



Deliverable 7.1:

Best Practice Guide

for the Management of the Municipal Real Property in the
Countries of the South East Europe



UNIVERSITY OF THESSALY
DEPARTMENT OF PLANNING & REGIONAL DEVELOPMENT

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Best Practice Guide for the Management of the Municipal Real Property in the Countries of the South- East Europe

South East European Development Center

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Abbreviations

JTS – Joint Technical Secretariat

GIS – Geographical Information System

MRP – Municipal Real Property

ERDF – European Regional Development Fund

JESSICA – Joint European Support for Sustainable Investment in City Areas

SEE – South East Europe

MRPMS – Municipal Real Property Management Strategy

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1. Introduction

Most of the municipal governments in the South-East European countries own and manage substantial amounts of real property. The challenge is to manage these portfolios of municipal property effectively so as to serve short and long-term economic, social and environmental goals. The municipal governments need to develop effective and strategic property management plans, always taking into account their political realities as well as the environmental, social and economic concerns.

It is generally accepted that effective systems of municipal real property management can significantly improve the overall wealth of the urban societies and their economic performance. This is an important issue in view of the increasing EU's attention and effort focused on decentralisation, devolution of authority to municipal levels of government and emphasis on good local governance.

For the purposes of this guide:

- Municipal Real Property represents land, buildings that are owned, controlled or used by the local governments, or the property rights associated with them.
The public infrastructure, such as road, sewage and water networks are not taken into consideration in this case.
- Municipal Real Property Management, as part of the decision-making process of local government, represents the process of inventory, use, strategic portfolio reviews, reporting and auditing of municipal assets, as well as property maintenance and development. The municipal real property must be managed directly or indirectly for the benefit of the citizens.

The main benefits of an effective property management system are to help municipalities to:

- a) Provide local residents with improved services based on municipal property use, or through the revenues generated by the more efficient use of the municipal property portfolio;
- b) Increase municipal revenues;
- c) Enable municipalities to promote financial leverage through the use of public funds from initiatives such as JESSICA and to efficiently use the European Structural Funds;
- d) Attract more domestic and foreign investors;
- e) Influence land values (for example, through the relocation of public properties, improvements in social infrastructure, etc.) that make public and private land properties attractive for productive and real estate purposes;
- f) Improve the overall credit rating for the municipal government.

In the SEE countries, there is a distinction between public and private ownership of the real public properties instituted through the national civil code and laws. The concept of property in each country is linked with a set of rights, associated responsibilities, social and economic relations derived from its mode of acquisition. The main set of rights includes: the right to use, transfer and sell the property and the right to benefit from the property. The laws or regulations delineate the relationship between the government levels, specific uses and constraints, and the processes to buy, sell and use property according to approved objectives.

Municipal assets are often underutilised by the municipalities or are improperly transferred, or sold. Properties can be used by the municipal governments to achieve specific objectives. They can have a productive use, or they can be acquired, sold, transformed or otherwise disposed to improve the municipal financial situation of the municipality and ultimately, that of the citizens.

Although much attention has been paid to the use of physical assets or to the flows of financial resources for the provision of services for the citizens, much less attention has been paid to the properties as investment assets, as entities or portfolios and their productive or optimal use. The framework has been focused on controlling or regulating the financial flows and less scrutiny has been placed on physical assets, to the extent that managers had more discretion on their use or disposal (Kaganova, 2000). This situation has provided room for rent-seeking behaviour and has turned the municipal real property a major source of corruption worldwide.

As Pheps (2010) points out, municipal real property is “multi-faceted with some unique characteristics. Whilst there are both strategic and operational considerations related to its management, the strategic considerations have in the past been neglected relative to more day-to-day operational matters. Asset management, as a discipline, is focusing on these neglected strategic considerations.”

Municipal authorities have to make a variety of choices regarding the management of their real property, from the highest strategic level to the day-to-day operational issues. Some are simple and straightforward, while others require considerably more elaboration, a well-organised approach and the involvement of a wide range of stakeholders. Although decisions are always taken within a “flexible” political environment, a clear and structured process is fundamental to effective asset management. It is necessary to define clear policies, aims and objectives in order to proceed to decision processes, and the choices should refer to and flow from these municipal aims and higher level objectives.

The municipalities should make choices ensuring investment decisions are made at the right level by the right people, and ensuring that relevant information is used to support decisions. The decisions should be transparent to all relevant stakeholders, taking into account all related factors, promoting fairness and making best use of available resources. Transparency at all levels and processes ensures low level of corruption.

Effective and strategic asset management strengthens the effectiveness of municipal governments and weakens the ability of officials to engage in illegal use of public assets. One of the major sources of corruption in governments has been the illegal sale of

municipal and national properties or illegal development approval given to private companies or individuals for the purpose of private gain.

Property management with an adequate, updated and accessible inventory, reduces the opportunities for corruption and rent-seeking behaviour, and strengthens municipal growth and prosperity.

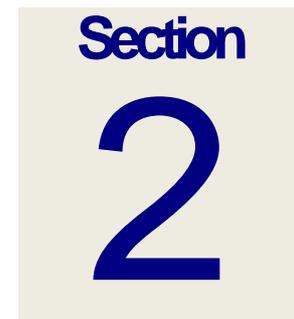
There are many guides and guidelines produced by governments, consultants, international organisations and professional associations for the efficient municipal real property management. These “best practice” guides can be used by local governments, although, “a best practice alone may not be a reliable gauge of effective asset management and unquestioning adherence to such guidance may not always be an appropriate course of action” (Pheps, 2010). It is impossible to provide a universally applicable right way of managing real property since the combination of political, spatial, economic, social specific objectives and the institutional framework in each country and each municipality are rather unique.

Real property remains a rather neglected resource for municipalities receiving little executive attention and with a widespread ignorance of property costs, value or performance, while it is not adequately considered as a strategic resource. Maintenance of the legacies, the rising services standards, the socio-economic changes and the scarce public funds given the current economic situation in the SEE countries, have moved the attitudes towards a more asset management approach. This “reform” of municipal real property management is in the making, as a part of a broader process aiming at improving the efficiency and the competitiveness of the public sector. The new management view of property refers to a wider strategic perspective over and above traditional technical skills and it emphasises the long-term perspective and outcomes (Howarth, 2006; Loyd, 2007). Furthermore, municipal real property management and disclosure would tend to strengthen decentralisation and municipal management effectiveness.

Recently it becomes more widely accepted that municipalities must adopt the practices of corporate property management of the private sector. It seems that this is a rather

simplified approach, and it concerns the lowest level of municipal real property management. Urban governance, even of small cities is much more complicated than corporate management because, as frequently stated, the urban governance is subject to political objectives, prerogatives and social needs. The social concerns of the municipal government are not common with the social concerns of the private sector.

Note: Any reference to the SEE countries concerns those participating in the PROMISE project, namely Greece, Albania, Bulgaria, Croatia, Romania, Serbia, and the Italian Region of Rimini.

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2. Organisation, Resources and Capacity

“The culture and attitude of an organisation towards property management is often a more significant contributor in delivering asset ‘success’ than the organisation of the asset management function itself.” (RICS, 2009)

A successful culture of a municipality in the real property management arena is the willingness for all who participate in the process to fully understand the service requirements of the citizens, the standards, priorities, budget constraints under the situation of the overall socio-economic environment and to work for the greater result for their municipality.

Property management is an activity that involves many municipal Directorates and people. However, the strong support of the top political and administrative leadership of the municipality is absolutely necessary. This usually comes from the mayor and deputy mayors, the municipal council and the heads of the relative Directorates.

Depending on the size of the portfolio and of the municipality, the property management services may be provided:

- by a distinct team within the municipality;
- by a team external to the municipality;

- by many teams within the municipality - that carry out other tasks and responsibilities too - under the coordination of a small team dedicated to property management.

A particular unit in the municipal government should have control over the property portfolio of the municipality and should be in charge of its rationalisation. This unit could keep the municipal real property inventory and prepare property management plans and programmes. The unit would have amongst its staff urban planners, legal experts, and/or financial analysts. The municipal governments need also to develop and maintain effective approaches to motivate various actors outside the local government, whose cooperation is needed, to make strategic property management a reality. Openness and transparency are powerful means to achieve this goal.

Outsourcing of a great number of the tasks may induce various frictions between officials, political leaders and external consultants. However, the involvement of external experts may be necessary for specific tasks, such as important public procurements, public-private partnerships, etc.

In any case, there are advantages and risks that need to be evaluated before any decision. A separate specialist real property management team, internal or external to the municipality, carries the risk of isolation from the other teams and functions of the municipality. If the property management is allocated to a number of existing teams, potential conflicts of time, effort and interests may complicate the tasks, while problems of coordination may occur.

Whichever organisation for the municipal property is chosen, the roles and responsibilities must be clearly allocated, together with a statement of the organisation's requirements and expectations.

2.1. The parties involved

The key for the efficient municipal real property management is the translation of the ambitions into realistic aims and objectives and then the implementation of successful actions. These ambitions must be harmonised with the broader social, economic, urban planning and environmental objectives. It is not easy to prioritise this as these objectives are not always clear-cut and simple.

This process requires the management officials to develop a robust relationship with policy developers and operational officials and practitioners. It is important that managers provide regular briefings on current and impending property issues, thus facilitating more informed and realistic decision making.

In many large municipalities there may be a lack of awareness about the roles of each person working on matters related to municipal property. It is recommended that a designated office will be the point of contact for municipal procedures, advice and standards on property management. In smaller municipalities this may be one person, but normally this will be a management team to which all relevant property issues are referred. Broader strategic and everyday matters are usually numerous, depending on the portfolio, and this requires very close and continuous work and information gathering. It is crucial that the property management team has a clear, complete and current overview of the property portfolio situation, can provide clear current and consistent guidance and has the ability to identify issues and problems at an early stage.

As RICS (2008) suggests, ideally the management team must be separated from operational tasks and must have adequate resources, while being away from operational responsibilities and day-to-day emergencies. In practice, this requires a very clear organisation structure, without overlapping between units and persons, but this is usually possible only in large municipalities.

2.2. Integration with financial planning

In the SEE countries, property management is carried out isolatedly from the financial planning of the municipalities. Usually, there is not sufficient communication between municipal directorates working on property management and the financial management directorate.

Property management strategy has to be fully integrated with the financial planning of a municipality. This requires the effective monitoring of the financial resources, information and effective management of the contracts.

It should be underlined that a major source of deficiency of the municipal real property management in the SEE countries that affects financial efficiency is the doubtful management of the contracts, leading to the inability for an overall evaluation of the property portfolio; rental income is not in line with the open market rental values, or contract terms are not regularly updated, while information about them is not efficiently managed or even, registered.

2.3. Linkage with urban planning

The municipal property management unit has to work closely with other support offices or municipal units for the accomplishments of its tasks. The most important of them is the municipal urban planning office, which affects the management and development not only of private properties, but also municipal properties, through the institution of the land uses and other planning status conditions. Due to the long and complicated procedures required for the establishment of the urban plans, and the limited flexibility for change, future directions of the municipal property management plans and objectives must be taken into account in the elaboration and institution of urban plans. Otherwise, the municipality may be unable to effectively respond to its proper needs and to the market conditions and opportunities.

Furthermore, in many cases, municipal property could serve to planning objectives that may have more positive effects on urban development, on the achievement of municipal economic and financial objectives and on some private properties, than the economic performance of the development of a single municipal property. Through urban planning, municipalities can create surplus-values, a part of which may be recuperated through tax measures.

Section
3

3. Municipal Property Registering

The municipal real property management relies on data. A database provides the municipal government with information which helps to manage properly the property and to administer effectively its services. The data system must satisfy a range of different needs:

- to support property review, valuation, decision-making and planning processes;
- to monitor and assess the implementation of property management strategies programmes and support their performance evaluation;
- to support the continuous management and maintenance of the property portfolio.

From a management and an economic point of view, the registration system of the properties must be cost-effective. If there is no unique system of registration of municipal property at national level, municipal governments by themselves must establish their own effective, transparent and credible system.

A reliable inventory of the property portfolio is useful in using project-specific municipal properties as collateral for security and to facilitate financial leverage. This function of the properties has the potential to increase the financial flow to the owners of property, or to private partners of the public sector, or both in the cases of Public-Private Partnerships, and to generate additional economic activity, tax revenues and employment.

3.1. The Inventory

The initial stage for a municipal real property management system is the identification of the properties that the municipality own, control, or administer and the creation of an Inventory.

A register of land and buildings may include both private and public municipal properties. The volume of data required will depend on the size of the municipal property portfolio and the entries of the Inventory that the municipal authorities will qualify as necessary for the efficient management of their property portfolio. It must be readily accessible and presented in a format suitable for its target audience.

The registered data in the inventory must be updated, correct and complete. Non-credible data will create uncertainties and gradually the inventory may be derelict. Auditing of old data is time- and money-consuming, thus only reliable data must be registered. In establishing an Inventory, municipalities must ensure that they will be able to support it with the adequate human resources, necessary for its operation. It is better to maintain an inventory registering only a small amount of limited necessary and reliable data, than to undertake the establishment of a large Inventory with many entries difficult to maintain, that will be derelict later.

There are municipal inventories which are often incomplete, partially updated or even with important properties not being registered, with cumbersome retrieval system, or not accessible to officials because of conflicts of interest, corruption, power struggles, lack of trust, lack of technical and legal capacity. In order to avoid similar situations, the political commitment is a must.

The Inventory should have clear directives for its organisation with job descriptions and objectives for the officials. This includes the use of appropriate technologies, such as Geographical Information Systems.

As a sensitive municipal function, the Inventory should be properly maintained as it can become a source of corruption if too much discretion is exercised. Open access, scrutiny,

transparency and credibility of operations will greatly enhance the property management function (RTI, 2007).

In relation to processes of registration and retrieval of data, the issue of security of records is a major concern to be encountered.

The quality of the registration system, with easy access and secure information, is in the interest of the municipal government. The quality of registry management can greatly enhance the sense of security of both private and public sectors and create collaboration opportunities between them.

3.2. The data

In structuring the Inventory, it is essential to ensure that the most important and relevant data is identified. It is also important to maintain the flexibility to create portfolios for particular needs, or comprising the properties that are managed for special purposes, or are under the responsibility of a certain municipal office. Property professionals may sometimes take into account only property-related outputs and for this reason the Inventory must ensure that the property management and data system links to various purposes a municipality needs. The Inventory system must be relevant and add value to the outputs of the municipality, not just to the property managers.

That data that will be registered in an Inventory may come from a wide variety of sources.

A considerable amount of time is necessary to implement a new data system for property management. The process should be seen as an ongoing effort and should be placed under a responsible unit with appropriate mandate and resources. A municipal inventory can be set up incrementally, based initially on existing information and investigations, and eventually research in the folder archives of various municipal offices and Directorates. Significant time is required to verify that the existing information is updated, or if there are new developments that were not registered. Furthermore, investigations will reveal

many judicial matters to follow and to address. All of these matters must be classified and prioritised (RTI, 2007).

Cadastrals – when they exist and are finalised – are the most reliable source regarding their information. There are significant differences in the availability of information because cadastral registers in the SEE countries are limited to the physical characteristics and the ownership status of the properties registered. However, an Inventory of municipal real property is not a cadastre. Municipalities assign different and increased priorities to the use of their property registry.

The standard way for describing all the types of properties is to distinguish the two main attributes of the properties: the “land” and the “buildings”. Land is a permanent and indestructible attribute, while buildings are subject to almost permanent changes or modifications. A building may be constituted by distinct “units” or “entities” with their particular ownership status (a block of flats). Thus, it is recommended that the Inventory is able to provide clear information for the different physical and legal attributes of the properties.

The data required to satisfy these needs will be broadly the same in each municipality, although their precise number may be related to the cost of their collection and maintenance. The following list of the type of data is indicative:

- data about each property which do not change very frequently (location, physical characteristics);
- ownership status of the property;
- urban planning data;
- data which describe the state of maintenance of the properties;
- financial data; rental income, values;
- current use, tenancy details, etc;
- energy consumption (and other costs) and performance.

3.3. Information system requirements

The real property management software that will be used must be properly integrated within the organisation's existing information systems environment. Ideally, all systems related to property must be linked or integrated. The most important of them are: the accounting management system and the geographical information system (GIS). These systems will need to be linked together logically by a common real property coding system and structure. For example, the financial identification number used by the "accounting double entry system" for each property may be linked with that in the Inventory. Certainly, a fully-integrated system would be the best solution for the municipal property portfolio and individual property management.

Efficient municipal property management requires a large volume of data as well as background information like published studies regarding the development prospects of the local market, or information about expected private projects, or even informal information.

It is imperative for the municipalities to establish a management structure which ensures that the data is properly defined, reliable and updated in real time. The management structure must define the general and specific rules for the data management and maintenance that will be followed by all officials. An advanced digitised information system is a prerequisite.

A crucial point in information management is the allocation of responsibilities for registering and maintaining the system. The system must have access only by a limited and controlled number of persons who will be responsible for specific sets of data and their quality. However, the whole structure and information system must be centrally controlled.

Strategic information must be accessed and managed only centrally. It is also important that each municipality has to build its structure of information management according to the human resources available so as to ensure its sustainability and the reliability. For example, the updating of an information system must be continually ensured, otherwise

all the information will be considered unreliable and unsafe, while the system will be derelict.

Section
4

4. Review of the Property Portfolio

Reviews of the municipal property portfolio must take place annually or even more frequently. Reviews must also concern the sub-portfolios relating to particular categories of properties that present similarities, concerning the actual or possible use, urban planning matters, their economic performance, their location within particular parts of the city, etc. A large and complex property portfolio needs to be broken down into more manageable portions, probably by different municipal Units, i.e. the Units that manage buildings, green areas, etc.

Reviews must also take place in situations of special circumstances, for example when the municipalities prepare or update their Strategic Development Plans. The degree of their operability is directly related to the resources, the social and administrative needs of the municipality that are not static and are continuously changed. Furthermore, often the Strategic Plans are dependent on national or regional programmes and developments dependent on tax measures and the financing of many activities.

4.1. Classification of properties

Municipal properties must be classified as core properties, or properties that are needed for municipal functions, and surplus properties that are under municipal ownership but not necessary for the accomplishment of government purposes and may be disposed for social or commercial use, or even sold.

Governmental properties may be used for the the provision of public goods and services. Properties for social use may be used for the development of social housing, the provision of cultural or sports equipments, etc. (Kaganova and Nayyar-Stone, 2000), depending on the legal status of the properties and municipal considerations of the role of the public sector. The way the local governments make the functional distinction, has impact on the decisions to acquire, add to or dispose of the relevant assets.

As part of the classification process and in line with the RICS (2009) proposal, municipalities have to define their general and particular expectations and set out the assessment criteria, such as:

- The strategy objectives being addressed with the classification of a property in the specific sub-portfolio;
- The economic objectives of the use of the properties: whether they can foster economic development and entrepreneurship, the environment of the surrounding area, etc;
- Social purposes, such as to support particular population groups: poor communities, immigrants, etc;
- Urban planning objectives. Usually municipal properties may be used for planning purposes, such as for polycentric city functions;
- Precise value of any financial discount being sought: the difference between the community group bid and the best price reasonably obtainable in the property market. This may not be the property's value in its present use but may be higher, reflecting possible change of use or future development value (highest and best use);
- Management costs of the properties and facility management of the properties hosting governmental or other uses financed by the municipality;
- Viability and management: for example, the nature and skills of volunteers and the management committee and staff, track record of managing similar enterprises and/or buildings, ability to repay funders.

4.2. Municipal Financial Statements

Municipalities in the SEE countries must use commonly accepted accounting rules to report the state of the financial condition and the valuation of their properties by the use of the European Valuation Standards of The European Group of Valuers' Associations (TEGOVA), the Royal Institution of Chartered Surveyors Valuation – Professional Standards and the International Accounting Standards.

Property valuation is costly, and this is an important problem for municipalities under the current financial circumstances. Alternatively, national governments could set the standards and the methods for the valuation of private municipal property by the officials, although these valuations may not fully reflect the current market value of the properties.

In addition to yearly municipal budgets, which refer the revenues and expenditures of the municipalities for a year, the net asset position, or total assets less liabilities with the corresponding breakdown, is also reported. The integration of real property management into regular financial management and reporting, will improve the decision making. Real property assets and liabilities must be periodically reported, analysed and audited. The focus should be on the efficient management of the properties and the best possible use of resources, to ensure the municipal government is able to provide effective services to the citizens. The administration costs of the properties must be seriously taken into account, as well as the potential contribution of these assets to the local finance. Thus, the whole system of municipal real property management including inventory, portfolios creation, analysis valuation and decisions about the highest and best use has to be evaluated in terms of the financial impacts on the local government and ultimately on the level of social and economic services provided to the citizens (RTI, 2006).

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5. Municipal Real Property Management Strategy

Strategic municipal real property management is an effective approach to improve the ability of local government to meet their goals. The strategy is more feasible, however, if it is embedded in a political, legal and administrative context that is supportive. In order to develop an effective property management system, municipalities have to elaborate and adopt a Municipal Real Property Management Strategy (MRPMS).

The Municipal Real Property Management Strategy must delineate the general direction that the asset base will take over the next 5–10 years, as well as the approach to be adopted in getting there. The MRPS would consider the spatial, environmental, social and business goals of the municipality, its drivers and its general context. It would also describe the objectives of the municipal property portfolio and its longer term vision, the way in which each category of properties would be treated in the future and the overall framework in which this would happen.

According to established guides (RICS, 2008), the MRPS would be a central part of a wider document, the Municipal Real Property Management Plan (MRPMP). The MRPMP will describe the organisational arrangements to be adopted for the implementation of the strategy and will make clear the critical success factors and associated outputs that will need to be met in implementing the strategy. It would also include an assessment of the current situation of the properties.

5.1. Municipal Real Property Strategy development

Given the current situation of the Municipal Inventories in the SEE countries under investigation, the process of defining and refining this strategy would take several years, because of the lack of available and detailed information about the properties. Only few cities have a digitised, complete and updated inventory of their assets. It is necessary that the process of establishing the MRPS will be iterative, gradually refining and reviewing all aspects of the strategy over time. In fact, it will be a continuously iterated process, as the situation of the municipal property portfolio is continuously changing, together with the municipal needs and the broader governance objectives.

It is not recommended to frequently modify the main goals and objectives. Anyway, this would not always be possible due to the required and clear links with the urban planning regulations and development programmes of the city.

A MRPMS must provide:

- a platform for structured, consistent and rigorous forward thinking;
- a mode for fitting real property into the municipal multi-dimensional needs;
- an explicit description of the direction that the municipality wishes to take with its assets;
- a basis for consultative strategy development;
- a clear statement of the objectives of the municipality; and
- a basis for present and future decision making;

Municipal RPMS is an essential component of the entire real property management process. Without property strategy it is difficult, if not impossible, to properly answer the following questions:

- *What are the most suitable implementation mechanisms for the municipal needs?*
- *What organisational changes does the municipality need to achieve the strategy?*
- *How should the municipality be organised to implement the strategy?*
- *What are risks of any kind in implementing the strategy?*

MRPMS should be distinguished from Municipal Real Property Management Programmes that are the mechanisms by which the MRPMS, or a category of the municipal real property portfolio, or a part of it, or a single property management strategy will be put into place, within a predefined period of time. They are the practical and implementable actions to put the MRPS in place and will be technically, financially, socially and politically accepted.

5.2. Key elements of preparing MRPMSs

The preparation of a Municipal Real Property Management Strategy comprises many stages, all of which depend on the real needs of each municipality and are of critical importance.

The main elements

The first stage must identify the key drivers that determine the overall direction of the municipal authority and, in particular, to understand the likely implications of these drivers for each category of the properties.

The starting point is certainly the official documents and plans produced by or on behalf of the municipal departments: reports on particular properties and services, operation plans, financial statements, strategic development plans of the municipality, urban planning documents, or even major private programmes for property development within the municipality that affect municipal properties and urban planning.

There is no doubt that many documents must be updated. Moreover, some matters may be confidential or may not be written down. Thus, it is necessary to extract all the necessary information from the key officials of the relative departments and to discuss their opinions and their views on future directions and plans. Some information may be acquired only from the politicians or collaborating external experts, while some information may be contradictory or even concealed. Having understood the main drivers, the visioning for each category of properties can start.

Visioning

Usually there are two (or more) main conflicting groups within a municipal government organisation, even within the governmental majority. The one desires to take new initiatives and the second does not, or may consider only risking a few. Any visioning needs to strike a balance between the two, but at this early stage it may not be easy to manage opposite attitudes. As result, visioning is a sensitive and iterative process in order to achieve the necessary compromise.

The visioning should take the information issued from the assessment of the drivers and seek to organise and map this information for each category of properties. It is necessary to take into account and evaluate the overall environment (political, economic, social, environmental and urban planning matters). Then, there follow the formulation of the broader approaches and the elaboration of the primary objectives.

The vision must clarify the dynamic relations between the municipal property portfolio, the overall external and internal environment of the municipality and the political approaches and attitudes towards its efficient management. A realistic vision has to take into account the risks associated with the market volatility and certainly, the instituted administrative processes of property management in each municipality and country. Moreover, it is also necessary to have a picture of the municipal requirements on real property, both for governmental and social use. This is also not easy to achieve, as few cities have a clear vision of their actual and future needs, both in qualitative and quantitative terms. In order to formulate an idea about the efficiency of the strategy, it will be also useful to consider information regarding the facilities management; few cities dispose detailed information.

Finally, the proposed vision has to take into account the management potential of the municipality in terms of both staff and general resources, while it is to consider the management cost-effectiveness of the Municipal RPMS implementation, given the rather poor economic situation of the SEE cities.

The visioning stage should finish with an agreed preliminary vision for the property portfolio of the organisation.

Public consultation

Municipalities are organisations which render services to citizens. In the past, public organisations have sometimes overlooked the importance of consultation in relation to property management. First of all, consultation symbolises the commitment to openness and transparency, which are major governance challenges in the SEE countries (RICS, 2008).

Real property is a “sensitive” asset and the stakeholders have a legitimate interest in the way real property management affairs are conducted. The involvement of stakeholders in key decisions regarding important properties will result in:

- the understanding of current and emerging issues;
- the best balance of social and economic interests;
- the alleviation of possible reactions from many stakeholders.

There are many stakeholders, with different degrees of power, who have to be taken into consideration when looking at real property management, especially in case of management programme for an important property. Since the issue relates to resource and property ownership, control and use, there will probably be conflicting interests and priorities that need to be addressed and negotiated. This should be anticipated in the preparation of property management programmes.

An effective and well-conducted consultation should include internal and external stakeholders, officers of other departments, external interest groups and opinion formers, NGOs, other organisations, etc. Their responses may redirect property management to more acceptable and overall efficient decisions. Decision makers, officials and consultants may not always have been in a position to adequately evaluate all local situations, while any decision relating to a large number of properties must not be exclusively based on financial prerogatives.

Finally, it is important that any consultation process must be well organised and focused so as to prioritise the main issues regarding property management.

Approval

Before doing any further work, it will be important to proceed to a consultation on the part of the top officials. Then, it is necessary to acquire the approval of the MRPMS draft version by the municipal council or the adequate municipal body, according to the national and local regulations.

Verification

Once there is an agreed vision regarding the MRPMS, the specifics of this vision can be developed into a draft property strategy. Then, the municipality can proceed to the verification of the realism of the diverse propositions of the strategy. The verification process will comprise:

- Analysis of the level of “maturity” of each category of properties: the institutional framework defining their management and their potential development, their ownership and urban planning status;
- Evaluation of the actual and future demand, referring both to the market demand for the categories of properties that may have commercial use, as well as governmental or social use. Under the current circumstances, consisting in the efforts to restrict costs and market downturn, this is a difficult challenge;
- Estimations and valuation of the management methods and costs;
- Public consultations, in order to avoid probable fierce reactions and political frictions. This is also a sensitive process that may be by-passed, but would need to be organised later, on a property basis, when there is an intention to change its use or development;

This verification will be very broad and generic and should not be confused with detailed feasibility and appraisal work which would follow, and will concern individual properties.

Property portfolio strategy document

After the verification stage, the strategy document can be prepared. It may well have changed from the original strategy proposition, as the verification process may have flagged up necessary changes. There may also be a need to discuss the final strategy again with municipal departments and the political leaders, in order to finalise it and ensure its commitment and durability.

A graphic consisting of a light beige square. At the top, the word "Section" is written in a bold, blue, sans-serif font. Below it, the number "6" is written in a large, bold, blue, sans-serif font.

6. Programme for Property Development & Evaluation

6.1. Development of programmes

Following the review of the property portfolio and in accordance with the Municipal Real Property Strategy, there will emerge options for the municipal property management, as well as property development projects. In order to proceed to the realisation of these projects, there is need for a realistic programme or a variety of those projects, and they must incorporate the required value for money, affordability and benefits. The programme must refer to the properties of only one sub-portfolio or to those of several sub-portfolios when there are common features in the objectives for the various properties.

RICS (2009) suggests that the projects to be included in the programme should be relatively easily gathered following the property portfolio reviews, as each rationale will have indicated which are the most desirable. Political governmental authorities and the other decision makers, mainly the municipal council, must evaluate all parameters, including business and non-financial issues, according to several criteria. In fact, decisions are usually taken following a multi-criteria analysis, while some of them are not even expressed, and respond to political necessities or choices, and not only on “hard data” and economic efficiency.

The programme may contain a number of actions that will change the portfolio, will improve its quality and its overall value, or will have side effects in the city sector where properties included in the programme are located. For example:

- acquisitions of land and buildings;
- new constructions;
- refurbishment and maintenance of the existing buildings;
- change of use of the properties;
- disposals of surplus properties;
- sales;
- concessions;

Some actions may be short-term, while others long-term, over several years, e.g. large scale projects with complicated procedures of public procurements, changes to the municipal land-use plans, etc. Considerations of time must be evaluated in the programme, while several other factors must be taken into account, such as the immediate needs of the municipality, the current situation of the local property market, etc. Thus, the programme must be continually evaluated. The programme needs to be well defined regarding its budget, timetables and outputs/outcomes, and where possible it should have in place a series of accompanying performance measures to judge its success. Although its main aims and objectives must not be altered, several items must be necessarily re-evaluated during its implementation phase, mainly due to “external” factors.

6.2. The stages and steps to be followed

First of all, there is a need to review the real property portfolio, or specific sub-portfolios, in detail and to examine the practical implications of the property strategy. This may be long-term process, depending on the number of properties involved.

The second stage concerns the development of specific projects that are the most appropriate in accordance with the municipal property strategy. The evaluation of these

projects must address both the degree to which they meet the objectives of the municipality as well as their affordability. At this stage, it is necessary to evaluate the projects in relation to all the administrative requirements regarding the processes of implementation, such as their technical and financial engineering, public procurement options and, primarily, contract management, especially in the case of PPPs.

The third stage is to choose the most beneficial and affordable projects and combine them together into a programme of projects for realisation. Many options must again be taken into account, mainly regarding the financial implementation and management procedures related to the programme.

Many steps will need to be followed regarding the preparation of the programme:

- **Programme review**

The municipal authorities must regularly review the property portfolio or sub-portfolio in relation to the property strategy and the general urban development strategy, so as to ensure that they are formed in a way that will result in the greatest impact regarding governmental and social needs, as well as business expectations.

- **Property disposal or transfer**

Some properties that will be identified as underperforming or as surplus during the property portfolio review process can be transferred to social organisations, or used to support municipal public services in order to maximize their social value. Other properties may be used to improve governmental services, mainly through the relocation of municipal offices and services to new properties owned by the municipalities.

- **Scheme option appraisal**

Detailed assessments of the projects approved for inclusion in the programme are required. They may concern the potential uses of the properties and the building requirements, as well as the public procurement processes. All assessments are related in some way to the sources of capital for the project (municipal funds, ERDF, private funds

participating in PPP scheme). In all cases, the value-for-money approach is essential, even in the cases of social services, as they are capitalised in the invested capital.

Assessing the benefits

As RICS (2009) suggests, an effective option appraisal system must include an assessment at the economic, social, environmental and political levels of:

- the project costs, benefits and risks;
- the project benefits in relation to the cost and the overall risk;
- the best option that will deliver the best outcomes, within an acceptable timescale, an acceptable cost and level of overall risk (including political risk, due to governmental changes);

6.3. Key steps

Making choices is a complicated task and the process varies in application and scope, encompassing high level intangible criteria such as political expectations, as well as detailed economic and financial performance criteria. Any decision should incorporate a number of parameters¹.

• Stakeholders' involvement

The early involvement of the stakeholders is a key factor to success for any property programme. There is a need to identify, at an early stage of the programme, the people:

- who have a stake in the property development and management project, and why;
- as to how important they are to the decision-making process, or how they can prevent any decision; and
- as to how to involve them, when this is the case.

Sometimes, there are direct or indirect interests that are well hidden under local or regional organisations and stakeholders may be influenced to support or not projects.

¹ The RICS guide (2009) proposes an approach, which is partly followed in this section.

- **Definition of the objectives**

Clear objectives are essential for the implementation of a project. They are necessary in order to ensure that each objective meets specific, measurable and achievable criteria. Furthermore, the communication and discussion of these objectives with all interested parties will reveal all the issues that must be considered at any level and context: political, social, economic and environmental.

- **Information**

The collection of information including cost, revenue and qualitative information is necessary for the exploration of the different options of the project and the evaluation of the different options regarding the objectives of the project.

- **Assessment and analysis**

The assessment of relative costs and benefits of each option is a necessary step in every municipal property project. The financial and the non-financial benefits of each option must be equally considered. The assessment of the non-financial benefits is usually difficult, but it is possible to take into account, during the decision-making process all the important benefits and factors, and to subsequently include them in a multi-criteria matrix of decision making.

- **Decision making**

The decision-making process is usually not a simple one, based on the score of the technical and financial approaches. It is ultimately a political decision. However, technical and financial reports, as well as social parameters, must be seriously considered. The decision-making process is not a complicated mathematical exercise. Comparison of the estimated costs and the overall performance of the options can eliminate some of the alternatives and even point to the best solution. Finally, sensitive judicial matters must be seriously taken into account – mainly those related to the execution and management of the contracts.

- **Post-project evaluation**

Ex-post evaluation of each property project is an essential part of the decision-making process. It refers to the review and evaluation of the chosen actions and the results of the project implementation against the objectives that were set initially. Furthermore, post-project evaluation may help municipal authorities in developing successful schemes and improve procedures in property management and development. Usually, there is a need to gain experience and improve public procurement processes and contract management, as well as the bidding process, if these are in existence, mainly in PPP projects. This evaluation is a difficult task, as some of the results and deficiencies of the projects appear several years after the introduction of the concessions.

- **Risk management**

Risks need to be identified at all stages of the decision-making process, as well as in the public procurement, the development process and the process of contract management. One thing is certain: they will vary depending on the project.

It is crucial for municipal authorities to understand how risky each option is at the economic, social, environmental and political level, as this could influence the decision that is ultimately made. Municipalities must establish a risk evaluation and management process, to ensure the achievement of the property development objectives.

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