

# **Property Development and Land Management in Poland**

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## **SUMMARY**

Paper deals with problems of development of properties and real estates in Poland, based upon the Act of 21 of August on Real Estates' Management and Act on Spatial Management of 7<sup>th</sup> July 1994.

Polish land tenure, land and property valuation and land planning and land use control systems are described and analysed on the background to restoration of property rights and their valuation in Poland.

Paper is illustrated by figures and facts regarding property development and land management. The conclusion is based upon the scoring system, using Property Development and Land Use Planning Indicators.

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## 1. INTRODUCTION

Development of property or real estates in Poland dates back to the notion of private ownership and related rights. Currently it is regulated by several Acts, including: the Civil Code of 23 April 1964 which defines rights related to land ownership; the Act of 21 August 1997 on Real Estate Management which uses and complements ideas from the Code Civil and adds the detailed principles concerning change of ownership rights, as well as rules of land consolidation and subdivision, expropriation and getting back expropriated real estate, participation in cost of technical infrastructure building, and a whole set of matters related to buying, selling and maintaining ownership of state and local authority.

Real estate development is also understood as investment, building, rebuilding and enlarging houses and other structures permanently attached to the ground. This is regulated by the Building Act of 7 July 1994 concerning designing, maintenance and extension of building constructions. Physical planning and land use in general is regulated by an Act on Spatial Management of 7 July 1994, which in particular covers land-use zoning for different purposes, fixing the principles of land management based on sustainable development, the Act on rural and afforested land protection of 3 February 1995 and several other Acts are dealing with these and related matters.

## 2. LAND TENURE SYSTEM

Gershon Feder's (1999) definition of land tenure states that it means holding of land basing on a different type of rights depending of the types permitted by the law being in force in given country.

In the 19<sup>th</sup> century it was almost impossible for governments to interfere in the owner's right to dispose of his land; nowadays it is common and growing. Of course, ideology may determine to what extent this can happen; there is growing tendency to decrease governmental influence and to allow market forces to become more effective, but the number of governmental options to interfere in one's right to dispose is still high. Counting only the public encumbrances and restrictions against third parties, there are, for example, expropriation, rights of preference, housing regulations, historical monument rules, nature conservation orders, noise nuisance orders, air pollution orders, soil pollution orders, land-use planning regulations, etc. These public encumbrances exist in addition to all kinds of personal rights such as the conditions of long lease agreements and general conditions in contracts of sale.

As the appeal to nations to practice good governance will lead to the execution of government power to interfere in private legal rights to dispose of property, future land administration systems will have to cope with this development.

Individuals or groups who utilize land in the pursuit of production or consumption activities (e.g., farming, residential) will eventually perceive the advantage of undertaking investments to improve or protect its usefulness. In some cases, an initial investment is needed to make the resource useful at all (e.g., the construction of a house). Because investments imply the commitment of present resources with the expectation of a stream of improved economic or consumption benefits over time, the degree of certainty associated with the stream of benefits is a key factor in determining the incentives of economic agents to undertake such investments.

Societies have recognized, since the dawn of history, the importance of reducing uncertainty concerning the benefits accruing over time to those groups or individuals who undertake investments, hence, the emergence of customs, rules, and legislations specifying the allocation and retention of land rights. In most cases, land rights have been specified in a manner enhancing incentives to undertake investments, as compared to the situation before such rules were specified. In other words, customs and laws must be designed to increase tenure security to a reasonable level.

Land administration systems evolved in part as a tool for implementing rules, customs, and laws enacted to secure tenure. In societies where most economic activity takes place within relatively cohesive communities, formal land administration systems are unnecessary, and indeed are not typically observed. This is because within communities, information is usually quite “symmetric”, transactions and acts of economic consequence are viewed as part of a multi-faceted range of interactions, and community institutions and rules are generally accepted as reflecting the general interest of the group. In such an environment, challenges to an individual’s or a subgroup’s property rights are less likely, as the dispute and tensions involved will negatively affect other interactions (both economic and social) which agents can anticipate having to undertake in future periods. The registration and titling of land is not quite necessary in such situations, as members of the community generally recognize, and are familiar with, the specific rights that various members (or groups of members) have to different tracts of land.

The merits of more formal systems of land administration and titling become apparent when economic and social activities increasingly take place within larger groups which are less cohesive, or across a larger number of communities. In such situation, traditional community authorities diminish and the self-discipline imposed by the multi-faceted transactions among economic agents plays a lesser role. The larger number of agents involved introduces another difficulty for informal systems as information becomes “asymmetric” when the interacting agents are geographically more dispersed. The rules and laws which govern property rights become more formal, and require more formal land administration systems to implement them. Such systems are more accurate, and enable authorities (whether at the local or national level) the protection of property rights. If the security of tenure is enhanced, the incentives for investment are improved, allowing a greater and better productivity of the land resource. The realization of greater productivity is of benefit not only to the individuals or groups who possess the property rights, but to society as a whole.

### **3. LAND AND PROPERTY VALUATION SYSTEM, AS A WAY OF ASSESSING THE VALUE OF LAND AND PROPERTIES AND TO LEVY LAND TAXES**

Munro-Faure (1999) defines a “valuation system” as a system for identifying the absolute and relative worth of an asset. Various approaches have been used at different stages of economic development and under different economic systems. The most pervasive general approach is related to the market value of real estate, although there are many variations on this theme in practice, and their advocates enthusiastically develop diverse examples.

Once real estate is held by entities in a market economy context there are many reasons for its market valuation, because these values form the basis of decisions. These reasons reflect the structure and dynamics of the real estate market, and the framework in which it operates. Market values are fundamentally different from administratively assessed values. The reasons for market valuations may be broadly divided into those that are to fulfill market requirements, such as those for sale, purchase, rent, insurance, mortgage, inheritance and divorce, and those that are to fulfill requirements laid down for administrative purposes, such as taxation and compulsory purchase compensation. Valuations for different purposes may follow different formats, employ different criteria and methods, and result in different estimates of value.

In Poland valuations fulfilling market requirements are generally undertaken by private sector assessors acting on behalf of each of the parties interested in the transaction. In cases where public-sector-owned real estate is under consideration, an official valuation service i.e. valuation done by a licensed assessor must be done. Recently, however, particularly for mass appraisal for taxation purposes where questions of jurisdiction are under consideration, licensed assessors or specially trained officers from finance and tax departments on different levels have been required. Such “statutory” valuations will probably be open to appeal for the purpose of ensuring a fair hearing.

In some market economy oriented jurisdictions the state prescribes formal qualification requirements for assessors in the state valuation service, while assessors undertaking appraisals in the private sector are not necessarily constrained in this way. In Poland, where well established valuation professions exist, qualified persons perform all valuations where state and private property are involved. In some cases a formal institutional requirement exists, particularly for example in appraisals for mortgage security purposes.

### **4. LAND PLANNING AND A LAND-USE CONTROL SYSTEM AS TOOLS FOR COMPREHENSIVE AND DETAILED LAND-USE PLANNING AND MANAGEMENT**

In managing land resources and land use (urban and rural) certain legal powers are needed by governments to affect private property and private land use. In Poland we are aware of three important stages: planning, development/implementation of the planned land use, and maintenance or control to keep the given land use in proper order. Especially at the stage of im-

plementing specific land use at the local level the availability of information from land administration is necessary in order to clarify for the individual land owner and land user which land use type is attributed to their land, and to give the government an opportunity to make legal decisions on the application of regulations. In many physical plans we see three possibilities for enforcement:

- building permits for the building and alteration of real estate (often issued together with an approval of building regulations according to the building laws),
- construction permits for other activities (often issued together with an approval of environmental regulations according to the environmental laws),
- land use regulations (which could be of a different nature, such as imposing the planned land use, or only prohibiting undesired land use unless there is a permit).

An appropriate local physical (zoning) plan should indicate very clearly and at an individual level what requirements have to be met to obtain permits. If local government desires a certain land use, and owners or users are not willing to co-operate expropriation can be used as a way to proceed. Here too, good land administration is indispensable because the impact of the expropriation and the involved individual land parcels should be very explicit (P.V.D, Molen, T.Osterberg, 1999).

## **5. A LAND DEVELOPMENT SYSTEM FOR REGULATION AND IMPLEMENTATION OF CHANGE**

Both notions put into the title of this chapter means in fact almost the same: description of principles, rules and results of management of the Polish territory in such a way that sustainable development is assured, i.e. that good and improving conditions of life for the country's present citizens is achieved without reducing the standard of life for the next generations.

DiSano (1999) states: "Sustainable development is not just about *growing bigger*, but about *growing better*. This will require technological, organizational and human capital innovations aimed at enhancing our productivity through new technologies, better managerial methods and more efficient use of our natural resources, our land and other material inputs. This entails conscious decision making at national and sub-national levels involving extensive multi-stakeholder dialogue and consultations regarding the appropriate allocation of investment in physical capital, human capital and in environmental protection.

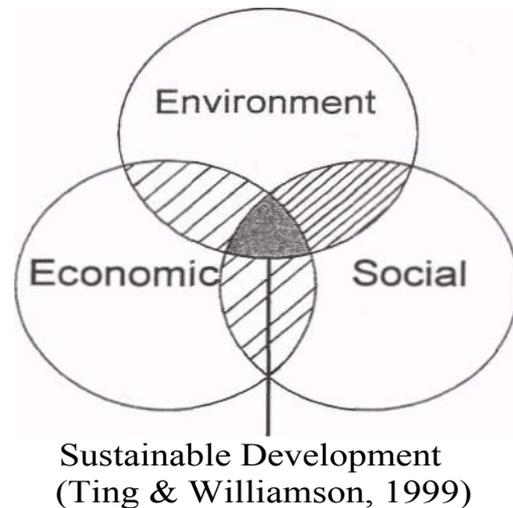
What this means in practice is smarter, more efficient development - a development, as was said above, that can lead to a more equitable distribution of economic well-being that can be sustained over many generations while maintaining the services and quality of the environment".

Apart from general aspects of sustainability of development in general the development of the planned land use depends strongly on the institutional context. There are at least four major elements (P.V.D. Molen, T.Osterberg, 1999):

- the effectiveness of the local law making process,
- the existence of mechanisms to mobilize public support,

- the effectiveness of the management of the public sector,
- the existence of appeal procedures.

Generally speaking, development incorporates economic, social and environmental factors within a framework of institutional, political, legal and technological systems conducive to decision-making. These economic, social and environmental forces need to balance against each other to create an “intersection” conducive to sustainable development.



**Figure 1:** Balancing economic, environmental and social forces for Sustainable Development.

There are always tensions between these forces and they influence one another to varying degrees. The strongest tension is between the environment and economics. “Economics” is often treated as synonymous with “development”. There are numerous examples around the world, particularly in developing countries, where the force of economics dominating over the environment has created what has been described as “converging crises”.

There is a dynamic relationship between these forces and there are various frameworks that have the potential to give expression to as well as obstruct their impact. These frameworks may be described as:

- institutional,
- legal,
- economic,
- political, and
- technological,

Munro-Faure (1999) states that the concept of sustainable development has attracted a great deal of attention since it was coined and popularized in a predominantly environmental context in the 1980s and 1990s by relevant United Nations and other initiatives, conferences and agendas. A key feature has been the recognition of a long-term vision which incorporates respect for the environmental limitations imposed by the earth’s physical constraints, together

with a modification of the concept of development to incorporate the recognition of limited resources.

Since development is an activity at the core of the economy, these constraints may affect previously relatively unconstrained freedom to develop. Development is also an activity in which political interests are vitally concerned, as economic development, including its distribution, is a key factor in the relative attractions of different political philosophies. For example, the environmental movement has influenced people's lifestyles to make them more "green", which translates into behaviour such as the desire to recycle and to value forests and natural landscapes. This behavior also has an economic dimension, such as purchasing choices that drive manufacturing, packaging and advertising behaviors.

## **6. WHAT IS A LAND MARKET?**

According to World Bank estimates, the capital value of real estate constitutes one-half to three-quarters of a nation's wealth: the less domestic capital and the less developed the economy, the higher this proportion is. What is true for the nation, may be also true for the family and individual. Real estate is therefore likely to be by far the largest class of asset in most economies. Its efficient use, development and management is one of the keys to successful economic development. The reason for allowing market forces to determine the ownership, the user and, usually subject to planning/zoning and environmental considerations, the use of land and buildings, is that *competition* and *the price mechanism* will prompt the *highest and economically most efficient use* of the key economic resource of land and buildings.

The functioning of the market must be straightforward, transparent and flexible to achieve this, not simply through buying and selling of absolute ownership, but also through a variety of leasing and *other less formal kinds of agreement*. A sound understanding of how real estate is managed in a market economy environment and a positive approach to this management are also required (P.Munro-Faure, 1999).

After World War II and during the communist era the legal registry sector and cadastre was follows:

- the traditional legal registry and cadastre, was functioning during "socialism" in Hungary, Czechoslovakia, Poland and Yugoslav states;
- some kind legal of registry and cadastre was operated during the socialist era in Romania, Bulgaria, Albania;
- no registry or cadastre during socialism in the majority of the former Soviet states.

## **7. RESTORATION OF PROPERTY RIGHTS AND THE RIGHT TO LAND'S VALUE IN POLAND**

The process of restoring these two rights had in fact begun in Poland even under the socialist system. In the Constitution of the People's Republic of Poland (1952) property rights were set out as follows (B.Ney, A.Poczobutt-Odlanicki, 1998):

- “the nation’s property assets ... are subject to special care on the part of the State and all citizens;
- on the basis of statutes in force, the People’s Republic of Poland recognizes and protects individual ownership and inheritance rights as regards land, buildings and other means of production belonging to peasants, craftsmen and cottage-workers;
- each citizen of the People’s Republic of Poland is obliged to guard the property of society and to enhance it as the unfringeable basis for the development of the State, the source of its wealth and the strength of the Homeland.”

Other legislation guaranteed the right to individual (personal) ownership and the right of inheritance.

The Act of April 29<sup>th</sup> 1985 on the Use of Land and the Expropriation of Real Estate (amended 1985-1990) ushered in the following significant elements:

- the institution of reserve resources of State land for the future needs of urban and rural construction;
- the basing of land management on economic foundations, with compensation for the expropriation of real estate at last becoming a reality, and with the fee-based utilization of State land by all subjects introduced, along with fees for the use of land in non-compliance with its designation;
- the conferment upon developers of the right to the direct purchase of land from natural persons at free-market rates;
- the possibility for State land in rural areas to be sold to housing cooperatives and natural persons;
- the introduction of a new (administration-based) form of utilization of State land by State organizational units;
- the transfer to a national council at *voivodeship* (provincial) level of competences in relation to local land policy. (This referred in particular to the establishment of principles by which State land might be priced, the setting of fees for the perpetual use of land, the setting-out of principles for compensation in the event of the takeover of land for building or other purposes and decision making as regards the sale of State land in rural areas).

The process of the restoration of ownership rights was confirmed by a provision of the Constitution, amended in 1989, stating: The Republic of Poland protects ownership and the right of inheritance, as well as extending total protection to personal property. Expropriation is only permissible in the public interest and with just compensation.

The right to the value of land and other real estate has been expressed in a series of legal acts, as well as in practice. Symptomatic here is Article 36 of the Act of 7 July 1994 on Spatial Management, which concerns the material consequences of changes to the designation of real estate made in a local physical development plan. This Act entitles the owners of real estate to full compensation from state or local authority for any loss in the value of real estate caused by a resolution or change in a local plan. In the opposite instance, i.e. where a local plan causes an owner to gain from the increased value of real estate, that owner is, in the event of sale,

obliged to share the profit with the municipality in such a way that the latter receives up to 30% of the increase in value.

Work is currently underway in the Ministry of Finance on a comprehensive statute and executive regulations to set out the legal and organizational bases for a new system of property taxes providing increased income for the municipality. This is expected to enshrine the principle that the level of this tax be proportional to the value of the real estate concerned.

The systemic transformation in Poland that began in the 1980s and became official in 1989 has clearly led to the development of a market economy. In the area of real estate, the consistent restoration of property rights and the right to the value of land has gained its main practical expression in the following elements:

- compliance with the law safeguarding ownership;
- the (true) introduction of the value of real estate, including land, into the economics of investment undertakings;
- the introduction of the market value of land and other real estate as the guiding value in the buying and selling of property assets, including in relations between the public-ownership (State or municipal) sectors and the private sector;
- the development of a property market which, although it varies greatly from region to region, is nevertheless, in the capital city at least, similar to those in Western metropolises;
- the development of three professions in the area of real estate: assessors, managers, and agents acting in the process of buying, selling or leasing of property”.

## **8. REGULATION OF OWNERSHIP RELATIONS AND THE STABILISATION OF PROPERTY OWNERSHIP**

This trend is confirmed in the Constitution of the Republic of Poland of 2 April 1997, which is now in force. Article 64 provides that:

- everyone shall have the right to ownership, other property rights in relation to assets and the right of succession;
- everyone, on equal bases, shall receive legal protection regarding ownership, other property rights and the right of succession;
- the right of ownership may only be limited by means of a statute and only to the extent that it does not violate the substance of such right.

This provision of the Constitution is in accordance with Article 17 of the Universal Declaration of Human Rights adopted on December 10<sup>th</sup> 1948 in Paris, at the Third Session of the UN General Assembly, which declares that:

- everyone should have the right to own property alone as well as in association with others;
- no one should be arbitrarily deprived of his or her property.

In recent years, the process serving natural persons in the regulation of ownership relations and the stabilization of land ownership in Poland has involved:

- the identification of municipal ownership from within the previous “national” ownership;
- the privatization of State-owned enterprises;
- the removal of restrictions on the trade in agricultural property;
- an extension of the scope of sales of State treasury property;
- an extension of the use of State land by means of perpetual lease;
- the legalization of the purchase of State or municipal land by those utilizing it on the basis of a perpetual lease, or the conversion of rights to perpetual use into rights of ownership,

On 1 January 1998 a Statute on the conversion of a natural person’s right to perpetual use into the right of ownership entered into force. This applies to those persons who held perpetual leases prior to the announcement of the Statute, which in fact establishes conditions for the conversion that are more favorable than those set out in the Statute on the Administration of Real Estate (also in force from 1 January 1998 onwards).

## **9. TRANSITION POLICIES - INSTRUMENTS OF TRANSITION**

According to Ossko and Hopfer (1999) there are a number of instruments which can be used to transfer land and real estate property from the public to private sector, including restitution of the property, compensation, and privatization. In all cases they require the establishment of explicit legislation, and the appointment of an executive body specifically empowered to carry out the land redistribution activity. Restitution and compensation normally involve the establishment of local committees who make decisions regarding cases. The responsibility for the associated technical activities must be assigned, and rules determined for how to deal with more complex cases. The legislation must consider under what conditions land and property can be restituted, how compensation can be assessed, and what terms and conditions shall apply to land grants or privatization of assets. It is also necessary to consider the appeal mechanisms, and responsibilities and procedures such as how claims should be submitted, who is responsible for preparing them, who pays the costs of preparation, and who will decide hi different cases. It is also necessary to consider what happens in the case of several claimants, or no claimants, and also when the cadastre and the land registration records are to be updated. In Poland, like in other countries in transition, all the three means of land rights regulations are countered.

## **10. RESTITUTION**

This instrument is used to return land and property to an earlier owner, whose ownership right was removed, or curtailed by Acts or Decrees issued by previous governments. Key problems include:

- technical problems, where there are differences between the land units recorded in the old registers/cadastré, and the current situation on the ground;
- the land unit to be returned to the former owner may be contained inside a larger unit and may have no public access, so it may not be possible to give back the land unit in such a situation;
- the land may be returned as co-owned unit (undivided ownership) and this may result in difficulties with further disposal of the land.

The process of restitution may also lead to increased fragmentation of the land, as the restituted plots are often significantly smaller than the previous usage land blocks. Where it is in possible to reconstitute a parcel of land, then an acceptable alternative procedure for restitution in kind must be provided for.

## **11. COMPENSATION**

This instrument is used where claimants are to be compensated for past injustice, or where land claimed in restitution cannot be returned for some reason.

### **11.1 Complex Compensation**

The process of compensation for past injustice involves rules concerning the claim followed by the issue of compensation coupons or vouchers. This may or may not involve a bidding process, through which compensation vouchers can be converted to land. This kind of compensation may be carried out over a larger area and may involve a large number of claimants. Where bidding is used, it is the number of bidders and the collective value of their bids that determines the new land pattern. As a result, this is likely to be highly fragmented.

### **11.2 Simple Compensation or Restitution in kind.**

In this case compensation may involve direct allocation of alternative land due to the non-availability of a land parcel claimed by restitution. In this case a reserve fund of land could be used by the government, pending resolution of all outstanding restitution claims. The main difficulty here is associated with the estimating the value of the original asset, the level of compensation offered, and potential disagreement as to the suitability of the compensation land offered. This kind of compensation is usually executed on a case by case basis, and is connected with restitution in kind.

## **12. PRIVATIZATION**

This is used to transfer assets by sale from social or state ownership to the private sector. The privatization of state or publicly-owned enterprises often involves real estate assets and the mechanism usually involves either management buy-out, voucher privatization, public tender or preferred investor. Much has been written about the merits of the various privatization methods, all of which have their problems.

Selected figures and facts illustrating property development and land management in Poland  
Although rights to land and their registration in Poland is properly regulated, there are at least two weak points to the system:

- the procedure of title or transfer deed registration in court is too lengthy; in some cities and cases it may take up to 2 years time;
- fees to be paid concerning the land tenure change procedure are both too high and too numerous.

Land-use planning and control under the acts mentioned previously in the paper, creates a strong basis for the system and the procedures stemming from them are well and correctly observed. A weak point of the system is the almost total lack of statistics related to changes in land use - both legal and illegal (formal or informal).

The helpful system of registration of them creates *the cadastre*, where every existing and final change in land use is registered and presented on a cadastral map. The cadastral summary of the whole country includes all types of land use and in this way characterizes the spatial aspect of property development in Poland. Data concerning the changing situation for years 1997 and 1998 are presented in Table 1:

year	urbanized areas				green or recreational area		area covered by			
	built up		not (yet) built up				roads		railways	
1997	883060		74827		46759		849493		120017	
1998	896543		71543		67809		845325		107527	
	ha	%	ha	%	ha	%	ha	%	ha	%
Δ	+13483	15	-3284	4	+21050	45	-4168	15	-12490	10

**Table 1.** Changes in land use in Poland 1997-98.

Another feature characterizing the property development process in Poland is the number of building permits issued (Table 2):

year (1 <sup>st</sup> half)	total number	permission given for:							
		detached houses	multi-dwelling buildings	second houses	public purposes (general)	agriculture production	industrial	other including infrastructure	
1998	128603	32094	778	1966	1886	18.455	4835	68489	
1999	93550	29760	834	1706	2260	12.195	4340	42455	

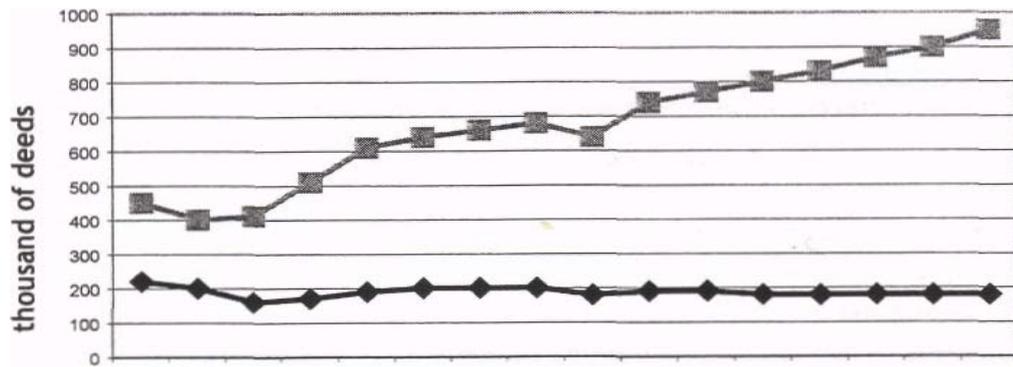
**Table 2.** Building permits issued in Poland 1998-99.

From Table 2 the general conclusion can be drawn that building activity has diminished in this period, with the exception of flats and buildings for public purposes.

The land market in Poland, although still young, is already quite well developed. Estimating its activity is not easy because the main international assessment factor i.e. total area of real



The expected increase for the longer term is shown in Figure 3.



1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005  
 ”number of deeds concerning rural properties “number of deeds concerning all real estates

**Figure 3.** Prognosis of transactions number on Polish Land Market. (Source: Kałkowski (1999))

The so called “Warsaw phenomenon” is a unique case in the Polish land market. Almost half of the property transactions every year happen in Warsaw, which is the location of half of the offices, wholesale and retail buildings in Poland.

Some features characterising the property market and investment in Warsaw are described below. The last quarter of 1998 saw price increases as far as apartments in higher segment of primary market is concerned. Many projects which could without exaggeration be called exclusive, were submitted to the market. Round-the-clock security, swimming pools or sauna are already considered as standard. The more attractive the properties offered are, the higher the prices. For one square meter of apartment in a building of this standard one must pay in Warsaw between USD 1,150 and 1,500 and the penthouse apartments (usually of an even higher standard) reach prices of USD 1,700 per m<sup>2</sup>. Despite the high prices and the fact that there is no possibility of benefiting from tax allowances, demand for this kind of properties remains high, 80% of buyers consider such a property as a capital or rental investment. In the lower sector of the primary market price increases were practically imperceptible. The price of one m<sup>2</sup> remained at the level of PLN 2,500 (USD 600).

The location is usually defined in terms of distance of the property from the city centre (especially in the case of service centers, offices, and others). In big cities however, the distance is measured not in kilometers but rather in terms of the time taken to cover the distance. To put it simply, the shorter the travel time, the higher the value of the property. When appraising real estate, however (especially for banks, when the property is to be taken as security of a long-term credit), or for making investments, we should take into consideration not only the present condition, but also the future perspectives of a given area. (The rule that everything built will eventually be leased no longer applies in Warsaw. This is indicated by a number of failed investments undertaken without prior market analysis). Such perspectives are connected with both present and planned infrastructure. The influence of growing infrastructure on real

estate value increase is well illustrated by the situation observed in Ursynow district when the first subway route was opened (bringing the district closer to the city centre). Greater demand for real estate properties, that were viewed previously as unattractive because of their location, made prices rise suddenly by 15% in case of apartments or even by 30% in case of building sites.

### 13. CONCLUSIONS

Following the concept of Land Market Indicators proposed by Dale and Baldwin (1998), the rules below present a method of assessing the efficiency and effectiveness of property development and land use planning in Poland.

Elements that characterize an efficient and effective Property Development and Land Use Planning Indicators (PDLUPI).

Land tenure - land policy and titles registration

Legal entities and all physical persons may own properties with equal rights.

Institutional structures are secure with well-regulated activities.

Recording and registering systems are soundly implemented.

Sound legal basis for ownership and trading of property rights exists.

Land and buildings can be traded and leased easily.

No risk of unjustified expropriation.

The quality of data held by regulators is good.

Land valuation

Valuation is clear and well understood, based mainly on market prices.

Valuations are accepted and used as basis for calculation of asset value.

The mechanism for offering real property for sale is clear.

The quality of data used by assessors is good.

Land use planning

Clear agricultural and urban land management policy.

Clear policy in planning, environment and local administration.

Clearly elaborated and understood planning and zoning controls.

Clear policy and clearly understood regulating authorities, a favorable environment for investment and strong motivation for individuals.

Clear policy about information management, and the protection of investments.

Land development

Land and buildings can be used as a mortgage (credit) security.

Tax implications for investments are clear.

Financing for investments exists and venture capital is available.

Large corporate players exist (including investment funds, pension funds).

The construction sector is established and healthy.

Mechanisms exist to create new assets where needed.

Land market

Landowners and tenants exist and represent a range of different stakeholders.

There is a strong private sector.

All government held land is basically held for public purpose or social housing.

There is a variety of assets available, apartments, residences, offices, commercial buildings and agricultural land holdings.

Information on real assets and other elements of land market infrastructure available for sale is widely known and reliable.

**Table 4.** Elements that characterize an efficient and effective Property Development and Land Use Planning Indicators (PDL UPI).

Score	Criteria
0	There is no evidence at all that this matter is being addressed.
1	There is minimal evidence that the stated feature is present, but it is not clear that the requested functionality is provided.
2	There are some major problems, the system cannot be said to work adequately, but the basic components are in place or being developed.
3	The functionality is basically provided. There are some known problems, but things basically work.
4	The system works smoothly and could be considered consistent with what one would find in another market economy.
5	The feature or functionality offer performance levels consistent with what required for EU membership and with what one would expect in an EU member state and there are no outstanding or fundamental problems known.

**Table 5.** Scoring and criteria for property development and land use planning. (Source: Dale and Baldwin (1998))

An example of detailed consideration of the land valuation as a part of scoring the land use and property development is described in table 6.

	COMMAND ECONOMY		TRANSITION ECONOMY			MARKET ECONOMY	
score	<1,5	1.5- 1.90	2.0 - 2.4	2.5 - 2.9	3.0-3.4	3.5-3.9	> 4.0
Land Valuation	Absence of any accepted methodology for market based valuations. No body responsible for	There is a valuation methodology but little accurate and up to date details available. Valuation may not be connected to market prices.	Valuations are tied to market prices but results are unreliable due to lack of data-low volumes of transactions. No systematic reporting.	Systematic valuation records being compiled. Valuations are seen as necessary and able to support market value. Real Estate prices volatile.	Valuation system able to support property tax and market values. Regulatory procedures are in place to support data quality.	Secure, reliable system supporting land transactions and fair and efficient property tax collection.	Complete valuation data sets available that can be linked to other land administration records. Significant private sector involvement.
Given (area)				Polish case			

**Table 6.** An example of detailed consideration of the land valuation as a part of scoring the land use and property development. (Source: Dale and Baldwin (1998))

The final results of assessment of the system of property development for Poland are presented in Table 7.

assessed elements	score	% of max
Land tenure - land policy and o titles registration	2.5	56
land valuation	3.0	60
land use planning	3.1	62
land development	2.6	52
land market	2.8	56
Overall assessment	2.9	58

**Table 7.** Final results of assessment system of property development for Poland.

The other four of the elements of PDLUPI can also be evaluated in this way, and the results place Poland squarely in the position of transition economy.

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