the number of housing units purchased is portrayed below, starting from the beginning of 1995, i.e., when the act on the ownership of premises came into force.

Table 7
Rate of Sale of Apartments in the Ochota District from the
Beginning of 1995 to the End of 1996

As of:	Number of Apartments Sold	Percentage of Units Purchased in Co-ownership	Incremental Growth in Percentage of Units Purchased in Common Real Estate
1	2	3	4
January 1, 1995	5,975	33.7	<i>x</i>
December 31, 1995	6,423	39.0	15.7
December 31, 1996	6,930	40.7	4.4

The incremental growth in the number of premises purchased over subsequent years was similar and amounted to 7.5 percent and 7.9 percent. It should be added that the capital city's specific historical circumstances have a substantial impact on the range of privatization in apartments. In many buildings in which a portion of the apartments was sold over recent years, claims have been laid by their former owners who were deprived of ownership in the years after the Second World War. It is also the case that the legal status of these buildings has not been regulated or explanatory proceedings are under way. This leads to restraints in the sale of premises in these buildings even though the tenants of these premises have expressed their desire to purchase them.

After determining that there are no claims to the building or after explicating its legal status, subsequent pieces of real estate that have been partially sold are set aside for purchase in the next municipal premises.

To assess the financial condition of the municipal economy, it is important to note that as of today commercial premises (excluding garages) have practically not been privatized. The number of commercial premises that have been purchased constitutes 0.7 percent of the total number of commercial premises in the entire Centrum Township. The Ochota District does not have any privatized commercial premises.

2.3 Managing Housing Commune Buildings in the Ochota District

Three hundred forty-nine buildings of the total number of 352 pieces of common real estate in which the Township has shares are administered by the Municipal Housing Authority "Ochota" Ltd., which simultaneously discharges the management board function for 327 housing communes. Of the remaining 22 that are self-managed, 20 are communes with up to 10 premises, in other words, small communes managing their own real estate on the grounds of the Civil Code. All owners discharge management functions in these buildings. Two large communes, in other words, communes with more than 10 premises, have selected their management board from among their owners — natural persons, while the company has been entrusted with administrative tasks.

During 1995 and 1996, only three housing communes totally assumed management and administration of real estate into their own hands. In every instance, they were majority communes whose owners of purchased premises have a majority of shares.

Table 8 below portrays the division of housing communes by the type of management conducted and the township's share in co-ownership.

Table 8
Managing Housing Commune Buildings by Township's Share in Co-Ownership

As of December 31, 1996

Item		Total	Housing Commune Management Board				
			GGKO Artificial Person	Comprised by Natural Persons			
				Total	Township has less than 30%	Township has 30%- 50%	Township has more than 50%
1	2	3=4+5	4	5=6+7+8	6	7	8
Total Buildings		352	327	25	9	11	5
Including :	Below 10 Premises	20	x	20	9	6	5
	10+ Premises	332	327	5	x	5	x
Administration Entrusted to GGKO		349	327	22	9	8	5

2.4 A Description of Municipal Housing Resources by Age and Technical Furnishings
 Table 9 portrays a quantitative table of the number of buildings by age in the Ochota District and in the Centrum Township.

Table 9
Structure of Municipal Housing Resources by Age in the
Ochota District and the Centrum Township

As of December 31, 1996

Item	Total	Constructed in the Following Years			
		Before 1990	1900-1939	1940-1945	After 1946
1	2=3+4+5+6	3	4	5	6
Ochota	414	0	202	0	212
%	100	0	48.8	0	51.2
Centrum Township	6,404	309	3,126	238	2,731
%	100	4.8	48.8	3.7	42.7
National Average	100	49*			51

* These data specify the percentage of buildings constructed before 1950.
 Buildings in the Ochota District are younger on average than in the Centrum Township. A part of Ochota includes grounds that before the World War II were situated outside the city, where housing construction did not exist or has not remained up until the present day.

Table 10 below portrays a description of the housing buildings in the Ochota District by technical equipment together with the numbers for Centrum Township and the national averages.

Table 10
A Description of the Housing Resources in the
Ochota District by Technical Furnishings in Buildings

As of December 31, 1996

Item	Ochota	Centrum Township	National Average
1	2	3	4
Total Apartments w %	100%	100%	100%
Connected to:			
Water system	100%	99%	93%
Sewage system	99.5%	97%	91%*
Natural gas	94%	82%	71%
Central heating	90%	65%	50%
Central warm water	33%	29%	24%

* Any type of sewage system, including that which is not connected to the network.

The table above shows that the housing buildings in the Ochota District and in the Centrum Townships are much better equipped with installations than the national average. The amount of equipment in apartments in the Ochota District is much better than in the Centrum Township in all instances.

3 Refurbishment Needs in Municipal Housing

One of the most important and most difficult problems across the nation and in the Ochota District and Centrum Township is the progressive decapitalization of the buildings and their future state of repair, which deviates from the binding standards and norms. Multiple instances of neglect derived from a lack of funds have led to substantial overdue refurbishment projects.

Determining the refurbishment needs and the anticipated costs that may be derived therefrom depend on the criteria accepted and the benchmark. In general, the refurbishments listed in the schedules are the ones that are the most urgent, while the failure to perform them leads to progressive destruction in resources or creates a direct threat to the residents.

Since it is impossible to meet all remodeling needs, which includes the modernization of old resources, the exact cost data are not updated on an ongoing basis, in order to bring the technical state of repair in municipal buildings up to the contemporary standard. Table 11 depicts remodeling needs in the Ochota District and the Centrum Township by construction industry at the end of 1996. In physical and financial terms of the Ochota District's remodeling needs, only the most urgent ones have been included, as they should be discharged first. This will, of course, not exhaust all remodeling needs in municipal resources.

The last detailed listing of remodeling work that must be performed in the Ochota District was drawn up in 1995. It was estimated to be worth 70,000,000 PLN (after incorporating the inflation co-efficient for 1995 and 1996).

Table 11
Table of the Most Urgent Remodeling Needs in
Municipal Resources at the Ochota District and Centrum Township at the End of 1996

Industry Construction	Ochota		Centrum Township	
	Percent of housing building for refurbishment	Approximate cost to remodel in 000s of PLN	Percent of housing building for refurbishment	Approximate cost to remodel in 000s of PLN
1	2	3	4	5
Electrical installation	16.4	2,042	29.7	57,830
Water supply system	2.4	220	35.6	114,048
Sewage system	0.2	30	28.7	76,465
Natural gas installation	2.4	410	33.7	63,210
Central heating	8.7	5,130	27.7	320,156
Central warm water	12.1	1,200	15.4	41,282
Elevators	3.1	1,100	1.6	11,976
Chimney ducts	5.1	250	32.6	32,712

Industry Construction	Ochota		Centrum Township	
	Percent of housing building for refurbishment	Approximate cost to remodel in 000s of PLN	Percent of housing building for refurbishment	Approximate cost to remodel in 000s of PLN
Refurbishment of balconies	25.8	1,200	39.0	18,696
Roofs	Covering	4,500	26.8	70,293
	Construction	100	4.3	23,499
Refurbishing the construction	0.2	22	3.4	26,656
Insulation	12.8	6,300	10.6	84,061
Replacement of wooden elements	x	3,080	x	46,773
Refurbishment of uninhabited buildings	x	400	x	12,119
Others	x	320	x	89,116
Total	x	26,307	x	1,088,897

3.1 Subsidies to Remove Construction Threats

Starting in 1996, the Centrum Township has been awarding individual districts additional funding to remove construction threats. By virtue of the applications filed by the managers of buildings, the commission on construction threats, as appointed in the Centrum Township, awards funds for individual remodeling projects in specific bindings.

A total of 18,561,000 PLN was awarded to remove construction threats in 1996, of which 616,713 PLN was allocated for buildings in the Ochota District. Funds are first appropriated to remove natural gas threats, remodel chimney ducts, and liquidate some construction threats. The remodeling subsidy was applicable to both municipal buildings and housing commune real estate. The housing policy of the Centrum Township anticipates that managers will be awarded additional sums to remove construction destruction. The needs in this regards substantially outpace the abilities of the municipal entities administering these buildings.

3.2 Funds to Recreate Technical Documentation

In its housing policy premises, the Centrum Township anticipates that for several years starting from the end of 1996 funds will be awarded to recreate the missing technical documentation on housing commune buildings. The real estate to be taken into consideration first of all is to include those pieces of real estate in which a non-township organizational unit is discharging the management function. Housing communes in which the percentage of ownership held by private persons surpasses 50 percent will then be able to count on receiving funds for this purpose, i.e., by the amount of shares held by owners of purchased units.

4 Amendments in How Municipal Resources Are Managed in the Ochota District

4.1 Ochota Housing Authority

Before the local self-government was established and up until 1991, the tasks involved in the ongoing maintenance, administration, and refurbishment of municipal resources were conducted by the Ochota Housing Authority (Przedsiębiorstwo Gospodarki Komunalnej [PGM]) operating as a state-owned enterprise. At its peak, PGM employed nearly 750 people. Appendix 1 at the end of this report portrays the company's organizational chart. This is the state as of 1990, after the most recent amendment to the Organizational Rules and Procedures.

4.2 Establishing a Limited Liability Company Wholly Owned by the Township

The Ochota Township Housing Authority, a limited liability company wholly owned by the township, was established by the Management Board of the Warsaw Ochota District Township by transforming the Ochota Housing Authority (under dissolution).

The articles of incorporation were signed on 15 October 1991. The company's founding capital was set at 659,000 PLN of which 600,000 PLN was contributed in cash and 59,000 PLN was a contribution in kind.

The company's line of business may include all legally permissible business activities, including production, trade, service, and representative operations in domestic and foreign trade, particularly including the following:

- managing the local resources transferred by the Warsaw Ochota District Township;
- conducting repairs and maintenance on buildings;
- using and maintaining municipal grounds in housing developments; and
- performing repair and construction services for people.

The Ochota Township Housing Authority Ltd. undertook operations on 1 April 1992. The liquidated PGM Ochota was crossed out of the register of state-owned enterprises in May 1992.

The township, which by virtue of the acts — *the provisions introducing the local government act* oraz *on the privatization of state-owned enterprises* — was obligated to alter the organizational and legal form for doing the activities that had heretofore been conducted by PGM and was faced with selecting one of two possibilities: establish a commercial law company or a budget unit.

The district authorities, in deciding to establish a limited liability company, assumed that the company would be able to perform other business activities to generate profits besides administering local resources. To this end, a very wide line of business was developed and entered in the articles of incorporation.

The agreement (*umowa-zlecenie*) between the company and the Management Board of the District Township also anticipated that the company would be able to take on additional tasks, such as investment projects, besides its core activities, i.e., administering and maintaining in

proper condition the entrusted real estate. Other strong points of this solution were taken into consideration, e.g., the extensive liberty in making decisions by the company's management board, more effective economic mechanisms, and the ability to obtain a good employee base by having greater liberty in shaping remuneration.

4.2.1 The Company's Agreement with the Management Board of the Ochota District Township

The grounds for the company's operations was the agreement executed with the Management Board of the Ochota District Township, which commissioned the company:

- to administer municipal buildings and some pieces of real estate governed by special rental proceedings and to administer municipal grounds and equipment located within the Township; and
- to ensure that the entrusted resources maintain their technical state of repair.

In discharging these primary tasks, the company undertook the duties:

- to collect rents and other fees from residents and users of municipal property;
- to service the rental agreements on commercial premises as signed by the Management Board of the Township, to collect fees for their usage, and to collect receivables;
- to collect receivables and to repay the liabilities left over after PGM Ochota's liquidation;
- to collect current rental receivables on behalf of the township for housing and commercial premises, especially in conducting proceedings to remind them of payments, and to assess and to collect interest on overdue payments;
- to repair and maintain buildings on an ongoing basis;
- to maintain cleanliness in the buildings under administration and the adjacent grounds;
- to maintain the green areas in township housing developments in the proper state of repair; and
- to coordinate activities pertaining to advertisements on township property within the framework of separately commissioned tasks.

Moreover, in regard to caring for the technical side of the entrusted real estate, the company was obligated to conduct periodic reviews of the technical state of repair in municipal band equipment. This was to constitute the basis for drawing up the remodeling proposals for the township while specifying their physical and financial ramifications and the degree to which they are indispensable. The decision to remodel was to be made by the township, which incurs the costs for doing so by providing the company with a special-purpose subsidy to this end.

4.2.2 The Primary Principles for Funding the Tasks Performed by the Company

The agreement signed with the Management Board of the District Township specified the primary principles for funding the activities performed by the company at the commission of the township. The costs of current exploitation, including the costs of administration, benefits, maintenance, etc., were to be funded with the proceeds from rents on residential and commercial premises and other fees due to the township on its property. These revenues were collected by the company. One exception was the fees paid to the company by the residents

and tenants for thermal energy, which were transferred in their entirety to the township's bank account.

It was a specific trait for Ochota that the Ochota Township and not the administrator or company directly executed the agreement with the thermal energy supplier to provide thermal energy to municipal resources. The agreement between the company and the Township's Management Board also anticipated by way of separate agreements the opportunity to establish remuneration for the company in the future for investment projects, joint ventures, or other tasks commissioned by the township.

4.2.3 Restructuring to be Implemented upon the Company's Establishment

Ochota PGM, before it was placed under liquidation in June 1991, was reorganized by spinning off those divisions dealing with repairs and remodeling. All remodeling squads were gradually privatized. Private companies made up of employees that had been let go were established and PGM undertook cooperation with them to conduct repairs, maintenance, and remodeling.

The process of liquidating individual remodeling units and divisions lasted until 1994. The following ceased to exist: the Purchasing and Material Management Division, the Transportation and Equipment Base, the Comprehensive Remodeling Plant, and the Warehouse. Employment declined by 22 percent from the end of 1990 to the end of 1991.

4.2.4 Changes in Employment

Table 12 portrays the changes in the number of employees and the structure of employment that took place over several years and encompassed PGM Ochota and the company.

Table 12
Changes in the Number and Structure of Employees from 1990 to 1996

Year	Total* Employment	White Collar		Blue Collar				Comments
		Total	%	Total	Superintendents	Physical Laborers	%	
1	2=3+5	3	4=3/2	5=6+7	6	7	8=5/2	9
1990	673	160	23.8	513	334	179	76.2	Privatization of refurbishment squads
1991	530	151	28.5	379	314	65	71.5	Establishment of company
1992	534	148	27.7	386	323	63	72.3	
1993	495	143	28.9	352	292	60	71.1	
1994	444	128	28.8	316	273	43	71.2	Spinning off Ursus District
1995	369	136	36.9	233	203	30	63.1	Spinning off Włochy District
1996	403	173	42.9	230	201	29	57.1	

* State of employment on December 31 of given year.

The table above shows the number of employed white collar workers almost doubled from 1990 to 1996. The increase in the number of white collar workers was related to the housing reform, in particular to the implementation of the act on ownership of premises. Conducting separate books for each housing commune, servicing communes in terms of reporting requirements, meetings, responding to applications, and individual remodeling plans increased the extent of work among this group of employees in a very material fashion. It should be noted that the increase in employment took place gradually over 1995 and 1996 as new tasks were identified and the reserves on hand were exhausted.

Table 13 portrays the number of employees by white collar and blue collar workers per square meter of exploited space.

Table 13
Ratio of Number of Employees per Square Meter of Exploited Space

Year	000s of m2 of Exploited Space	Total Employment	White Collar	Total Number of Employees per 1,000 m2	Number of White Collar Workers per 1,000 m2	% Change in Ratio Col. 5/Col. 6
1	2	3	4	5	6	7
1990	1,104.0	673	160	0.610	0.145	100/100
1991	1,090.8	530	151	0.486	0.138	79.7/95.2
1992	1,090.8	534	148	0.490	0.136	80.3/93.8
1993	1,090.8	495	143	0.454	0.131	74.4/90.3
1994	823.6	444	128	0.539	0.155	88.4/106.9
1995	807.9	369	136	0.457	0.168	74.9/115.9
1996	807.9	403	173	0.499	0.214	81.8/147.6

From 1990 to 1996, the total number of employees per 1,000 m2 of exploited space fell by more than 18 percent, while the number of white collar employees in this same period shot upward by more than 47 percent. This confirms the previous perceptions about the alteration in the profile of operations conducted first by the state-owned enterprise and then by the company, moving toward specialization in management and administration. It also testifies to the greater number of tasks for white collar employees as derived from the new housing acts.

4.3 Changes in How the Company Operates Effected by Housing Reform

4.3.1 Amendment to the Agreement between the Company and the District's Management Board

Wejście w życie na przełomie lat 1994/95 nowych ustaw mieszkaniowych - o najmie lokali mieszkalnych i dodatkach mieszkaniowych oraz o własności lokali, zmieniło w sposób zasadniczy warunki działania spółki. Powstanie housing communes jako odrębnych bytów prawnych spowodowało konieczność zmiany umowy z Zarządem Dzielnicy, który przestał być jedynym dysponentem budynków z wykupionymi lokalami, uznawanych dotychczas za komunalne. W aneksie do ww. umowy, podpisanym w styczniu 1995 r., zadania zlecone spółce określono następująco:

1. Administrowanie lokalami komunalnymi w budynkach zarządzanych przez housing communes na terenie Ochota District, a w szczególności:
 - zawierania umów o najem lokali mieszkalnych i innych, zgodnie z udzielonymi upoważnieniami,
 - pobieranie czynszów i innych należnych opłat od najemców lokali mieszkalnych i innych użytkowników mienia komunalnego oraz windykacja powyższych należności,
 - obsługa umów podpisanych przez Zarząd Dzielnicy o najmie lokali użytkowych w tym pobieranie opłat za lokali i związanych z tym użytkowaniem oraz windykacja powyższych należności,
 - windykacja należności i spłata zobowiązań po byłym PGM Ochota.

2. Administrowanie nieruchomościami pozostającymi w całości własnością gminy Warsaw Centrum oraz terenami i urządzeniami komunalnymi położonymi na terenie Ochota District, a w szczególności oprócz zadań wymienionych w p-ciel również:
 - prowadzenie bieżących napraw i konserwacji budynków i ich urządzeń,
 - utrzymywanie w należyтым stanie terenów zielonych w gminnych osiedlach mieszkaniowych na terenie Ochoty,
 - utrzymywanie porządku i czystości w budynkach i wokół nich,
 - zapewnienie dostaw do budynków energii elektrycznej, gazu i wody oraz innych, zgodnie z wyposażeniem budynku i udzielonymi przez Zarząd Dzielnicy upoważnieniami,
 - wywozu nieczystości stałych i płynnych.

3. Do czasu ustanowienia zarządcy lub wyboru Zarządu wspólnoty mieszkaniowej administrowanie nieruchomościami housing communes odbywa się na dotychczasowych zasadach. Ponadto aneks do umowy wprowadził dodatkowe obowiązki dla spółki, a mianowicie.

4. Prowadzenie ewidencji wynikającej z Rozporządzenia Rady Ministrów z dnia 07.11.1994r. w sprawie dotacji dla gmin na dofinansowanie wypłat dodatków mieszkaniowych, która miała obejmować:
 - wpływy z czynszów najmu lokali mieszkalnych i użytkowych stanowiących własność Gminy Warsaw Centrum na terenie Ochota District,
 - nadwyżki pożytków nad wydatkami przypadającej Ochota District z tytułu udziału w nieruchomościach wspólnych,
 - wydatków związanych z utrzymaniem mieszkaniowego zasobu gminy Warsaw Centrum na terenie Ochota District i należących do niej lokali użytkowych,
 - rozliczenie pomiędzy Zarządem Dzielnicy a spółką w zakresie przyznanych dodatków mieszkaniowych.

Spółka została zobowiązana ponadto do zapewnienia dla każdej z administrowanych nieruchomości ewidencji umożliwiającej ustalenie jej kosztów i przychodów a także do zapewnienia dokumentacji inwentaryzacyjnej, w tym technicznej.

4.3.2 Agreements with Housing Communes to Discharge Management and Real Estate Administration Functions

Po ukonstytuowaniu się housing communes Gminna Gospodarka Komunalna „Ochota” sp. z oo. została wybrana zarządem wspólnot, jako osoba prawna lub tylko jako administrator w przypadku tzw. małych wspólnot. W pierwszym roku obowiązywania ustawy o własności lokali spod zarządu spółki wydzieliła się jedna wspólnota, do końca 1996r. łącznie trzy wspólnoty przejęły nieruchomości w swój zarząd i administrację. Ze wszystkimi wspólnotami, które na swój zarząd wybrały spółkę, GGKO podpisała umowy-zlecenia o *pełnienie funkcji zarządu Wspólnoty Mieszkaniowej i administrowanie nieruchomością*. Umowy z GGKO podpisywał w imieniu wspólnoty Zarząd Dzielnicy, jako poprzedni zarządca nieruchomości (GGKO pełniła jedynie funkcję administratora) lub (w kilku przypadkach) upoważnieni przez wspólnotę jej przedstawiciele.

Umowa określa oddzielnie obowiązki spółki jako Zarządu Wspólnoty Mieszkaniowej (organ ustawowy) i obowiązki administratora nieruchomości rozumiane jako świadczenie określonych usług. Pełnienie funkcji Zarządu Wspólnoty Mieszkaniowej obejmuje:

1. Reprezentowanie wspólnoty na zewnątrz oraz w stosunkach pomiędzy wspólnotą a poszczególnymi właścicielami lokali.
2. Prowadzenie wszelkich spraw wspólnoty wynikających z czynności zwykłego zarządu oraz udzielonych przez wspólnotę upoważnień wynikających z ustawy o własności lokali.

Sprawowanie czynności administracyjnych obejmuje:

1. Czynności techniczne:

w zakresie użytkowania nieruchomości wspólnej i utrzymania jej we właściwym stanie techniczno-eksploatacyjnym:

- konserwacja budynku, jego pomieszczeń i urządzeń technicznych umożliwiających właścicielom lokali korzystanie z oświetlenia i ogrzewania, ciepłej i zimnej wody, gazu, dźwigów osobowych, telewizyjnych anten zbiorczych i innych urządzeń należących do wyposażenia budynku,
- wykonywanie bieżących remontów elewacji, pokrycia dachowego, rynien i rur spustowych, instalacji elektrycznej, wodociągowej, kanalizacyjnej, centralnego ogrzewania, centralnej ciepłej wody, gazy hydroforni, dźwigów osobowych, urządzeń przeciwpożarowych, pomieszczeń wspólnego użytku oraz tras i urządzeń komunikacyjnych itp.,
- nadzorowanie prowadzonych remontów bieżących i prac konserwacyjnych, usuwanie awarii urządzeń i instalacji oraz skutków awarii,
- prowadzenie dokumentacji technicznej budynku.

2. Czynności operacyjne:

- utrzymywanie nieruchomości wspólnej oraz budynku we właściwym stanie sanitarno-porządkowym
 - nadzorowanie pracy dozorczy,
 - zakup sprzętu, środków czystościowych i innych służących do utrzymywania posesji w należyłym stanie,

- prowadzenie korespondencji związanej z administrowaniem nieruchomością wspólną, w szczególności powiadamianie właścicieli o decyzjach podejmowanych przez Zarząd, zmianach w wymiarze opłat z tytułu świadczeń oraz zaliczki na pokrycie kosztów zarządu nieruchomością wspólną,
- pobieranie opłat, do których wnoszenia zobowiązani są właściciele,
- wysyłanie upomnień w sprawach zadłużeń.

W umowie ze wspólnotami przewidziano ustanowienie wynagrodzenia dla spółki z tytułu pełnienia przez nią funkcji zarządu Wspólnoty Mieszkaniowej, które wspólnota ustala na dany rok na zebraniach sprawozdawczych w I kwartale każdego roku. W 1995 - pierwszym roku funkcjonowania ustawy o własności lokali GGKO zrezygnowała ze swego wynagrodzenia, natomiast w roku 1996 średnie wynagrodzenie zarządu w odniesieniu do 1m2 powierzchni użytkowej nieruchomości wspólnej wyniosło 0.03 PLN.

4.3.3 Alterations in the Company's Organizational Chart

Nowa sytuacja w mieszkalnictwie spowodowała konieczność dostosowania organizacji spółki do zmienionych warunków zewnętrznych. Aktualny schemat organizacyjny spółki przedstawia załącznik nr 2 na końcu opracowania. Można zauważyć wyraźną tendencję oddzielania dwóch kierunków działania: administrowanie mieniem gminy oraz zarządzania i administrowania nieruchomościami housing communes. Niektóre komórki organizacyjne przewidziano w schemacie organizacyjnym „na wyrost” np. Dział Marketingu, który dopiero rozwinie się w przyszłości.

4.4 Changes in Warsaw's Political System

Two material modifications relating to the reformation of Warsaw's political system have been implemented during the company's lifetime. Od 01.01.1994r., po wydzieleniu z Gminy Ochota osobnej Gminy Ursus, zakres działania spółki i wielkość zasobów zmniejszyła się o jedną administrację. Na terenie Ursusa utworzono odrębny Zarząd Budynków Komunalnych (zakład budżetowy). Po wyborach samorządowych w połowie 1994r. z Gminy Ochota wydzieliły się dwie następne administracje, które w wyniku zmiany ustroju miasta stołecznego Warszawy, znalazły się na terenie nowej Gminy Warsaw Włochy. Tam również został utworzony Zarząd Budynków Komunalnych.

Jednocześnie Ochota straciła status gminy i stała się jednostką pomocniczą nie posiadającą osobowości prawnej tj. dzielnicą wchodząca w skład nowej Gminy Centrum. Obowiązki właścicielskie wobec spółki przejęła Centrum Township, a Zarząd Dzielnicę pełni funkcje Zgromadzenia Wspólników na mocy upoważnienia Prezydenta m. st. Warszawy.

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5 Finances in Managing Municipal Resources

5.1 The Principles for Funding the Management of Municipal Resources Binding until the End of 1994

Do końca 1994r. utrzymanie bieżące lokali mieszkalnych (bez remontów głównych) było finansowane z nadwyżki pochodzącej z lokali użytkowych, w których średni czynsz przewyższał jednostkowe koszty utrzymania. Czynsze pobierane w tamtym okresie od mieszkańców były znacznie niższe niż koszty utrzymania i, jak wiadomo, ich wysokość nie wynikała z kalkulacji ekonomicznej. Ani zarządcy nieruchomości, ani gminy nie miały wpływu na ich poziom. Uwolnienie czynszów najmu za lokale użytkowe, co nastąpiło w połowie 1990r., pozwoliło przeznaczyć uzyskiwane dochody z tego tytułu na dotowanie utrzymania mieszkań. Należy dodać, że dotowane musiały być nie tylko wyższe koszty utrzymania związane z konserwacją i administrowaniem, ale także niektóre świadczenia w całości np. wywóz odpadów i odprowadzenie ścieków lub w części np. zimna woda.

Na główne remonty przedsiębiorstwo państwowe - PGM Ochota, administrujące zasobami jak i później spółka, otrzymywały dotację celową na przyjęty przez gminę zakres remontów. Trzeba dodać, że w omawianym okresie dotowanie utrzymania lokali mieszkalnych z wpływów z majątku gminy dotyczyło w takim samym stopniu najemców jak i właścicieli lokali wykupionych.

5.2 The Principles for Funding the Management of Municipal Resources Binding from the Beginning of 1995

Począwszy od stycznia 1995 roku tj. po wejściu w życie nowych ustaw mieszkaniowych, właściciele lokali wykupionych ponoszą w całości pełne koszty utrzymania, świadczeń i remontów. Najemcy lokali komunalnych płacą czynsze regulowane w znacznie większym stopniu pokrywające koszty bieżącego utrzymania oraz pełne koszty świadczeń. Nadwyżka finansowa pochodząca z wpływów lokali użytkowych jest przeznaczana na remonty zasobów komunalnych, należących w 100% do gminy oraz na pokrywanie kosztów remontów we wspólnotach mieszkaniowych przypadających na gminę w związku z posiadaniem przez nią udziałami.

W roku 1995 gmina w żadnym stopniu nie dotowała gospodarki mieszkaniowej. Wszelkie koszty spółki były pokryte z wpływów pochodzących od właścicieli oraz najemców lokali mieszkalnych i użytkowych.

6 Costs of Maintaining Municipal Resources in the Ochota District

6.1 Costs of Exploiting Resources

The exploitation costs include administration, maintaining cleanliness, and services (water, sewage, and garbage removal), excluding fees for thermal energy.

Table 14
Costs of Exploiting Municipal Resources in the Ochota District in 1996

(PLN per 1 m² of usable space per month)

Item	Total Costs	Including the Following Costs					
		Water and Sewage	Trash Removal	Maintaining Cleanliness	Administration	Taxes to Township	Others
1	2	3	4	5	6	7	8
Ochota	1.57	0.38	0.12	0.34	0.50	x*	0.23
%	100	24	7	22	32	x	15
Centrum Township	1.69	0.38	0.11	0.27	0.55	0.09	0.29
%	100	22	7	16	33	5	17
Comparative Research	1.23	0.35	0.10	0.18	0.36	0.06	0.18
%	100	28	8	15	29	5	15

* w GGKO pomijalne.

Table 14 shows that the administrative costs in the Ochota District, and even more so in the Centrum Township, are higher than in comparative research (large cities) — the costs of services are slightly higher, but the primary costs that are higher are administration and maintenance of cleanliness. The higher-than-average number of housing communes in total municipal resources certainly has a substantial impact on these circumstances. The costs of maintaining cleanliness are augmented by the greater number of township buildings in total housing resources and the greater area associated therewith for whose maintenance the municipal manager is responsible.

6.2 Costs of Technical Maintenance on Resources

Table 15 depicts the costs of technical maintenance by costs of maintenance in conjunction with current repairs and remodeling costs.

Table 15
Costs of Technical Maintenance of Municipal Resources in the
Ochota District in 1996

(PLN per 1 m² of Usable Space per Month)

Item	Total	Including the Following Costs	
		Maintenance and Current Repairs	Refurbishments
1	2	3	4
Ochota	0.87	0.25	0.62
%	100	29	71
Centrum Township	0.44	0.14	0.30
%	100	32	68
Comparative Research	0.57	0.10	0.47
%	100	18	82

Zwracają uwagę znacznie wyższe nakłady na remonty w Ochota District, prawie dwukrotnie przewyższają one ten wskaźnik dla Gminy Centrum. Już w 1995r, a więc w pierwszym roku funkcjonowania housing communes GGKO dla każdej wspólnoty założyła odrębne konto bankowe z przeznaczeniem na gromadzenie środków remontowych. Zaliczka na pokrycie kosztów zarządu nieruchomością wspólną została podzielona na dwie części: zaliczkę tzw. „A” na bieżące utrzymanie nieruchomości wspólnej oraz na zaliczkę „B” remontową. Wszystkie zaliczki remontowe, łącznie ze środkami pochodzącymi od gminy, w związku z posiadanymi przez nią udziałami, są gromadzone na wydzielonych kontach. W celu uzyskania wyższego oprocentowania zakłada się lokaty terminowe, jeśli fundusze gromadzone są przez dłuższy czas.

Rozwiązanie to z pewnością w bardzo znaczący sposób wpłynęło na ustalanie przez housing communes wysokich zaliczek remontowych. W roku 1996 średnia zaliczka remontowa wyniosła aż 0,56 PLN/m²miesięcznie. W roku bieżącym jest ona jeszcze wyższa - ok. 0,86 PLN/m²miesięcznie. Dodatkowe środki finansowe, które zostały przyznane jednostkom zarządzającym przez gminę Centrum na usuwanie zagrożeń budowlanych powiększyły fundusz remontowy.

7 Revenues to Maintain Resources

Na dochody spółki zarządzającej zasobami komunalnymi składają się:

- wpływy z majątku gminy w postaci czynszów lokali mieszkalnych i użytkowych,
- wpływy od właścicieli lokali wykupionych w postaci zaliczek na pokrycie kosztów zarządu. Właściciele, jak wspomniano, wnoszą dwie zaliczki: zaliczkę „A” tzw. bieżącą na pokrycie comiesięcznych kosztów utrzymania (koszty administracyjne, utrzymania czystości,

konserwację techniczną i in.) oraz zaliczkę „B” remontową na realizację planu gospodarczego w części remontowej,

- opłaty wnoszone przez właścicieli i najemców lokali mieszkalnych i użytkowych związane ze świadczeniami (zimna woda, kanalizacja energia cieplna i wywóz odpadów).
- wpływy pozostałe (odsetki bankowe, odsetki od kapitału, dzierżawa, i inne)

1996 dochody pozostałe zostały zasilone wpłatą Gminy Włochy z tytułu rozliczenia ze spółką poniesionych przez nią kosztów administrowania i remontów w zasobach stanowiących, po reformie ustroju m. st. Warszawy, własność gminy Włochy. Dochody te zwiększyły możliwości finansowania remontów w roku 1996r.

Średnie stawki opłat (łącznie z opłatami za wodę, kanalizację i wywóz odpadów) dla lokali mieszkalnych (komunalnych i wykupionych) oraz użytkowych przedstawiono w Table 16.

Table 16
Average Fee Rates* Charged in Municipal Resources in the Ochota District in 1996

(PLN per 1 m2 of Usable Space)

Item	Lokale mieszkalne	Lokale użytkowe
1	2	3
Ochota	1.85	6.83
Centrum Township	1.55	7.35
Comparative Research	1.24	5.03

* Łącznie ze świadczeniami, bez opłat za co. i cw.

Średnie stawki opłat wnoszone przez mieszkańców i najemców lokali użytkowych są w Ochota District znacznie wyższe niż w badaniach porównawczych. W lokalach mieszkalnych średnia stawka stanowi prawie 150% średniej z badań, natomiast dla lokali użytkowych średnia stawka jest o ok. 35% wyższa niż w badaniach. Na tak wysoką stawkę opłat w lokalach mieszkalnych ma duży wpływ wysoka średnia zaliczka z lokali wykupionych a także stosunkowo wysoka średnia stawka czynszu regulowanego uzyskiwana z lokali mieszkalnych należących do gminy.

Jak widać średnie stawki opłat z lokali mieszkalnych w Ochota District przewyższają również stawki w Centrum Township. Wysoka średnia opłata z lokali użytkowych w Centrum Township wynika przede wszystkim z bardzo wysokich czynszów za te lokale w dzielnicy Śródmieście.

Table 17 below shows the sources of funds to finance GGKO's operations in 1996.

Table 17
Source of Funds to Maintain Municipal Resources in the Ochota District in 1996

(PLN per 1 m² of Total Exploited Space)

Item	Total Funds	Including:			
		Revenues from Premises*		Other Revenues	Subsidies
		Residential	Commercial		
1	2	3	4	5	6
Ochota	2.57	1.66	0.68	0.17	0.06
%	100	65	26	7	2
Centrum Township	2.55	1.34	1.02	0.08	0.11
%	100	53	40	3	4
Comparative Research	1.92	1.09	0.59	x	0.24
%	100	57	31	x	12

* Including services but excluding central heating and warm water.

The revenues generated by the company from the resources were much higher in 1996 than in the comparative research while subsidies were four times smaller.

7.1 Rent-Control Rates

Uchwała Rady Gminy Warsaw Centrum o czynszu regulowanym przewiduje pobieranie różnych stawek czynszu regulowanego w zależności od położenia budynku w określonej strefie miejskiej. W Ochota District znajdują się dwie strefy, dla których obowiązywały na koniec 1996r. następujące stawki czynszu: I strefa - 1,40 PLN/m², II strefa - 1,35 PLN/m². Należy dodać, że w danej strefie były to stawki maksymalne i obowiązywały dla lokali o typowym standardzie oznaczającym wyposażenie lokalu w następujące instalacje: elektryczność, zimna woda i kanalizacja, gaz, centralne ogrzewanie, centralną ciepłą wodę. Od stawki maksymalnej najemcy zniżki z tytułu odstępstwa od powyższego standardu.

Najniższa stawka czynszu obowiązywała dla budynków położonych w strefie III i wynosiła 1,30 PLN/m². W Ochota District nie ma III strefy. W Table 18 podano stawki czynszowe obowiązujące na koniec roku 1996 w Centrum Townshipi Ochota District.

Średnia stawka czynszu regulowanego jest w Ochota District najwyższa wśród wszystkich dzielnic Gminy Centrum. Ma na to duży wpływ struktura zasobów - stosunkowo dużo jest na Ochocie budynków powojennych, a te budowane wcześniej są stosunkowo dobrze wyposażone w instalacje sanitarne. Korzystny jest również podział na strefy - tylko I i II.

Table 18
Rent-Control Rates Valid in the Ochota District at the End of 1996

Item	Rent-Control Rates			Rent for Social Room
	Lowest	Mean	Highest	
1	2	3	4	5
Ochota	0.38	1.18	1.40	0.35
Centrum Township		1.09		0.35
Comparative Research	0.50	0.90	1.32	

7.2 Advance Payments to Cover the Costs of Managing Housing Commune Buildings
The advance payments to cover the costs of managing common real estate from the owners of premises have been depicted below.

Table 19
Amount of Advance Payment to Cover Management Costs

(per 1 m2 of space on purchased units)

Item	Amount of Current Advance Payment (without refurbishments)			Mean Refurbishment Advance Payment
	Least	Mean	Highest	
1	2	3	4	5
Ochota	0.61	0.93	1.56	0.54
Total	Average Total Advance Payment = 1.47 PLN/m2			

Table 17 showed the average fees generated from residential premises and purchased (municipal and purchased) and from commercial premises, along with some services (cold water, sewage, garbage removal).

As was mentioned previously, the owners of premises make advance payments to cover the costs of managing common real estate in two parts: the "Type-A" advance payment to cover current maintenance costs and the "Type-B" advance payment for remodeling the building. The revenues from "Type-A" advance payments are accrued on the company's bank account (along with the fees for services due), while the "Type-B" advance payments are amassed on separate accounts treated individually for each commune.

7.3 Housing Subsidies and Allowances

Contributions to municipal housing resources incorporate housing subsidies and allowances as depicted in Table 20. It should be added that housing allowances affect the manager's financial condition insofar as they contribute to a higher ratio on collecting receivables, for

housing allowances do not apply directly to the manager but to the residents in the resources under its management.

Table 20
Payment Contributions to Municipal Housing Resources in the Ochota District

(PLN per 1 m² of Residential Space)

Item	Total Contributions	Including:	
		Subsidies	Housing Allowances
1	2	3	4
Ochota	0.13	0.07	0.06
Comparative Research	0.28	0.23	0.05

As can be seen, the total contributions to municipal housing resources in the Ochota District are less than half that in comparative research. The subsidy was exclusively for funds to remove construction threats as mentioned in Section 3.1.

7.3.1 Housing Allowances

The following tables display information on the number, structure, and amount of housing allowances awarded in the Ochota District in 1996.

Table 21
Decisions to Award Housing Allowances by
Number of Household Members in 1996

Item	Total	Decisions by Number of Household Members					
		1	2	3	4	5	6+
1	2	3	4	5	6	7	8
Ochota	2,286	1,106	434	268	298	126	54
%	100	48	19	12	13	6	2

Attention must be paid to the fact that nearly one-half of all decisions rendered were involved with awarding housing allowances applied to single individuals. Households with more than four members constituted a mere 8 percent of the total number of households to receive allowances.

Table 22
Decisions to Award Housing Allowances by Type of Unit in 1996

Item	Total	Tenants			Cooperatives		Owners		
		Municipal	Employer	Others	Residential	Ownership	Premises Purchased	Single-Family Homes	Others
1	2	3	4	5	6	7	8	9	10
Ochota	2,286	1,313	22	94	309	335	213	0	0
%	100	57	1	4	14	15	9	0	0

Tenants of municipal premises constituted more than half of those incorporated in the housing allowance program; this is slightly higher than the percentage of municipal premises in the district's total housing resources.

Table 23
Decisions to Award Housing Allowances by Amount of Allowance in 1996

Item	Total	Amount of Housing Allowance in PLN				
		Up to 40 PLN	40-60 PLN	60-80 PLN	80-100 PLN	More than 100 PLN
1	2	3	4	5	6	7
Ochota	2,286	816	515	396	265	294
%	100	36	23	17	12	13

Table 24
Amounts of Housing Allowances Awarded in Individual Types of Units in 1996

Item	Total PLN	Municipal- Unit Tenants	Other Housing Users		
			Cooperative	Company	Others
1	2	3	4	5	6
Ochota	858,115	511,454	269,820	11,211	65,630
%	100	60	31	1	8

Just as in the quantitative table, the share held by tenants in municipal resources in PLN terms in the total amount of allowances awarded is the largest and is higher than the percentage of municipal premises in total housing resources.

Table 25
Housing Allowances Disbursed in 1996 by Type of Unit

Item	Total	Municipal Unit Tenants	Other Apartment Users		
			Cooperative	Company	Others
1	2	3	4	5	6
Ochota	18,743	11,139	4,596	192	2,816
%	100	59	25	1	15

The average amount of the allowance disbursed for municipal premises was equal to the average amount of the allowance disbursed to the others; it was 46 PLN per month.

8 The Financial Standing in the Management of Municipal Resources in the Ochota District in 1996

Table 26 depicts the degree to which costs incurred were covered by the revenues generated and the profit obtained by the Ochota Township Housing Authority, Ltd. in 1996.

Table 26
GGKO Ltd.'s Financial Standing in 1996

Item	Maintenance Cost per 1 m2 of Total Exploited Space					
	Total Cost	Including % (costs=100%)				
		Revenues to Maintain Resources				Profit/ Loss
		Own Funds from Premises		Other Revenues	Subsidies	
		Residential	Commercial			
1	2	3	4	5	6	
Ochota	2.44	68	28	7	2	+5%
Centrum Township	2.13	63	47	4	5	+19%
Comparative Research	1.80	61	33	x	13	+7%

As is evident, the subsidy received by the Ochota Township Housing Authority, Ltd. did not have a decisive impact on the profit generated by the company. It should be noted that the subsidy for the Ochota District was much lower than in comparative research. Furthermore, the funds awarded were appropriated for a specific purpose, i.e., removing construction threats according to the address decisions made by the commission. The relatively large percentage

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of revenues from residential premises in the company's total revenues draws our attention when juxtaposed to the data from the Centrum Township and comparative research.

8.1 Overdue Fees, Collection of Receivables

The percentage of overdue fees in residential and commercial premises in the Ochota District is presented below. Only the incremental increase in overdue fees arising in 1996 was included.

**Table 27
Percentage of Overdue Fees for Residential and Commercial Premises in
Municipal Resources in 1996**

Item	Percentage of Overdue Fees in Anticipated Annual Revenues		
	Total	Residential Premises	Commercial Premises
1	2	3	4
Ochota	1.4%	1.75%	0.23%
Comparative Research	6	6	5

The percentage ratio of overdue payments in 1996 to fees due is very clearly much lower in the Ochota District; in fact, it is several times lower. The incremental increase for residential premises in relation to the fees due is nearly three-and-a-half times lower than in comparative research, while the difference for commercial premises is 20-fold. Days overdue ratios are often used to compare efficiency in debt collection. Table 28 depicts these ratios for the Ochota District by the amounts overdue on December 31, 1996, without interest and calculated year to date.

**Table 28
Days Overdue Ratio on the Ochota District's Resources**

Item	Total	Commercial Premises	Residential Premises		
			Total	Purchased	Municipal
1	2	3	4	5	6
Ochota	28.2	27.2	28.5	10.7	40.5
Central Township	35.8	35.8	35.8	18.4	no data

The days overdue ratio in the Ochota District is clearly lower than in the Centrum Township, both in total premises and in residential and commercial premises treated separately. The extensive difference between the purchased and municipal-owned premises deserves out attention. The days overdue ratio is nearly four times greater for tenants than for owners of purchased premises. Table 29 depicts the structure of overdue payments by how long the payments are overdue in residential premises, while Table 30 depicts the same information in commercial premises.

Table 29
Structure of Overdue Payments in Housing Units in the Ochota District

As of December 31, 1996

Item		Overdue Fees				
		Total	Up to 3 months	3-6 months	6-24 months	24+ months
1		2	3	4	5	6
Share of Tenants with Overdue Fees		100%	78%	8%	11%	3%
Including	Municipal	68%	48%	7%	10%	3%
	Purchased	32%	30%	1%	1%	0%
Percentage of Overdue Debt in Residential Premises		100%	20%	11%	43%	26%
Including	Municipal	86%	13%	9%	41%	24%
	Purchased	14%	7%	2%	2%	2%

The largest group in terms of numbers of tenants and owners with overdue payments are those with non-current payments of up to three months. The largest percentage group in terms of amount of debt are those with amounts overdue from 6 to 24 months. This testifies to the fact that there is a lack of effective mechanisms to recover debt from people who are long overdue with their fees. However, this accusation applies to housing management throughout the nation.

Table 30
Structure of Overdue Fees in Housing Units in the Ochota District

As of December 31, 1996

Item		Overdue Fees				
		Total	Up to 3 months	3-6 months	6-24 months	24+ months
1	2	3	4	5	6	7
Ochota	Number of Tenants	100%	88%	5%	6%	1%
	Overdue	100%	69%	4%	23%	4%
Centrum Township	Number of Tenants	100%	80%	9%	7%	4%
	Overdue	100%	38%	8%	21%	33%

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It can be seen that Ochota District has more short-term payments on hand than Centrum Township and has shorter-term liabilities whose effective debt collection is easier and more likely. This also refers to quantity comparisons.

8.2 Ochota Ltd.'s Self-Sufficiency

When assessing the self-sufficiency of a unit with the self-sufficiency co-efficient constituting the ratio of the amount of subsidy awarded to the amount of revenues planned on rents and other fees, it should be stated that the lower the value of this ratio, the higher the company's level of self-sufficiency. Table 31 portrays the 1996 self-sufficiency co-efficient for the Ochota District and the Centrum Township.

Table 31
Self-Sufficiency Co-Efficient for the
Ochota District and the Centrum Township in 1996

Item	Total Revenues	Subsidies	Self-Sufficiency Co-Efficient
1	2	3	4
Ochota	43,221,000	617,000	1.4%
Centrum Township	450,338,000	12,477,499	2.8%

It is manifest that the Ochota District's self-sufficiency co-efficient is two times more favorable than that of the Centrum Township. The subsidy exerted a lesser degree of influence on the ultimate profit generated by GGKO.

9 Final Conclusions

In recapitulating this paper, the following should be emphasized.

1. A large number of housing communes, a substantial degree of privatization in housing resources.
2. High expenditures for technical maintenance of resources, including high expenditures for planned repairs, which has a favorable influence on the improvement in the technical state of real estate.
3. Long-term planning of refurbishments in housing commune buildings, systematic gathering of financial resources to refurbish real estate over future years.
4. Higher maintenance costs than in comparative research, but lower than in the Centrum Township. The higher exploitation costs are related to the high number of housing communes and purchased premises.
5. Relatively high costs for maintaining cleanliness.
6. High fees on housing units, both from housing unit owners and tenants in municipal units.
7. Good standard of housing resources and a high mean rate of rent control as derived from the above.
8. High fee rates for commercial premises, the second highest after the Śródmieście District.

9. All commercial premises are owned by the township, the rents and fees for these units provide revenues for municipal resource management.
10. High self-sufficiency of unit, which covers the costs to maintain these resources from its own proceeds.
11. Very low overdue fee ratios, effective collection of receivables, especially in regard to commercial premises. At the same time, it must be emphasized that no fees have been forgiven and that the company has fully assumed all financial liabilities from the former PGM.
12. Separate refurbishment accounts for each housing commune.
13. The unit managing municipal resources operating as a company is perceived as being more effective in juxtaposition with the other units operating in the Centrum Township as budgetary entities.
14. The Company does not conduct any other activities besides its core activities, in other words, managing and administering resources.
15. In the Centrum Township, which is composed of seven districts in which units managing municipal property conduct their operations, it is theoretically plausible that these units could compete with one another. The dense municipal construction, the opportunity to select an administrator at liberty by a large number of housing communes with a majority interest held by natural persons lays the terms for one unit "to penetrate" the area previously ascribed to another unit. Until now, however, such competition has not occurred. The market of private companies offering administrative services to communes is also quite limited.