



European Construction Sector Observatory

Policy fact sheet

Poland

Apartment Plus

Thematic objective 1

September 2019



In a nutshell

Implementing body	PFR Nieruchomości SA ¹ – a subsidy of the Polish Development Fund (Polski Fundusz Rozwoju).
Key features & objectives	The Apartment Plus Programme is implementing a series of government actions that aim to increase public and private sector investment in affordable housing.
Implementation date	2016
Targeted beneficiaries	All social groups, particularly young families and those on low and moderate incomes. Also: private investors; social housing associations; housing cooperatives; municipal governments; producers of building materials; construction and assembly companies; and financial institutions.
Targeted sub-sectors	Residential
Budget (EUR)	EUR 8.49 billion (PLN 36.51 billion) ² (Value of projects assessed)
Good practice	★ ★ ★ ☆ ☆
Transferability	★ ★ ★ ☆ ☆

The Polish government launched the National Housing Programme (Narodowy Program Mieszkaniowy)³ on 27 September 2016 as one of the priority tools for implementing the Strategy for Responsible Development (Strategia na rzecz Odpowiedzialnego Rozwoju). The National Housing Programme defines the main objectives of the State Housing Policy to 2030, as well as a range of regulatory and financial measures to implement those objectives. The main goals are to:

- Increase access to housing for people whose incomes prevent them from buying or renting a

flat at market rates. The number of apartments per 1 thousand inhabitants should reach the current average of the European Union (435 apartments per 1,000 people);

- Increase the supply of housing to better address the basic housing needs of people at risk of social exclusion (due to low income or a particularly difficult life situation). Municipalities should have the capacity to meet the housing needs of all households – currently there are about 165,000 households on waiting lists;
- Improve housing conditions, the technical condition of housing resources and increase energy efficiency. The number of people living in substandard conditions (low technical condition of the building, lack of basic technical installations or overpopulation) should decrease by 2 million people (from approx. 5.3 to about 3.3 million).

Apartment Plus (Mieszkanie Plus)⁴ is a government-funded initiative that is designed to deliver the most important package of solutions of the National Housing Programme.

Apartment Plus aims to provide a strong pro-development impulse for the local economy, with investments implemented on market terms. Apartments will be built in locations stipulated by individual municipalities. Less advantaged families (young families in particular) will be able to access apartments at moderate (affordable) rents. The purpose is to reduce the burden of debt that families can face, and encourage demographic growth, mobility and flexibility in the labour market.

Apartment Plus aims to support the development of 100,000 apartments by the end of 2019. However, with less than 12 months to go before that deadline, the programme has only managed to support 30% of that target number. The government is nonetheless confident that the target of 100,000 will be reached by the year end. An additional 10-15,000 apartments are expected to be approved by the end of the first quarter 2019, and the government appears confident that recent legal and procedural reforms will help to speed up the pre-implementation phase for new housing projects.

1.

General description

The Apartment Plus (Mieszkanie Plus)⁵ Programme is implementing a series of government actions that aim to increase public (central and local government) and private sector investment in affordable housing.

Apartment Plus is a universal programme that aims to benefit all social groups. It provides support to people that are unable, for various reasons, to purchase or rent an apartment at market rates. It aims to increase the availability of rental apartments to encourage mobility and flexibility in the labour market. It also aims to improve the situation of young families in particular, for whom getting an apartment with the right standard may be the basis for making a decision about having more children.

Apartment Plus aims to support the supply of 100,000 apartments to the market by the end of 2019. By that time, all approved projects should have at least commenced development work with the committed support of the programme. There is no objective for the number of completions by the end of 2019.

Number of apartments expected to be supported and under development by the end of 2019.

 **100,000**

Apartment Plus aims to provide apartments for rent or 'rent with the option to buy'. Local governments stipulate their own criteria for granting an apartment and tenancy. Factors such as the number of children or the moderate-income levels of future tenants may be taken into account. Tenants are required to meet two criteria: they do not already own an apartment or other property; and they must be able to pay their rent on time.

Apartment Plus aims to provide rent subsidies to families on lower incomes. This means that people

with insufficient income to buy or rent an apartment at market rates can rent an apartment at an affordable rate. From January 2019, new or renovated apartments will be covered as part of a cooperative agreement between investors and local governments. To access this support, prospective tenants are required to:

- Contact their Municipal Office;
- Find out what type of tenancy agreements are available in their area (e.g. tenancy or tenancy with right to buy);
- Submit an application for a tenancy agreement to their municipality (if approved, the application is then passed to investors/landlords – e.g. housing associations);
- Agree and sign tenancy agreement (contract) with landlord;
- Submit an application to their Municipal Office for rent subsidy payments (if approved, the municipality will transfer the rent subsidy directly to the landlord and inform the applicant of the reduced rent they will be required to pay the landlord).

Additionally, Apartment Plus aims to provide support for private investors and local governments. Support will focus on accelerating administrative procedures, unlocking the supply of land for housing investments and rationalising building regulations. These improvements are needed so that flats can be built faster, cheaper and with a higher level of quality than at present.

Development of social and communal apartments⁶

Municipalities provide communal, social and substitute housing to residents on low incomes that are typically facing difficult housing conditions.

The current amount of support for municipal construction projects varies, depending on the type of project, from 20-55% percent of the investment

costs. Eligible investment projects include renovations, reconstructions, new builds, and the purchasing of apartments or entire buildings.

The budget allocated to municipal construction projects for the autumn 2018 period was over EUR 37 million (PLN 158 million). The budget for 2019-2020 is expected to be EUR 116 million (PLN 500 million), and from 2021 to 2025, it will reach EUR 230 million (PLN 1 billion) per year. Between 2019 and 2025, communal construction projects are expected to deliver over 150,000 residential apartments. This will be supported by the introduction of a new instrument for social housing construction. It is unclear how quickly the new instrument will follow on from the expected end of Apartment Plus (end of 2019) or whether the Apartment Plus programme will be extended beyond 2019 until the new instrument is launched.

Support for private investment housing projects⁷

Apartment Plus supports the construction of apartments and apartment buildings⁸. Support is conditional on these constructions being made available to less advantaged families for rent, or with a 'rent to buy' option, at an affordable rate.

Housing projects are financed through an investment fund managed by PFR Nieruchomości (PFRN, formerly BGK Nieruchomości), which is a subsidiary of the state-owned Polish Development Bank.

The investment is provided in cooperation with local government, private investors and State Treasury entities. By the end of 2019, the value of housing projects prepared by PFRN is expected to exceed EUR 4.65 billion (PLN 20 billion).

The Apartment Plus programme promotes modern technological and construction solutions, which

allows you to reduce construction costs without losing the quality of apartments. Particular attention is devoted to maintaining the highest contemporary urban and architectural standards, as well as high energy standards.

Subject to evaluation and approval, there are three cooperation models through which Apartment Plus can support private investors⁹:

- Purchase of land (including purchase of land with a project, building permit, decision on building conditions, etc.);
- Purchase of land and financial assistance for investments under construction;
- Purchase of investments (under construction or completed).

Cooperation with private investors is dependent on the housing project meeting 4 key criteria:

- Included in the local spatial development plan for multi-family housing or has a decision on building conditions permitting multi-family housing development;
- Access to a paved public road and technical infrastructure;
- Located near schools, service points, health centres, work places, etc.;
- Good access to public transport.

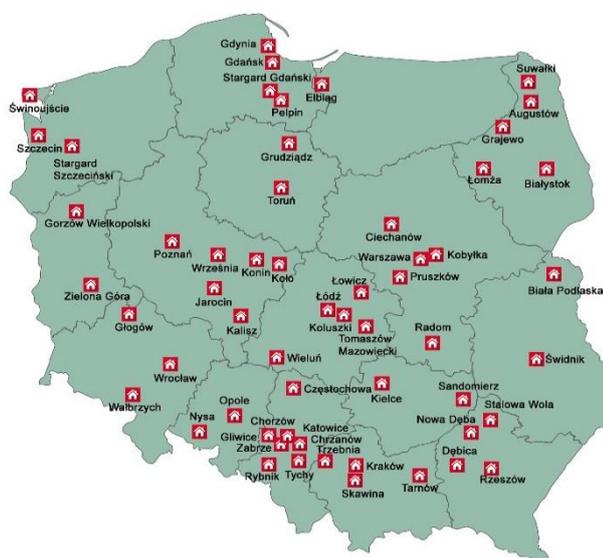
Cooperation with private investors is conducted based on a contract with PFR Nieruchomości (PFRN). PFRN determines the potential and investment possibilities of a given project after receiving documents indicating the exact location of the investment, the planning situation and the state of ownership. The duration of the investment depends on the conditions of a particular property. Typically, the investment cycle takes about 2.5-3 years.

2.

Achieved or expected results

More than 70 municipalities have expressed their intention to join the government's Apartment Plus programme, as shown in Figure 1. That number should continue to rise during 2019, as the number of potential housing locations that meet the Apartment Plus criteria is increasing¹⁰.

Figure 1: Municipalities involved in Apartment Plus



Source: Apartment Plus¹¹

Currently, proposals for approximately 30,000 apartments have completed the pre-investment assessment phase and are approved and ready for development. That represents 30% of the overall objective set for the end of 2019. However, the Deputy Minister of Investment and Development has announced¹² in February 2019 that he is confident that 100,000 apartments will be in various stages of development by the year end (i.e. approved for development at a minimum). By the end of the first quarter 2019, for example, he expects the approval of proposals for an additional 10-15 thousand apartments. Together with the proposals already approved, this would account for nearly half of the overall target.

Table 1 presents the key data on the progress of apartment development projects. The biggest

implementation challenge that the Apartment Plus Programme continues to face is the supply of land for housing development. This is the main reason that the majority of approved projects have yet to commence construction.

Table 1: Results of Apartment Plus to date

N° of apartments transferred to tenants	480
N° of apartments in commercialisation phase	364
N° of apartments under construction	658
N° of apartments in preparation	>27,000
Total (to date)	>28,502
N° of apartments expected for approval by end of Q1 2019	10-15,000
Target total by end of Q1 2019	>43,502
<i>Overall target</i>	<i>100,000</i>
N° of apartments outstanding	56,498

Source: Apartment Plus¹³

To resolve the land acquisition problem, the government plans to amend the Act on the National Property Resources (Ustawa o Krajowym Zasobie Nieruchomości) to speed up the turnover of land for development.

The Deputy Minister for Housing has also announced government plans for the development of a new instrument under the Apartment Plus Programme – a Public-Private Partnership (PPP) model.

The government is committed to implementing and testing the new instrument, with a view to using it on a larger scale in the coming years. In preparation for the new instrument, PPP approaches are being trialled by some municipalities in this current programme.

Legislative Changes¹⁴

As part of the Apartment Plus programme, legislative changes have been introduced to speed up the construction of large-scale housing throughout the country.

The Rent Subsidies Act (Ustawa o Dopłatach do Czynszu)¹⁵, which is modelled on measures in place in other EU countries, entered in force in January 2019. It entitles lower-income tenants to subsidies for rental fees, including 'rent with the option to buy'.

The subsidies will enable tens of thousands of families to rent a flat every year. In turn, housing investors will be more willing to invest in the development of flats for affordable rental, because the Act and the Apartment Plus programme have reduced the risks associated with late payments by tenants.

The Special Housing Act (Specustawa Mieszkaniowa)¹⁶ came into force in August 2018. To speed up the approval of housing investment projects, the Act streamlines the government procedures that govern the turnover of land for development, as well as project assessment and approval. The Act is intended to radically reduce the pre-implementation phase from about 5 years down to just a number of months.

Apartment Plus has also made changes to regulations on municipal construction and social housing construction. The legal right to 'perpetual usufruct' (i.e. long-term public ground lease) is replaced by the right to own an apartment. Another

example is the introduction of legal provisions for companies investing in rental properties. This type of instrument is known as a FINN (Firma Inwestująca w Najem Nieruchomości) in Poland. Outside of Poland, FINNs are more commonly known as REITs (Real Estate Investment Trusts)¹⁷.

Development of the housing market¹⁸

Through the Apartment Plus programme, the government has undertaken actions aimed at increasing the construction of affordable housing. Legislative changes are accelerating construction procedures and improving financial support for investors and tenants. Work is also underway to strengthen the labour market in the construction sector, to support social housing and housing development, as well as to increase financing for housing investments.

The Housing Sector Development Fund (Fundusz Sektora Mieszkań dla Rozwoju)¹⁹ has also been created as an important investment vehicle.

The assets of the Fund are managed by PFR Nieruchomości. The fund operates on a commercial basis and invests in new housing projects - both in small and large cities/municipalities. At the moment, the Fund conducts assessments of locations reported by local government, state-owned companies and private entities. Together, they will enable the construction of over 100,000 apartments with a total value of over EUR 4.65 billion (PLN 20 billion).

3.

Perspectives and lessons learned

Land acquisition for housing development is a key challenge. The lack of availability of suitable land is a growing problem, which is driving up the cost of land, particularly in high demand areas.

Demand is typically highest in urban areas that have good infrastructure (transport, education, healthcare, etc.). According to the Polish Association of Real Estate Developers (Polski Związek Firm Deweloperskich)²⁰, developers have for a long time signalled that land acquisition has become an extremely difficult task, and that the resources accumulated so far are beginning to shrink.

Only a small percentage of the industry today has a large enough land bank to be able to plan their investments for many years ahead. According to the President of ATAL S.A., a Polish housing developer, the hardest locations in which to find suitable land for development are Warsaw, Krakow and Gdansk. Competition among developers is particularly strong in these cities (especially in Warsaw). There is also strong competition in other provincial cities²¹.

The cost of land is a key challenge in its own right, because it has an impact on the ability of developers to invest in new developments.

The cost of land is an acute challenge for developers of all sizes; however, the smaller the developer, the more acute the investment challenge. Whereas the largest developers are likely to have the advantage of a land bank to fall back on, the President of Unimax Development, a Polish developer, says that smaller developers do not have that luxury and are forced to accept market prices if they wish to implement their investments. However, in areas of high demand, prices can range between 20 and 30% higher than just a year ago. In addition, developers also have to contend with increased project implementation costs²².

The legal and administrative procedures governing the supply of land for housing development are

another important challenge. According to the Polish Association of Real Estate Developers, they are overly complicated and too slow. This has a direct impact on the acquisition of land for development and therefore the delivery of housing development projects²³.

The government's approach to addressing housing needs has been to implement a series of complimentary policy measures through the Apartment Plus programme. However, their implementation does not seem to have been well coordinated.

Regulatory and financial support measures have been implemented to tackle housing issues from both the supply and demand side. For instance, new regulations have enabled people on lower and moderate incomes to access the rental market with the help of rent subsidies. The construction permit process has been simplified to make it easier for developers to improve the supply of housing, although developers argue that the simplification work did not go far enough. However, land supply and acquisition problems proved to be a major challenge to programme implementation, resulting in significant delays. Had these problems been identified and resolved at an earlier stage, implementation of Apartment Plus would probably have been much smoother.

A support programme such as Apartment Plus is more likely to achieve its objectives on time if the views and experiences of a wide range of stakeholders, including developers of different sizes, for example, are considered in the programme planning stage.

This would allow for issues like those already identified to be detected and resolved before implementation. However, private developers were not invited to participate in the Apartment Plus design and planning process. As a result, according to the President of the Polish Association of Real

Estate Developers, private companies have not shown strong interest in Apartment Plus 'Public-Private-Partnerships' (PPP). The main reason is economic. Private developers argue that the return on investment (ROI) is not sufficiently attractive. Under the Apartment Plus PPP model, local government is responsible for providing land for development and private development companies are responsible for developing, renting and maintaining housing on that land. Where a development is to be located and the level of rent that can be charged (set by government) are some of the factors that can limit the interest of developers²⁴.

Currently, there is insufficient data available to assess the extent of private sector involvement in

Apartment Plus and the level of private sector investment that the programme has attracted. However, the introduction of rent subsidies in January 2019 is expected to make the Apartment Plus PPP model more attractive to private developers.

Finally, in spite of the issues already mentioned, the Apartment Plus programme does appear to be having a positive impact on housing development in Poland. According to the Minister of Investment and Development, the Apartment Plus programme is playing an increasingly important role in the supply of social and affordable housing, especially in view of the steady increase in commenced and planned investments²⁵.

4.

Conclusions and recommendations

The Apartment Plus programme brings together an interesting combination of complementary government actions that aim to increase the supply of social and affordable housing for households on lower and moderate incomes.

Progress has been considerably slower than expected, with only a 30% achievement rate in housing supply thus far. However, government is confident that key reforms will enable the overall goal to be met by the end of 2019.

The dominant issue that has been affecting the implementation of the Apartment Plus programme is the land acquisition problem. Strong competition, lack of availability and the resulting high cost of land are significant factors that are influencing investment decisions.

To improve the implementation of Apartment Plus, looking forward, and to improve the roll out of future support programmes, three main recommendations are suggested:

- Legal and procedural reform is essential for housing developers, because it has a direct impact on the rate of investment in new housing projects. The recently enacted legal reforms are welcomed by developers, but it remains to be seen whether they can actually deliver the level of improvement that is needed to encourage sustained growth in investment (i.e. a greater rate of development);
- Greater emphasis should be placed on broad stakeholder involvement in the early planning phases for programmes such as Apartment Plus, to identify and address bottlenecks that are likely to hinder implementation. Had that occurred before the current programme, the delays affecting land acquisition may have been limited or avoided;
- Consideration should be given to how government (central and local) can help smaller developers to compete on a more level playing

field with the largest developers. Improving access to land for smaller developers would be a good start. It would help to diversify the housing offer and it would contribute to the growth of local jobs and economies;

- Consideration should be given to infrastructure development in areas outside of high demand locations (i.e. cities). Housing development is a more attractive proposition for developers in areas of demand. Demand exists where there is good infrastructure to support families and communities (e.g. transport, schools, hospitals, amenities, recreation, etc.). Investing in infrastructure would support demand for housing in other (less crowded and cheaper) areas and would alleviate pressure in key areas. By doing so, it would provide more diverse and perhaps cheaper housing alternatives.

Overall, Apartment Plus is considered to be a 3-star 'good practice' measure, using a scale of 1 (low) to 5 (high) stars. This score is based on a current analysis of results, prior to the end of the programme's planned implementation period, as well as the programme's overall contribution to the demand for affordable housing in Poland.

The range of actions being delivered as part of the Apartment Plus programme provide a mix of housing solutions for people on lower and moderate incomes. However, one can argue that the target of 100,000 affordable apartments is not ambitious enough. According to the National Housing Programme, there are about 165,000 households on waiting list for social/affordable housing and that number is likely to rise over the coming years. In addition, there is also an overall shortage of 2.5 million apartments in Poland.

Another factor affecting the score refers to the considerable delays encountered by the programme to start of development projects, due to legal and procedural complications affecting land acquisition. As a result, the programme has yet to

reach half of its supply target, with less than 12 months to go before the end of programme implementation. Recent legal and procedural reforms may help speeding up implementation over the rest of the year, which may, in turn, lead to a higher 'good practice' score.

Based on the implementation of Apartment Plus to date, the programme as a whole is considered to be a transferable support programme, with a score of 3 stars. The programme is most directly suited to countries and regions that are facing similar challenges related to the supply of social and affordable housing.

However, the nature of this programme, which consists of a series of government actions, means that one can take a more nuanced view of the transferability of individual programme elements. The support provided to private investors, for example, the legal and procedural reform work to simplify the investment planning, approval and implementation process is a highly transferable approach. This approach could be very beneficial to other countries that have overly complicated or burdensome procedures and regulations governing housing development, as well as those that would like to attract private sector investment.

The provision of financial support to investors on the condition that they build housing for social and/or affordable rent is another type of action that could easily be adopted by other countries. The provision of rent subsidies to lower income tenants is another interesting type of support, to enable poorer families to access housing and reduce the risk to developers (i.e. of rent arrears). Although these types of measures have already been implemented in many EU Member States, the more holistic approach taken by the Polish government – a wide range of instruments implemented at the same time to improve both supply and demand – could prove insightful for policy-makers.

Equally, support for the social housing development by local government is also an approach that is relevant to most countries. However, the key to success for all of these measures is to ensure that comprehensive planning and preparation is completed, with the involvement of a broad range of stakeholders, views and experiences, prior to implementation. It is crucial to limit or avoid problems that have the potential to act as major barriers to implementation and therefore a measure's intended impact. Coordination and sequencing are also essential activities when implementing a series of measures.

Endnotes

- 1 PFR Nieruchomości S.A. (formerly BGK Nieruchomości) is a subsidiary of the Polish Development Fund (Polski Fundusz Rozwoju). The Polish Development Fund assumed full control in 2018:
<https://nieruchomosci.pfr.pl/>
<https://bgkn.pl/>
- 2 Mieszkanie Plus, Dla kogo program:
<https://mieszkanieplus.gov.pl/program/#dla-kogo-program>
- 3 Narodowy Program Mieszkaniowy:
https://www.miir.gov.pl/media/51635/Narodowy_Program_Mieszkaniowy.pdf
- 4 Mieszkanie Plus:
<https://mieszkanieplus.gov.pl/>
<http://mieszkanieplus.com/>
- 5 Ibidem.
- 6 Mieszkanie Plus, Dla kogo program:
<https://mieszkanieplus.gov.pl/program/#dla-kogo-program>
- 7 Ibidem.
- 8 Ibidem.
- 9 Mieszkanie Plus, Przedsiębiorcy:
<https://mieszkanieplus.gov.pl/przedsiębiorcy/>
- 10 Mieszkanie Plus, Miasta w Programie Mieszkanie Plus:
<http://mieszkanieplus.com/miasta-w-programie-mieszkanie-plus/>
- 11 Ibidem.
- 12 Mieszkanie Plus, 100 tysięcy mieszkań na różnym etapie realizacji do końca roku w ramach programu Mieszkanie Plus:
<https://mieszkanieplus.gov.pl/100-tysiecy-mieszkan-na-roznym-etapie-realizacji-do-konca-roku-w-ramach-programu-mieszkanie-plus/>
- 13 Mieszkanie Plus, Dla kogo program:
<https://mieszkanieplus.gov.pl/program/#dla-kogo-program>
- 14 Ibidem.
- 15 USTAWA z dnia 20 lipca 2018 r.o pomocy państwa w ponoszeniu wydatków mieszkaniowych w pierwszych latach najmu mieszkania:
http://orka.sejm.gov.pl/proc8.nsf/ustawy/2651_u.htm
- 16 Rządowy Proces Legislacyjny, Projekt ustawy o ułatwieniach w przygotowaniu i realizacji inwestycji mieszkaniowych oraz inwestycji towarzyszących:
<https://legislacja.rcl.gov.pl/projekt/12309302/katalog/12496184>
- 17 REITs = Real Estate Investment Trusts / FINN (firmach inwestujących w najem nieruchomości) = a Polish Real Estate Investment Trust:
<https://www.reit.com/what-reit>
- 18 Mieszkanie Plus, Dla kogo program:
<https://mieszkanieplus.gov.pl/program/#dla-kogo-program>
- 19 Fundusz Sektora Mieszkań dla Rozwoju:
<https://www.pfrtfi.pl/fundusz-municipalny-fizan/>
- 20 Bankier.pl, Banki ziemi deweloperów się kurczą, a dostępnych działek coraz mniej:
<https://www.bankier.pl/wiadomosc/Banki-ziemi-deweloperow-sie-kurcza-a-dostepnych-dzialek-coraz-mniej-7595893.html>
- 21 Ibidem.
- 22 Ibidem.
- 23 Ibidem.
- 24 TOKFM.pl, Deweloperzy o programie Mieszkanie Plus. "To się nie oplaca. Ten biznes się nie skleja", 2018:
http://www.tokfm.pl/Tokfm/7_103454,23046859,deweloperzy-i-mieszkanie-plus-to-sie-nie-oplaca-ten-biznes.html
- 25 wnp.pl / Parlamentarny.pl, Wstępne wyniki GUS: Najwyższa liczba oddanych mieszkań w styczniu od 1990 r.:
<https://www.wnp.pl/parlamentarny/badania-opinii-i-rankingi/wstepne-wyniki-gus-najwyzsza-liczba-oddanych-mieszkan-w-styczniu-od-1990-r-37521.html>