



Recent trends in the real estate market and its analysis

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Developers' contribution in social housing - a lesson to be learned

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The aim and research methods



The aim of the research

Presenting the Inclusionary Housing model

Operationalization of the value capturing idea in cooperation between developers and local government in Polish conditions

Research methods

1. Literature review
2. Statistical data analysis
3. Own study



The Inclusionary housing – an idea and reality



- A general change in ways of providing affordable housing, toward market solutions including private financing and demand-oriented support has taken place during last years (Gibb, 2011; Marom and Carmon, 2015). The new institutional setting has been established.
- **Inclusionary housing (IH) model aim to create affordable housing in otherwise market-rate housing projects through development restrictions.**
- IH model has been seen as a tool for governments to take advantage of increased land values in strong housing markets (Schuetz et al., 2009).
- There are two main goals of IH model:
 - to increase affordable housing supply, and
 - to create mixed income housing areas (Calavita et al., 1997). IH might address low income or moderate-income households or both groups.



The Inclusionary housing – an idea and reality



- A general definition of IH is: “Land use regulations that require developers of market-rate residential development to set aside a small portion of their units, usually between 10 and 20 percent, for households unable to afford housing in the open market. Alternatively, they can choose to pay a fee or donate land in lieu of providing units” (Calavita and Mallach, 2009, p. 15).
- In the UK it is noted that the system cannot deliver the needed amounts of affordable housing, especially during recessions (Mulliner and Maliene, 2013).
- In the US, researchers argue that IH should be part of affordable housing strategy but that it cannot be the core of such strategy (Calavita et al., 1997).
- British and German researchers note that IH can be one tool to increase the supply of affordable housing, but not the only one, and that public subsidies are also necessary (Drixler et al., 2014; Whitehead, 2007).



Ideological framework of public value capturing instruments



- **Public value capture refers to a government capturing part or all the economic value increase of land and real estate using different instruments** (Alterman, 2012, pp. 763–766, 775–779; Muñoz Gielen, Maguregui Salas & Burón Cuadrado, 2017, pp. 126–127).
- * ‘Direct’ instruments work under the explicit or implicit rationale that this value increase belongs to the community and not to the owner (taxes, charges)
- * ‘Indirect’ instruments take rationales different from the above-mentioned (e.g. owners and developers should internalize the costs of mitigating the impacts of their building plans; the value of these impacts represents the social costs or compensation that can be exacted by the community that bears such costs (Bowers, 1992; Webster, 1998; Gielen, Lenferink 2018)).



„Developer obligations” as a part of value capturing instruments



- In both groups you can find **developer obligations instruments**.
- A part of indirect value capture instruments called developer obligations consists of contributions in money, land or construction services to be paid by property owners or developers in exchange for land-use regulation decisions of any kind (Alterman 2012).
- Indirect developer obligations do not always require a detailed prescription in regional or national legislation, local public bodies are often relatively free to prescribe and frame them, so they can be easily introduced. This is the reason developer obligations have increasing popularity in practice (Gielen, Lenferink 2018).



Problem of lack of social housing in Poland

- The very difficult situation of Polish municipalities in terms of the provision of direct housing assistance results from history-related problems with the quality of the existing housing stock, a lack of reform of the municipal lease rules and insufficient financial resources.
- The problem of entitlements to municipal flats was not thoroughly reformed, and the half-measures used were not sufficient to improve the housing situation.
- Municipalities are obliged to provide social housing (nowadays in form of social contracts) and temporary accommodation. In practice, in the absence of a sufficient number of dwellings, municipalities do not comply with their statutory obligations.





Tab. 1 Basic indicators of Polish housing situation, 2017

Source: GUS, Eurostat, Hypostat

number of dwellings per 1000 inhabitants in 2017	A share of ownership (%)	A share of social dwellings (%)	Mortgage debt per adult citizen (000) EURO)	Overburden by housing costs general/ households at risk of poverty
379	84,2	7,6	3,0	6,7/30,4

Tab. 2 Household waiting for housing assistance , 2017

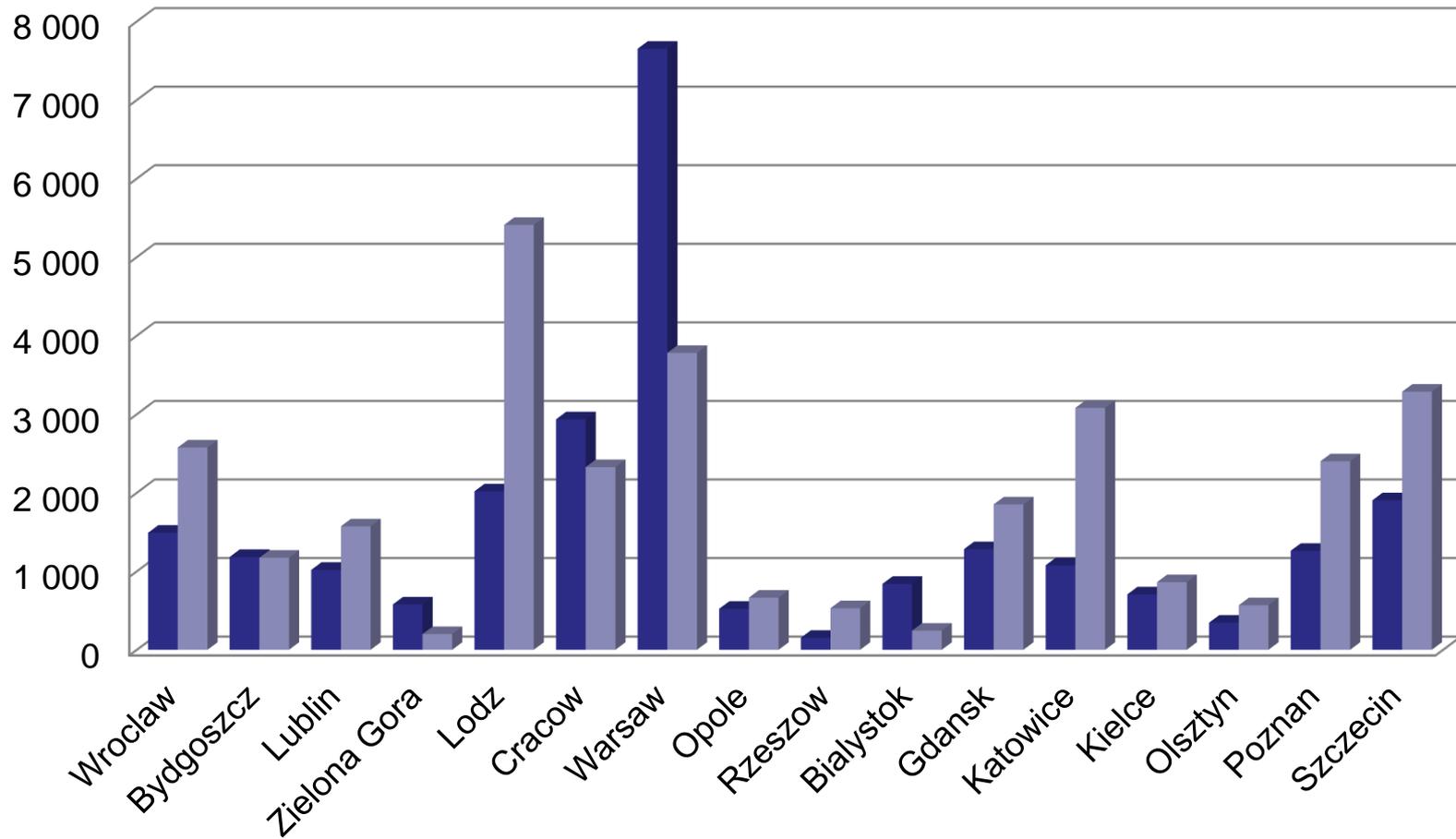
Source: Gospodarka mieszkaniowa w latach 2013-2017, GUS Warszawa.

	Households waiting for municipal dwellings			
	In general	For municipal dwelling	The most vulnerable households waiting for dwellings	
			No eviction sentence	With eviction sentence
In total	154182	63864	36739	53579
In urban areas	132408	50166	29930	52312
In rural areas	21774	13698	6809	1267



Figure 1. The number of households on waiting lists for social housing dwellings in comparison with the number of such premises, 2016

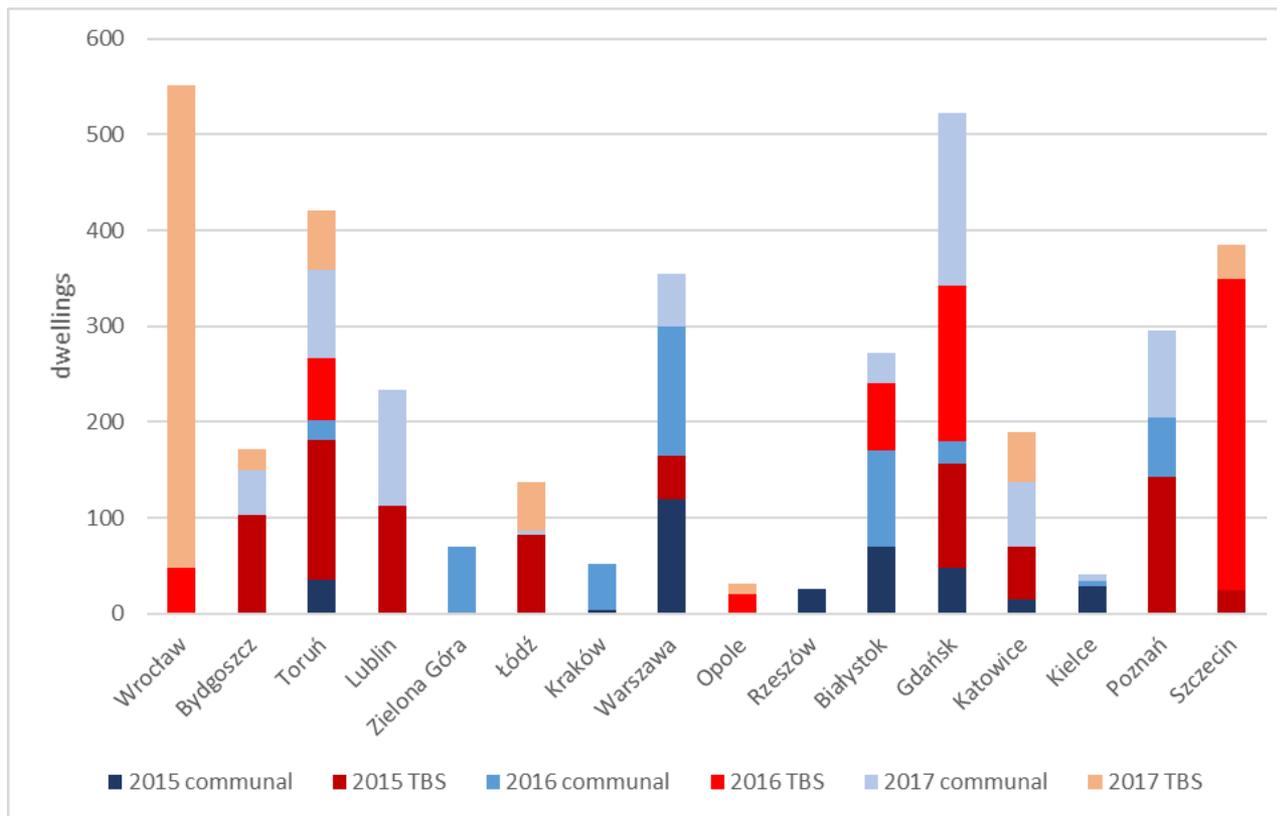
Source: Zaleczna 2019



The activity of municipalities and Social Building Societies (TBS)



Fig. 2 Number of dwellings created by municipalities and Social Building Societies (TBS) in voivodship cities in years 2015-2017
Source: own study based on LDB



Developers' construction activity in voivodship cities

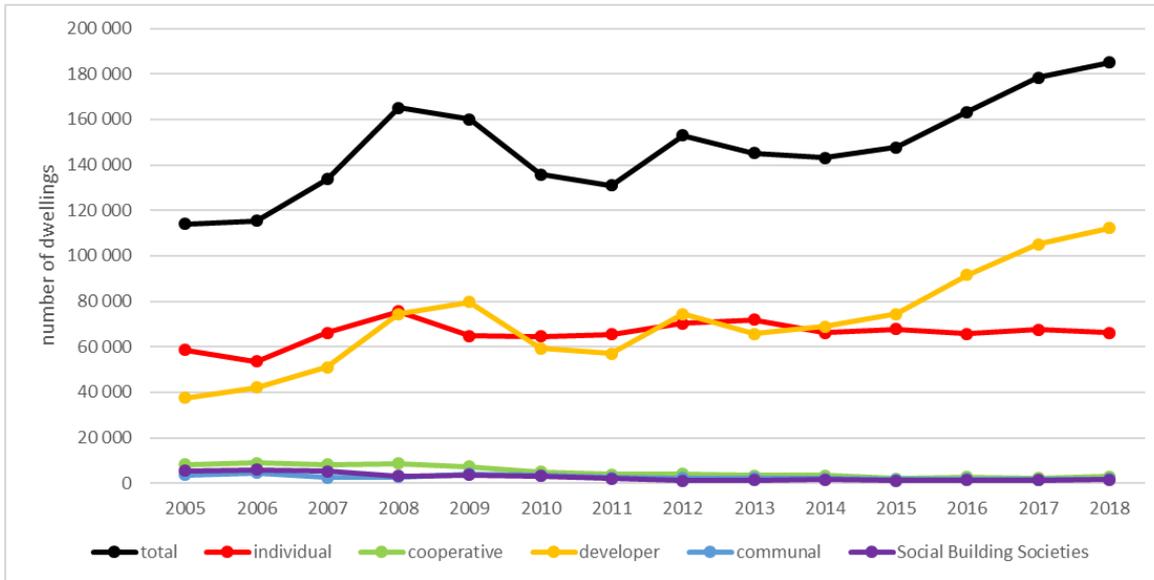
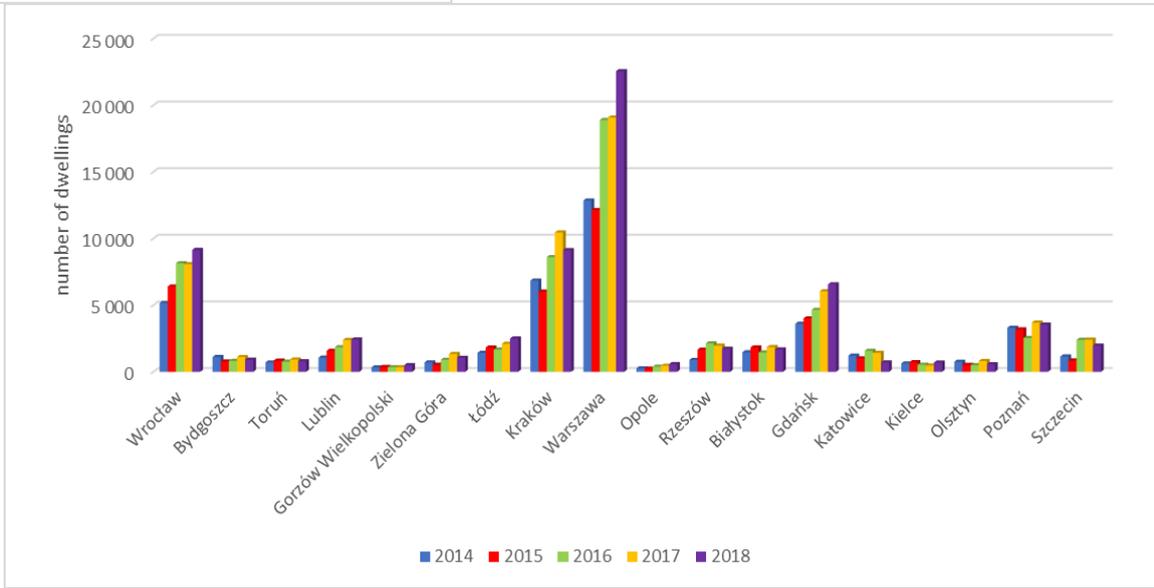


Fig. 3 Developers' activity in Poland in the years 2005-2018 in relations to other construction forms
Source: own study based on LDB

Fig. 4. Number of developers' dwellings put into use in voivodship cities in years 2014-2018
Source: own study based on LDB



Own study



The applicability of the IH model in Poland depends on three factors:

awareness of housing needs among policymakers and stakeholders and their evaluation that the current policy is not feasible in tackling affordability problems;

awareness among policymakers and stakeholders about alternative policies and a willingness to assess new instruments;

Institutional similarities between old and new instruments.

Authors conducted own qualitative study to find out the opinions of the authorities of the largest Polish cities (voivodship capitals) about the possibility of a new dimension in their cooperation with developers.



Own study



The questionnaire - 16 questions



18 voivodship cities



The return of survey – 6 cities

Answers of survey respondents

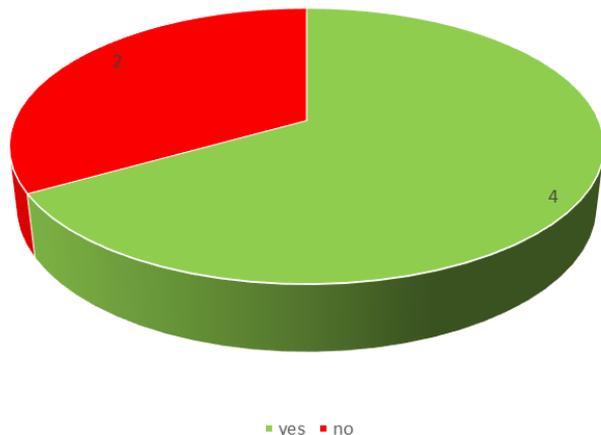


Fig. 5. Answers for the question if social housing is created in a city

Source: own study.

12 cities didn't participate in the study

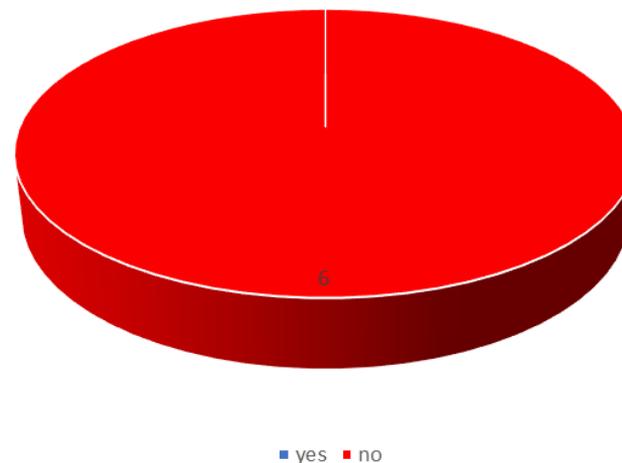


Fig. 6. Answers for the question if a cooperation of municipalities with developers is observed in the field of creating social housing

Source: own study.

Answers of survey respondents

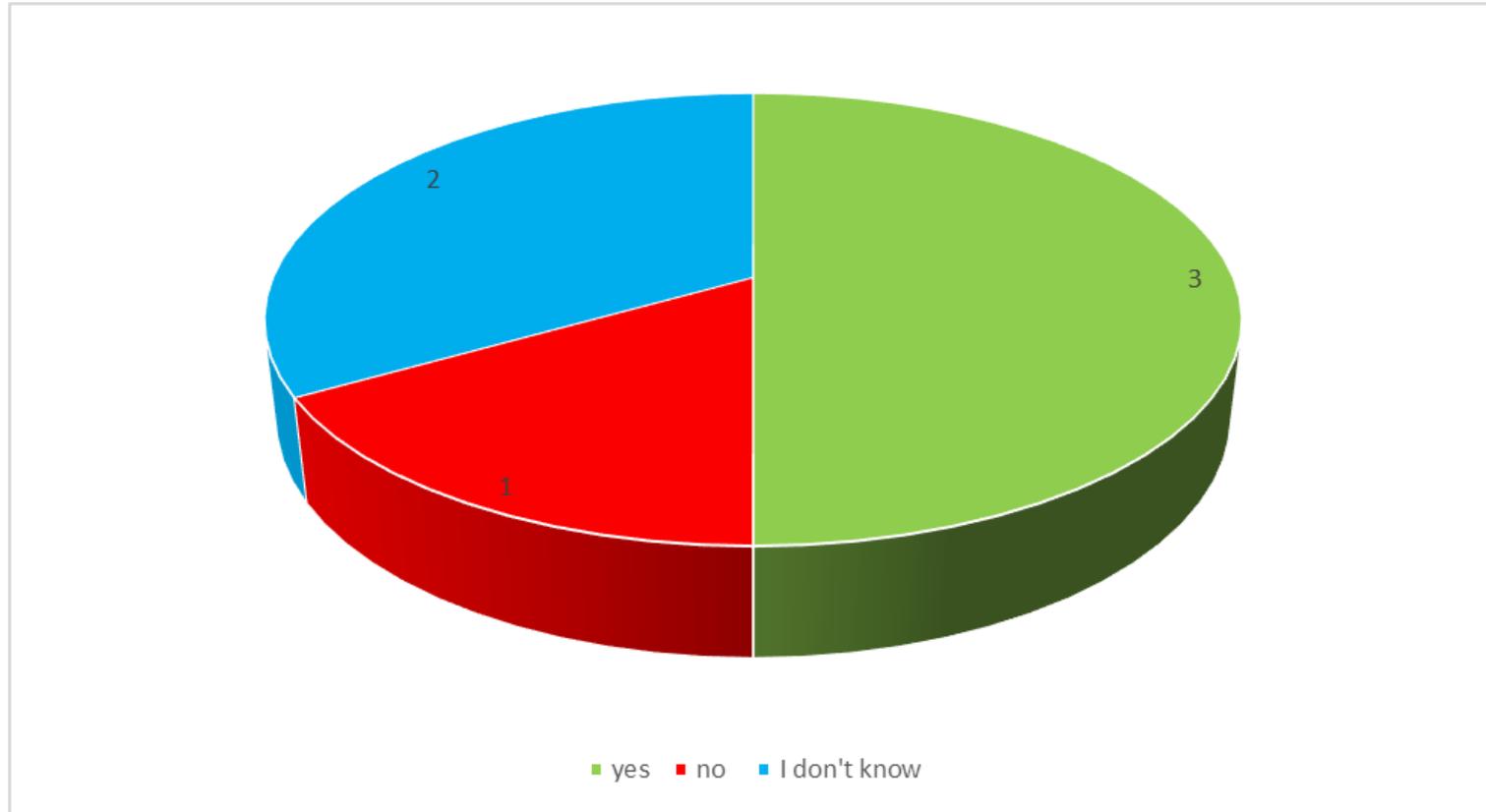


Fig. 7 Answers for the question if a city would be willing to cooperate with developers in creating social housing
Source: own study.

Answers of survey respondents



Even if none of the examined cities cooperate with developers in the field of creating social housing, some legal basis of this possible cooperation exists.

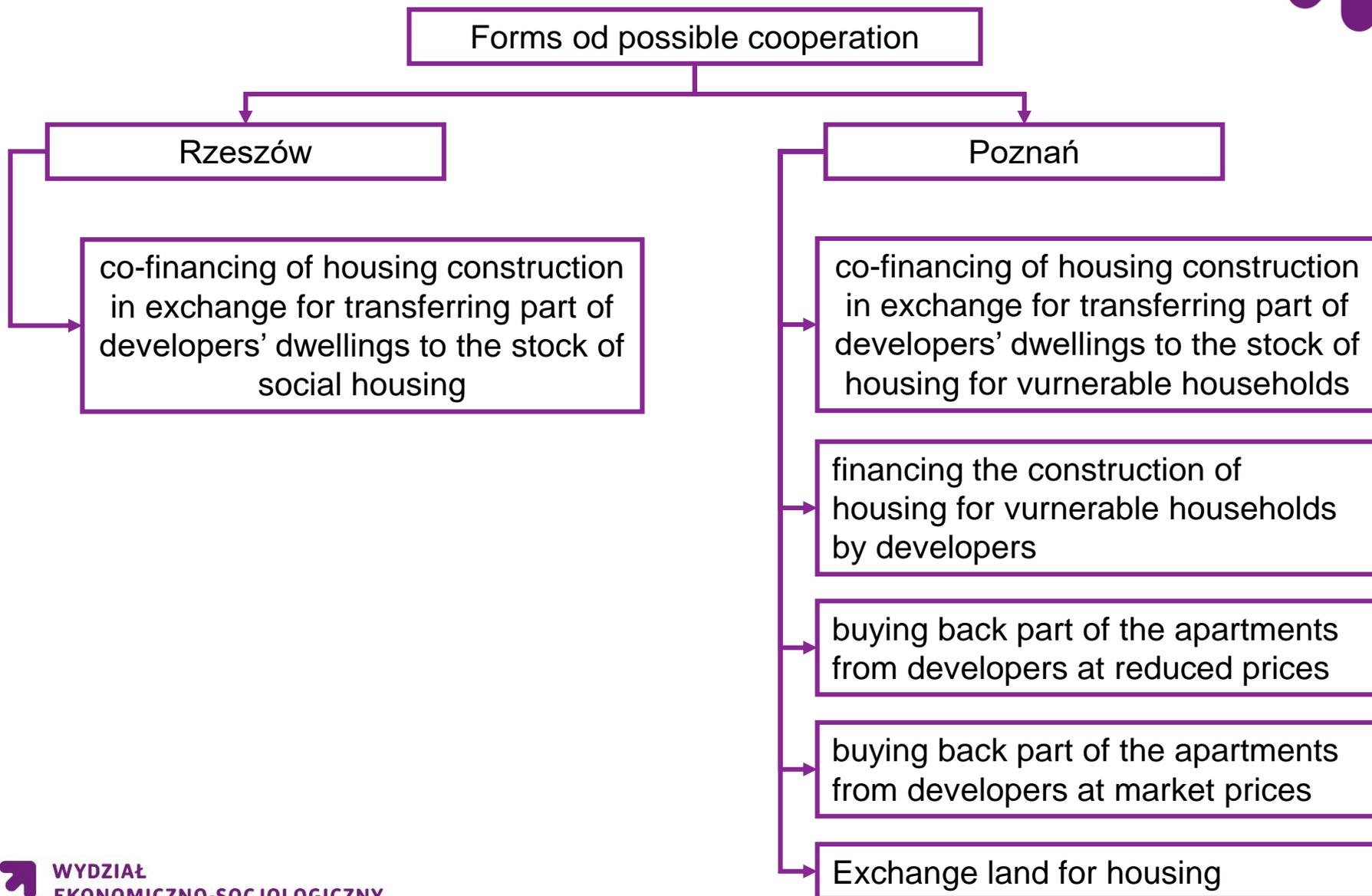
Warsaw indicated provisions such as: **the Act on Real Estate Management, the Civil Code and the Act on public-private partnership.**

The city of Warsaw expressed also the view that due to a large number of claims arising from the Bierut Decree of 1945, it would be easier to cooperate with developers adding social housing to the list of public purposes in the Real Estate Management Act.

In the opinion of the Rzeszów, this cooperation could take place based on the provisions of **the Act of 5 July 2018 on facilitating the preparation and implementation of housing and associated investments**, commonly known as the "Lex developer."



Answers of survey respondents



Answers of survey respondents

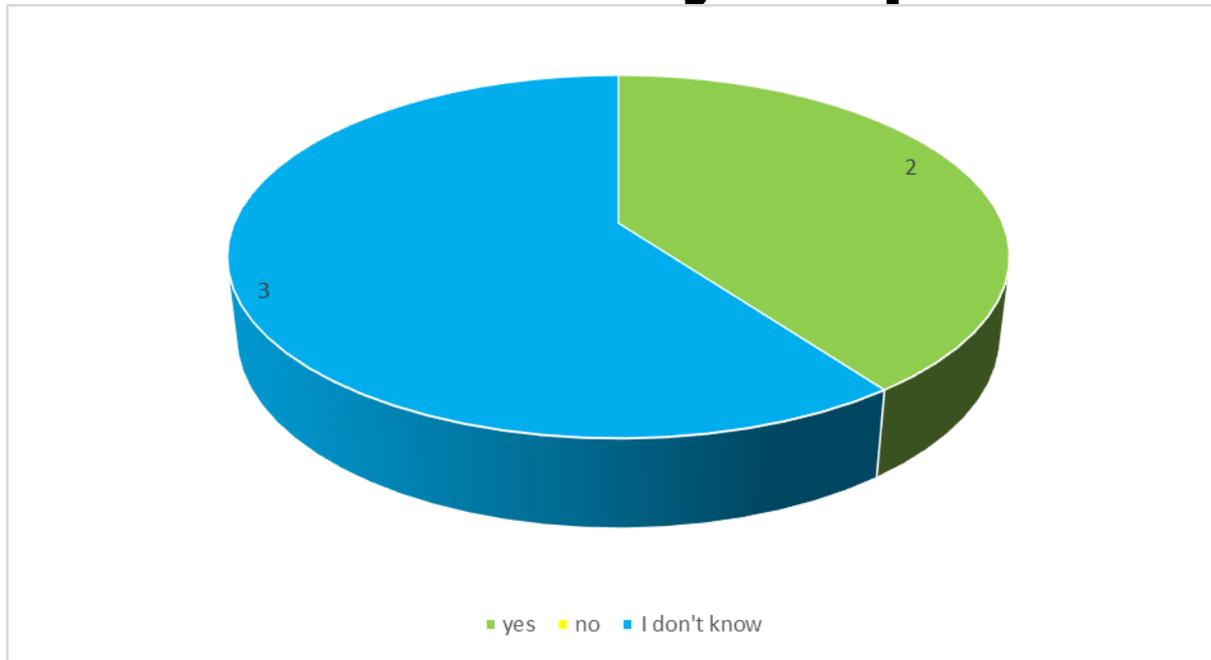


Fig 8. Answers for the question if it is possible to make investments projects dependent on the setting aside a small portion of units for households unable to afford housing in the open market

Source: own study.

Only Warsaw and Poznań expressed the belief in this respect that such a situation would be possible if proper legal regulations would exist, as there are currently no such regulations.

Answers of survey respondents

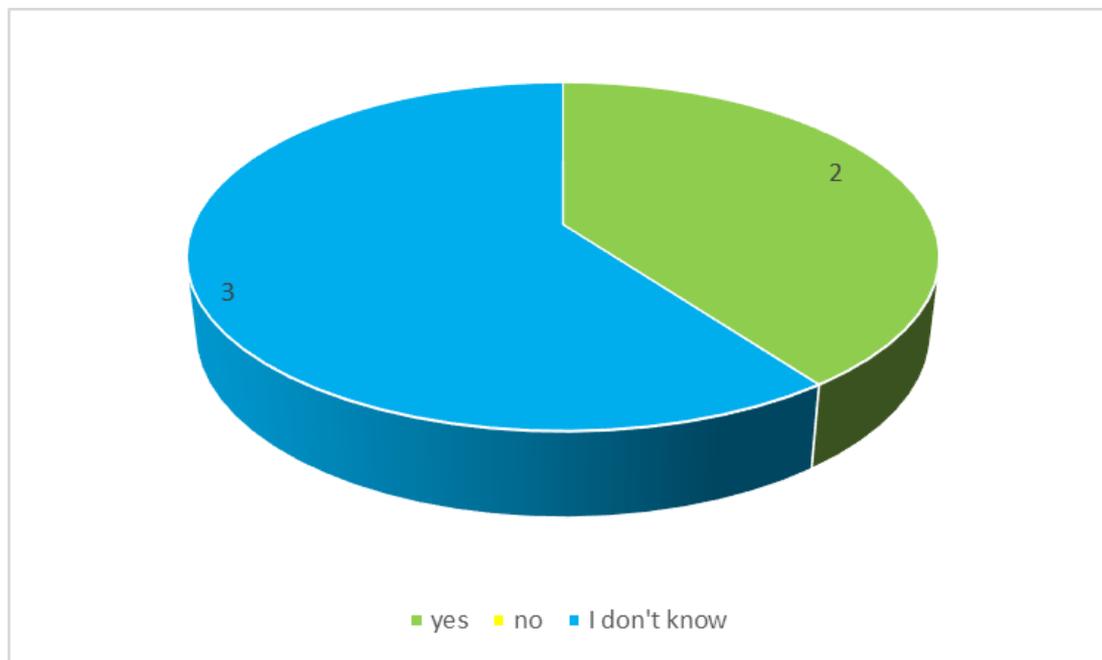


Fig 9. Answers for the question if a city would take advantage of the possibility of making entries in the Zoning Plan of the necessity for developers to implement the share of social housing

Source: own study.

In the opinion of the Warsaw and Poznań, the possibility of including provisions in zoning plans requiring from developers in a given area to extract some part of affordable housing from their investments, would significantly facilitate and accelerate the process of creating a stock of dwellings intended for vulnerable households.

Answers of survey respondents

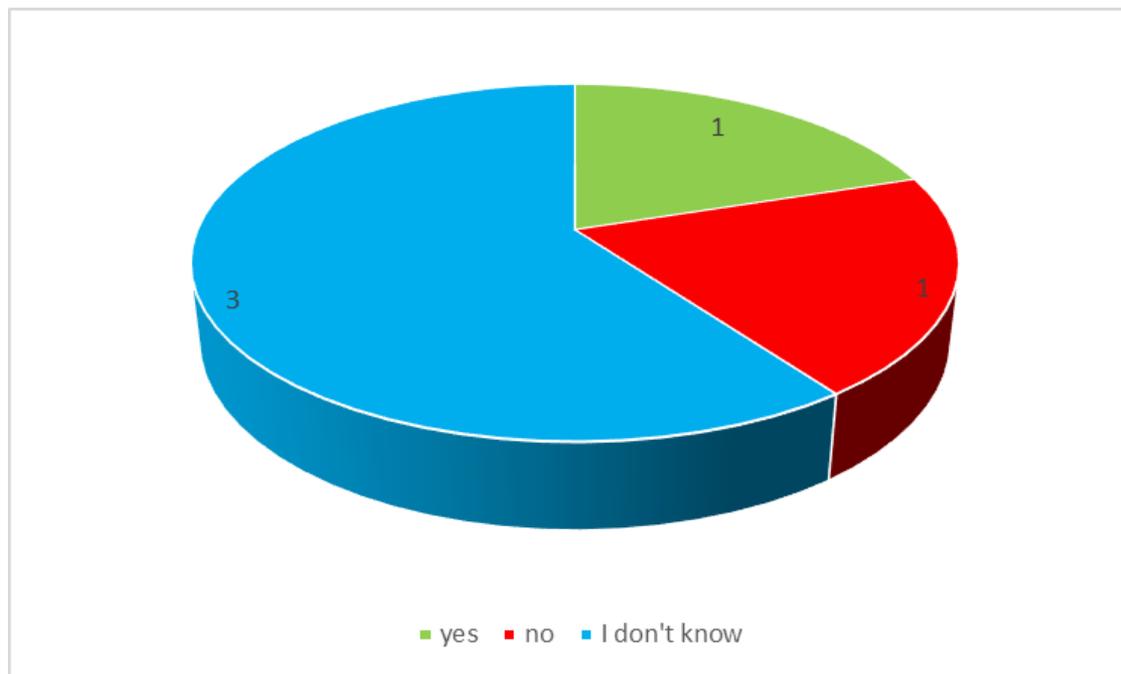


Fig. 10 Answers for the question if a city would be willing to decide on building conditions dependent on the implementation of a certain percentage of affordable housing
Source: own study.

Only Poznań answered that in case on decisions of building conditions this can be also provided. However, Warsaw believes that these decisions should be abolished in Poland. They are issued on a discretionary basis, often contrary to the provisions of the studies of spatial development conditions and directions.

Conclusions



- The inclusionary Housing model is used in many Western countries as a kind of remedy not only for a shortage of affordable housing but also as a tool for a social integration.
- The problem of ghettos composed of neglected housing with social tenants is extreme in Poland. New government Housing Programs - do not provide social inclusion, but only the creation of buildings for vulnerable households, located in unattractive locations, with difficult access to infrastructure.
- The awareness of a problematic situation with fulfilling housing obligations by municipalities is present.
- Some parts of the institutional setting of public value capturing instruments are in use in Poland – betterment levy, planning gain.
- However, own research shows that municipalities are waiting for the law, which may give them new opportunities. It is not guaranteed, however, when analyzing the attitude of municipalities towards developers and, more broadly, public-private partnerships, whether they would use the new instrument in practice.





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