PILOT LOCAL GOVERNMENT PARTNERSHIP PROGRAM

SUMMARY OF ACHIEVEMENTS IN HOUSING DEVELOPMENT

Prepared for
East European Regional Housing Sector Assistance Project
Project 180-0034
U.S. Agency for International Development, ENI/EEUD/UDH
Contract No. EPE-C-00-95-001100-00, RFS No. 631

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October 1997
UI Project 06610-631
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This paper describes the achievements of technical assistance activities related to housing development as part of the Pilot Local Government Partnership Program (Pilot LGPP) in Poland. Technical assistance in the housing sector under the Pilot LGPP was broad and extensive. Five out of eight Pilot gminas (Ostrow Wielkopolski, Kutno, Bielsko-Biala, Ziebice, and Szczecin) participated in housing related activities, working in the areas of housing strategy development, communal housing management, housing cooperative development, and housing monitoring system development. This type of commitment to housing by gminas suggest that there is strong demand to address housing issues on the local level in Poland.

INTRODUCTION

Decentralization of responsibility and privatization are two important themes in nearly every sector undergoing reform in Poland. The housing sector is particularly vulnerable to this transformation since it embodies the single greatest asset of reproducible wealth in the country (about twenty-five percent) and contributes anywhere from seven to eighteen percent towards the national product. In addition, the housing sector plays a key role in economic development by influencing labor mobility through the availability of housing.

Gminas are struggling to promote housing development through a variety of methods. Ownership of communal housing, which constitutes a substantial share of housing, has been transferred to local governments. Local governments are now responsible for developing strategies to manage and promote housing development along with land use planning and infrastructure provision. In unison with national level policies gminas officials must formulate local-level housing policies that address local priorities, needs, and constraints to private sector housing provision.

Technical assistance in the housing sector under the Pilot LGPP focused on both direct and indirect assistance to gminas to promote better housing solutions for their citizenry. Under the more direct approach (utilized more extensively in Szczecin, Bielsko-Biala, and Ziebice), Pilot LGPP activities focused on helping gminas with developing housing needs assessments, managing communal housing, and assisting gminas to develop housing strategies. Under the second approach, technical assistance focused on developing housing using small-scale cooperatives (AWIM). In one gmina (Ostrow Wielkopolski) the Pilot LGPP supported the development and interpretation of a housing indicator/monitoring system that not only helped the gmina with formulating a market-oriented housing strategy but also was meant to assist the private sector institutions with information to address Ostrow's housing needs.

HOUSING DEMAND ANALYSIS

Pilot LGPP consultants played a leading role in assisting the city of Szczecin to develop a housing strategy using a needs-based approach. In this gmina, the Housing Policy adopted by the gmina was linked with their Renovation Strategy to promote public-private partnerships. Szczecin officials worked closely with
USAID-sponsored consultants to promote “demand driven” housing development through the use of partnerships and the development of a non-government organization to promote rental housing (TBS).

The consultants' key input to this process was designing and implementing a household survey that collected data on housing and household characteristics. This survey of almost one thousand households focused particular attention on indicators that revealed household preferences for housing and household demand for housing, including household income data. Following data collection activities, consultants developed statistical associations between household preferences and their ability to pay for housing. This information was then matched against the type of housing available in the local market to determine the extent of housing need. With this information, the gmina and the private sector will be in a better position to respond to housing demand through selective use of available housing development tools (e.g. TBS, cooperative housing, land-use planning, infrastructure development).

A similar approach to housing development was undertaken in Ziebice. There USAID-sponsored consultants worked with gmina officials to develop a Housing Needs Assessment. This Assessment was used by the gmina to formulate its Housing Strategy that, like in Szczecin, links housing development with the Gmina's Revitalization Program to promote not only housing but overall economic development of the gmina. The Pilot LGPP supported a workshop in late July to assist the gmina with understanding these linkages and outlining specific strategies on how to implement development plans.

HOUSING DEVELOPMENT AND FINANCIAL ANALYSIS

In 1996, Bielsko Biala prepared a housing strategy with USAID-sponsored technical assistance. The gmina sought long-term financing to implement some elements of this strategy. In early 1997, the gmina's Management Board developed and adopted a list of 12 program areas requiring external financing. These programs corresponded to the highest priorities identified in the strategy. They included elements of such investments as: 1) "alternative" housing development through Social Housing Associations (TBS) and the local AWIM, 2) packing of land parcels for sale to private developers, 3) redevelopment of unused industrial space for temporary communal housing, and 4) public investments to revitalize the historic market square in old town. Together, the Gmina treated the program areas as a comprehensive “Housing Sector Investment Program”.

Initially, Bielsko-Biala's Management Board sought to issue Municipal Bonds to finance some or all of these programs. In response to their request, Pilot LGPP consultants evaluated the gmina's credit worthiness using the Gmina Financial Analysis Model (GFAM). The initial analysis revealed the gmina’s debt carrying capacity to be significantly lower than anticipated. Subsequent assistance led to redefining the debt plan, with the result that the gmina is now negotiating with local banks to obtain a line of credit that is within limits of the repayment capacity for the gmina.

In the spring of 1997, the Gmina's Executive Board voted to accept the “Housing Sector Investment Program”. The gmina assigned staff to this task to work together with USAID-sponsored technicians to implement the Program. There now 12 teams assigned to this task, working to assess financial feasibility
of each component of the program. It is yet uncertain whether all 12 programs will qualify for funding from commercial credit. Nevertheless, funds should be available to the initial programs by late 1997.

HOUSING DEVELOPMENT USING THE COOPERATIVE METHOD

Agencies for the Support of Housing Initiatives (AWIM) work to promote housing solutions using a cooperative approach to housing development. AWIMs have been formed at the local level in select gminas throughout Poland. Their purpose is to promote a democratic method to housing development by securing land and access to financing for its members. Through this approach, households are able to realize newly constructed housing using competitive construction practices and commercial credit at market terms. Though this type of approach to housing development was implemented before the advent of the Pilot LGPP, the linkage between the work of the AWIMs and related Pilot LGPP activities is integral to promoting housing development in Pilot Gminas.

The Szczecin AWIM was formed in 1995 with the establishment of “Na Wzgorzu” (On the Hill) housing cooperative. During this year, the Cooperative obtained municipal land for building 21 houses. The following year, construction began and in 1997 ownership rights were transferred to the new owners. Additional land is being prepared for new Cooperative-produced housing. In addition, AWIM officials worked with the gmina to assist them to develop their comprehensive housing policy.

In early 1997, an AWIM was established in Kutno named “Ciepla Chata” (Warm Cabin). Work has begun by the Cooperative to prepare land and arrange for access to credit. For the time being, about 15 households have expressed an interest in participating in the program. In yet another Pilot LGPP Gmina, the AWIM in Ziebice created a housing cooperative “Promyk” to develop city-owned land and access to credit financing. The Cooperative is activity engaged with the gmina to rezone land from its intended use to one that allows the construction of single family houses.

The AWIM in Bielsko-Biala has been active in housing development since 1994. Thirty-two housing units have already been completed, and the cooperative “Bielsko-Biala” plans to begin construction of over eighty new units in September 1997. Another cooperative was established for families who want to live in multi-family apartments buildings. As in Bielsko-Biala, the Ostrow Wielkopolski AWIM has led to the formation of new housing cooperative named “Our House” for the purpose of promoting housing development. Members of this AWIM have selected initial housing design plans and assessed sites for housing development.

HOUSING MANAGEMENT ACTIVITIES

Technical assistance activities to promote better housing management practices for communal housing enterprises was begun before the Pilot LGPP, but nonetheless constitute an important linkage among related activities sponsored by the Pilot program. Two Pilot gminas received assistance in restructuring their municipal housing management enterprises: Ostrow Wielkopolski and Bielsko-Biala. This summary paper
addresses the experience of only one gmina since it reflects the effort to link this activity with activities conducted under other Pilot LGPP modules.

The gmina *Ostrow Wielkopolski* has restructured its municipal enterprises to perform with greater efficiency. The enterprise that manages the communal housing stock (MZGM) is now one of six Gmina enterprises controlled by a holding company (owned by the Gmina). The MZGM sought to project the financial impact of various management practices in areas such as rent setting, administration of housing allowances, and alternative capital repair investments.

In order to improve the information base and planning capabilities, Pilot LGPP consultants installed and trained MZGM staff to operate two computer software programs. The most important of these programs was the “Housing Stock Management Information System” (MIS). This information tool is designed so that it can analyze capital repair needs, estimate budgets for capital repairs, and project rent-setting policies under different scenarios. The second program is the “Enterprise Financial Conditions Model” that assists the MZGM to project costs and revenues.

**A STRATEGIC APPROACH TO ASSISTING GMINA’S WITH DEVELOPING HOUSING OPPORTUNITIES**

By utilizing a coordinated or strategic approach to technical assistance, USAID-sponsored programs can lead to measurable improvements in an array of sectors. One example can be found in Ostrow Wielkopolski. In response to the Ostrow Wielkopolski’s receptiveness to technical assistance and in order to promote better delivery of their expertise, Pilot LGPP consultants formed a Technical Assistance Working Group (TAWG). With some regularity, TAWG held meetings to discuss linkages in all areas of assistance and to coordinate activity in this gmina. Its primary goal was to ensure the efficient and timely delivery of technical assistance and to promote linkages across sectors, where possible. With a strategic approach to the delivery of technical assistance combined with strategic planning, Ostrow Wielkopolski officials could leverage expertise in different Pilot LGPP module areas to promote the better delivery of government services.

The integrated orientation towards various sectors is essential to effectively address the housing challenges faced by gminas. Housing development—based on market principals—is dependent upon the interplay among many different sectors, including land, infrastructure, financing, and central and local government policies. Effective demand for housing is contingent upon income and population growth and migration patterns. Gminas can exploit opportunities to reduce the cost of housing and increase its availability by accelerating the close integration of strategic planning with reforms in land and infrastructure sectors.

A key factor to developing a strategic approach to technical assistance was to promote linkages among the housing, land-use planning, and financial analysis modules of the Pilot LGPP. During the first part of this year, while working with Pilot LGPP consultants, Gmina officials evaluated its debt-carrying capacity and capital investment priorities. This analysis resulted in the issuance of municipal bonds for the purpose of infrastructure development. Another activity that took place in Ostrow Wielkopolski related to task-based budgeting or budget bench-marking using a comprehensive simulation model. These analyses helped the gmina to prioritize its investment decisions, especially in regard to infrastructure development.
Ostrow Wielkopolski officials worked with Pilot LGPP consultants under a collaborative agreement to develop maps for implementing a land-use strategy designed to address the new realities of markets and address past land-use practices that lead to an inefficient spatial orientation in the gmina. The key technical assistance activity under this module centered on exploring the use of financing infrastructure investments, coordinating land use with other levels of government, and recycling land. During October, a land-use workshop was held to explore these and other land-use issues with gmina officials and to assist the gmina with utilizing data gathered as part of this activity. This technical assistance should ultimately help the gmina to prioritize investment decisions made under the financial analysis module and to better understand development needs for commercial as well as residential property.

Yet another technical assistance activity in Ostrow Wielkopolski allowed for linkages across technical assistance areas. With the help of Pilot LGPP consultants, the local housing management enterprise (MZGM) implemented a “Housing Stock Management Information System” (MIS) to improve management of the communal housing stock and help determine rent setting policies. The information from the MIS was fed into the housing indicators data base that was developed with the assistance of Pilot LGPP consultants. In turn, this information will be used by the gmina to develop its housing strategy and ultimately, will be used to develop the gmina’s Studium.

During the summer, the gmina identified a need to monitor its housing stock through the implementation of a housing monitoring/indicators system. Work began with Pilot LGPP consultants to collect data related to housing and create a framework to systematically store these data. These data were derived from existing local sources supplemented with special tabulations derived from National Statistics Office (GUS). Data collected as part of the land-use module and MIS were also input to the housing monitoring data base. The goal of this exercise was to institutionalize an information base for the gmina as well the private sector to monitor developments within the housing sector. During a workshop, Pilot LGPP consultants assessed the housing sector of the Ostrow Wielkopolski and offered suggestions for prioritizing the gmina’s policy options to develop a market-oriented housing sector using information gained from other technical assistance activities.

CONCLUSIONS

The work done under the housing component of the Pilot LGPP was diverse, addressing a broad array of issues. There was considerable work conducted in the area of housing management, focusing on assisting municipal enterprises to create a more efficient approach to managing their housing. The introduction of a AWIMs in select Pilot gminas helped to promote decentralized, market-oriented housing delivery through NGOs. The work in developing a housing monitoring system showed that—with little expenditure of resources—gminas can amass information to guide policies that promote a market-oriented housing sector and strategically integrate different sectors.

The activities conducted under the housing component of Pilot LGPP did promote approaches to housing development that lend to:
Use of resources more effectively in the execution of housing mandates and as enablers/facilitators in housing management and development.

Respond better to the needs of residents and to the conditions of a market economy at a time of substantial change (legal, economic, and regulatory).

Become more accountable to residents and other constituents through the development of participatory planning toward common objectives.

During the course of the Pilot LGPP, gminas benefitted from technical assistance to address their housing needs. The accomplishments include:

- Assisting one gmina with developing their housing strategy and collecting data on housing needs to better define the gmina's approach to housing development.

- Restructuring housing management enterprises in two gminas with one benefitting from the installation of a management information system to increase operating efficiency.

- Linking technical assistance in financial planning with housing development in one gmina and assisting the gmina with developing its housing strategy.

- Promoting a democratic approach to housing development in five gminas by using small-scale cooperatives that work with gminas to develop housing.

- Creating a comprehensive data base on housing indicators and installing a housing monitoring system in one gmina for promoting market-based housing development and linking information from different sectors to help the gmina strategically address their overall development strategy.

Because of the diversity of approaches under this module, USAID should evaluate the impact of each technical assistance activity and advance the approaches that prove to be the most beneficial. The models and processes developed under this component of the Pilot LGPP should guide further USAID-sponsored work in this sector.