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**PROMISE**

Municipal PROperty Management  
In South-Eastern Cities

**Deliverable 7.2:**

**White Paper**

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

 **SEED CENTER**  
SOUTH & EAST EUROPEAN DEVELOPMENT CENTER



**UNIVERSITY OF THESSALY**  
DEPARTMENT OF PLANNING & REGIONAL DEVELOPMENT

# **Deliverable 7.2**

## **White Paper on the Management of the Municipal Real Property**

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# White Paper on the Management of the Municipal Real Property in the Countries of the South-East Europe

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## PROMISE Project

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## **Abbreviations**

JESSICA – Joint European Support for Sustainable Investment in City Area

MRP – Municipal Real Property

PPP – Public Private Partnership

SEE – South East Europe



# 1. Why enforcing the MRP Management in the SEE Countries?

During the recent decades, the market globalisation has resulted in the deregulation of capital flows and in the minimisation of state control over financial activities. The local characteristics of the property markets have gradually lost a great part of their significance, while globalised property markets have pursued the incorporation of the enormous wealth of real property into the global economic circuit. These developments progressively encourage those involved in the municipal real property sector to pursue the new opportunities arising in the international arena.

Urban development and management depend not only on local and national factors, but also on forces emanating from the globalised economic environment. However, the effects of international financial development on urban policies and their real property management have not been fully appreciated up to today in the South East European countries.

The territorial loci of cities shift towards the financial sector. In the globalised economy, the cities need and compete for international capital flows, which they could succeed in attracting by a number of ways. In parallel, the municipalities have to satisfy the increasing roles required from them, both as local and global capital loci that are particularly related to real estate investments. Urban infrastructure and municipal services are increasingly costly and municipal bodies continually need to secure the necessary resources. Usually the municipalities disposing of a large amount of real property portfolio seek to establish partnerships with the private sector and markets, which in turn hold an important role in the urban affairs and processes. Thus, real property management, urban planning and management become biased towards globalised capital, and the private sector seeks to play an increasing role in urban policies, governance and planning. More ever now, there is a necessity for cities, to be able to manage urban affairs and to use their real property not only to attract capital, but also to efficiently manage their complex relationships, ultimately for the profit of the citizenry.

The municipalities and planning bodies in the SEE countries are rather inflexible, they act slowly and do not adequately respond to what citizens and capital investors require. Thus, their role in real property management and urban planning could reasonably be questioned. It is open to question how is it possible to retain and achieve urban development objectives with the adequate involvement of the local government units accommodating concomitantly the increased market needs.

## **1.1. The current trends in Municipal Real Property Management**

The municipal real property management is a broader worldwide trend. The municipal government must respond to globalization through greater efficiency. The real property is increasingly recognised and promoted as a strategic resource which can be better exploited to meet social, economic and spatial objectives. For strategic, operational and financial reasons, the asset management is becoming an increasingly important area of decision making for municipal governments in the SEE countries. New demands for better service provision, trends towards decentralized systems of public sector management, potential synergies and changing roles in the public and private sectors are creating the need for better management and accountability of municipal resources. Open and effective management and reporting of public property resources is an important aspect of public trust. In many SEE countries, however, there has been significant concern about actual and potential misuse, abuse or corruption especially related to misappropriation and disposal of public property (for private gain).

Real property remains a rather neglected resource for municipalities receiving little executive attention and with widespread ignorance of property costs, value or performance, while it is not adequately considered as strategic resource. Maintenance of legacies, rising services standards, socio-economic changes and scarce public funds given the current economic situation in the SEE countries, increased the attention towards an 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 competitiveness of the public sector. The new management view of property refers to a

wider strategic perspective over and above traditional technical skills and emphasizes on long-term perspective and outcomes.

There is a new and heightened interest in the strategic role that asset management can have for municipal governments and the city's residents. As the processes of decentralization, urbanization and economic development in the cities continue in the developing economies, there is a growing need to provide better living and working conditions for the growing urban populations through better service provision and improved access to amenities. Thus, there is a strong incentive for the local governments to develop their fixed asset base as a productive resource to help in the attainment of public goals.

Land-based financing in urban infrastructure finance is a new trend in the SEE countries. Land-based financing is a form of market finance. The sale of municipal land to private sector via open auction is a market transaction that raises financing on market terms. Betterment levies are used to capture part of the increase in the market value of land attributable to infrastructure investment.

The Public-private partnerships lie on land-based finance. Municipalities may adopt the following approaches of PPPs: a) to donate public land to private investors in return for private investment on public infrastructure, b) to sale land to developers, although donations and sales can not continue indefinitely due to the limited availability of suitable properties in many cases, and c) to share gains in land values created by investments realized through joint venture development projects, imposition of taxes to capture surplus-values or through agreements for negotiated development.

Land financing is emerging a significant part of urban infrastructure finance. The opportunities may be numerous, namely:

- Establish clear guidelines for public land auctions in renting and selling property assets;
- Prepare property management strategies, including the establishment of an inventory, the valuation of the properties, and make strategic decisions about the use of the properties;

- Establish stable and equitable rules for the exercise of eminent domain or other compulsory powers, and finally, to identify workable modifications of betterment fees and impact fees as infrastructure financing instruments.

However, there are important risks and limitations associated with land-based financing, such as:

- The volatility and uncertainty of the property market. This implies difficulties in following property management strategies, and assessing risks of management programmes of the properties.
- The lack of transparency and accountability, leading to corruption while public benefit is rendering unconsidered.
- Land financing techniques depend to the efficiency of the urban planning and development policies and practices.

## **1.2. The new approach in Municipal Real Property Management**

It is rather generally 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 the municipal real property management. Urban governance, even of small cities is much more complicated than corporate management, as it is frequently stated, as 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. As far as social matters, Corporate Social Responsibility is rather more a marketing communication tool than the output of a real social action.

Municipal real property management is a part of the overall municipal governance and must move away from the technical aspects of the operational management of individual buildings towards more strategic management of the real property portfolio as a whole. This requires an evolution in skills.

Property provides a primary role in supporting service delivery by providing a point through which services are supplied to the community and provides a place for staff and citizens to work, meet and use facilities. In the view of and, property also plays a wider role than simply supporting services. It projects an image of the council and can act as a catalyst for the economic and social well-being for an area.

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 real property must be approached from financial, physical and functional perspectives. The multi-dimensional nature of the property complicates measures of outcome, while and argue that there is no simple, single or consistent way of measuring whether property assets are performing well which can be applied across all property types.

Municipal Real Property Management is property owned, controlled or used by the local governments. They can be managed directly or indirectly for the benefit of their constituents in the attainment of local service delivery goals. Municipal asset management is the process of inventory, valuation, use, strategic portfolio reviews, reporting and auditing of municipal properties as part of the decision making process of local governments.

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 issued by the more efficient use of the municipal property portfolio;
- b) Increase the municipal revenues;
- c) Enable municipalities to promote financial leverage through the use public funds through initiatives such as JESSICA and to efficiently use European Regional Development Funds;
- d) Attract more domestic and foreign investors;

- e) Influence land values (for example, through relocation of public properties, improvements in social infrastructure) that make public and private land properties attractive for productive and real estate purposes;
- f) Improve the overall credit rating for the municipal government

## **2. Need for Institutional Strengthening**

The research on municipal real property management practices in the SEE countries shows that almost all municipal governments need to make improvements, although the starting points, policy implementation experiences, and priorities can be very different. The cities vary depending on their legal traditions, institutional and political development, the degree of decentralization of public functions, and level of technological adoption, access and use.

### **2.1. Political, legal and regulatory settings of the MRP management**

The municipal authorities need a common framework that clearly establishes the authority of local government over municipal assets. In some countries, this framework of laws, regulations, and management of local properties has existed over a long period of time. In other cases, the processes of reform and transition have accelerated decentralization and strengthened the authority of the municipal governments. Although laws may have been promulgated, there can be, in many instances, areas of contradiction and lack of clarity that potentially discourage local governments in their asset decision making initiatives.

The property management functions have to be understood in the context of the social and political environment. The laws and regulations will, to some extent, reflect these realities. Municipal leaders, who, with their constituents have developed a common vision and social agreement, often have their endorsement and support to strengthen or reform the property management system that will optimize resource use in the attainment of public objectives.

## 2.2. The Legal and Administrative Framework

The framework consists of the applicable laws and regulations that affect the ownership and management of public assets. The SEE countries have almost same legal and administrative traditions, based on the Roman law. The legal systems define the property ownership including rights and responsibilities, sale and registration. The laws and norms guide the management, use, acquisition and disposal of public property. They are important in determining who might be the ultimate beneficiary of the services and financial returns that municipal assets can provide. The laws and regulations normally establish the right and obligations to register properties, methods of valuation for transaction purposes (buying, selling, leasing, and concessions) as well as the processes that apply for eminent domain cases. The laws also establish the instances and authorities for appeal and arbitration.

The list of legal instruments can be extended significantly to include laws and regulations relevant to asset management. Although reforms may introduce or change laws, it is often long term development and refinement of laws and their application that provides an enabling environment for asset management that endures. Practice and application of the laws, the experience of using assets for additional revenue generation, and the experience of service provision and better public management of assets are the processes through which trust relationships are developed, institutions are respected, and goals of development are achieved. The processes that consider incentives and trust building among stakeholders, normally take years to evolve and improve; unfortunately, they can be disrupted by various types of conflicts or political and policy changes.

The SEE countries vary in the level of centralization or decentralization and this has to be acknowledged in building municipal asset management frameworks. The chosen framework has to have a compatibility with systems used at various levels of government. The degree of institutional performance of national systems of public property varies significantly.

The legal and administrative capacity has to be tailored well to the size, composition and economic complexity of each particular municipal government. A critical question is:

how can the administration of laws and regulations support the development of municipal services and the complementary activities of the social and private sectors, in an environment of justice and transparency?

There are different steps that the municipal authorities must take to test whether their legal and administrative framework is adequate and whether they have the necessary authority and capacity to use and manage the municipal assets.

Within a country, the local governments and the national government need to have a common framework to incorporate clear mandates for the management, acquisition and disposal of public assets. In some SEE countries cases, this has resulted from processes of reform, such as the case in transition countries or countries that have accelerated the decentralization of public service provision throughout the world.

The next step is to test internally as well as externally, if there is a workable municipal asset management system. Legal and administrative expertise should be tapped by municipal authorities if necessary, to provide advice on the authority level of local officials.

The third step is to assess whether the local government has the capacity in asset management to optimize use, to respond to the needs of the community and the municipal government. Rapid appraisal through relevant professional groups' surveys and peer review could provide some answers. If the results are negative, a strategic plan of the required capacity building is needed.

The municipal government has to evaluate periodically its internal organization's legal and administrative skills to handle legal aspects of asset management and to be able to issue bidding documentation; award, negotiate, and enter into contracts with private sector investors, developers of real estate properties, construction companies, other municipal and state level organizations and different units in government.

## 2.3. Legal Provisions

### *Land Management Regulations*

The laws and regulations often have special provisions for land use and construction. These would include zoning (residential, commercial, and recreational) and limitations on density, height of buildings, foot print regulations that impact on the landscape and adjacent properties of any construction activity. Other regulations can have special provisions affecting properties as they relate to the physical environment and the health of residents in the respective district and beyond. Specifically designated areas are also subject to special legislation.

### *Acquisition or Disposal of Municipal Assets*

The constitutions delegate rights and obligations through state and local government provisions, for municipalities to exercise the ownership and management, buying, use and alienation of public property. The legal and administrative public sector management system normally establishes the conditions, processes, valuation and compensation to acquire and dispose property for the regular conduct of asset management operations to achieve service delivery objectives.

National regulations also normally establish the rules and processes to be followed to sell, rent and lease public municipal properties. These processes and transactions are at the core of auditing processes as the amounts involved can be substantial in relation to revenue streams or to the salaries of the civil servants and others involved.

### *Leases and Contracts*

The legal and regulatory provisions are very important in an efficient system of property administration, making the investments attractive to investors. The practice and application of delegated mandates (e.g. granting of leases) can in some cases be used successfully to leverage property to finance infrastructure.

What is important from the point of view of efficiency of municipal services for the benefit of the population, is that a system is agreed upon that attracts and allows the

citizens of the city, development and commercial banks, and private investors to invest, fund, loan and approve projects on the basis of credible practices that permit the recovery of invested funds, in a stable legal, judicial and regulatory environment. The lease method of property use is an excellent argument to overcome the resistance against outright sale of municipal properties.

Unlike freehold which allows the use of land for unlimited duration, leasehold is normally granted for a fixed period of time. Thirty five to seventy year lease periods often are of sufficient duration to attract investment in leased properties versus fully owned properties, if there is a perceived credible environment for investors to exercise property rights. Some experts in this subject argue that more important than type of tenure, it is government attitudes and record toward the private and business sectors that could be the cause of market insecurity.

## **2.4. The Enforcement of the Legal Provisions**

The municipal authorities have to set the example of compliance with regulations. In addition, the penalties and sanctions in case of non-compliance provided by the statutes have to be enforced fairly. For this purpose, the municipal government has to ensure that it has enough capacity to assess the violations, the applicable norms, the technical avenues for enforcement and the appropriate manpower and equipment. In severe cases, for example the corrupt sale of an urban park to private developers, sanctions can include penalties for all the parties involved, from developers, to civil servants to buyers and contractors. Once the appropriate processes of law have been followed, the municipal government should then proceed to enforce the sanctions, from eviction to clearing of structures and fines, and in extreme cases, incarceration.

Not all the incentives need to be negative. The owners, who fulfil their duties and help to enhance the urban environment through additional investments that show respect and concern of the public good should also be publicly praised as examples of good citizenship.

The rules have to be clear, but they don't mean much if they are not enforced with fairness.

## **2.5 Planning and Regulations**

The process of urbanization must be better planned than acted upon once powerful trends, such as illegal occupation of lands and properties are in place. It is much harder to improve services provision once settlements have been established without planning, than to anticipate growth and proactively provide subdivisions of land with public utility services (both public and private) at affordable rates for the expected population. This is a challenging issue, as the resources needed are many times significant and city governments will need to coordinate actions and request allocation of resources with the national government, state and private sector corporations, utilities, and other economic and social organizations to address these challenges.

The physical land planning and urbanization in anticipation of expected population growth rates and physical transformation should be regulated ideally in coordination with state and, in some cases, national level authorities. Depending on the per capita income levels and prospects, the process should start by defining growth areas in strategic locations that include dimensions of land and housing units affordable for low income residents and that can grow physically through time and that respond to a dynamic process of settlement with the participation of the private sector and the newly forming communities.

The environmental dimension of some municipal properties is normally included as part of the physical planning processes. The classification and valuation of assets that serve particular environmental functions has to be recognized by the inventory, valuation, auditing and strategic methods of asset management. The more information is available to the public and the auditing authorities about special zones to protect, the more likely these areas will not be converted (by corrupt means in some cases), to residence zones

that endanger not only the uninformed buyers and future residents of these areas, but also the neighboring residents.

Public areas in the city centers should be effectively protected by planning regulation, since they are part of the public environment for residents of the area. Changes in zoning applicable to outlying areas, areas that were initially public properties for restricted use, but that became available potentially for residential or commercial use have to be part of the physical planning that needs to be openly debated. New development and approved areas at different levels of potential subdivision could be sold, leased or rented on the basis of competitive auctioning mechanisms.

This aspect of land based asset management should form part of the regular municipal strategic planning reviews and implementation. Reporting by municipal government on the more important rezoning and development of new areas should be subject of wider open debate before implementation.

Open discussion models might be good approaches, appropriate to increase effective citizen's participation. In larger cities, more information and analysis flows made available to the public can help improve the management of assets in support of municipal development and environmental objectives. These processes of information sharing, in conjunction with systematic channels of participation and communication, will allow greater levels of participation of stakeholder groups and the population at large.

### **3. Administrative and Organizational Considerations for MRP Management**

This aspect of asset management has to respond well to the local strength and conditions of the municipal government. Some municipalities in the SEE countries have well established offices and personnel in charge of asset management, and their experience can contribute to improvement of the system inputs. Since asset management is both a financial management as well as an urban physical planning function, an asset management unit, integrating the contributions of different relevant departments, can help achieve the objectives of developing an improved and coordinated real property management system. Attracting highly qualified and motivated professionals to this important function, will depend on the financial and institutional strength of the municipal government, on the ratios of civil service salaries to those of the private sector and on the perceptions and incentives for professional development.

#### **3.1. Organizational Arrangements**

The definition of types of ownership rights, and the uses and limitations that might affect urban property management varies across countries significantly. There are basic economic and management principles and tools, which associated with the use and interpretation of existing laws and regulations within each SEE country, can help enhance the overall municipal service provision and strategic management for the benefit of all citizens. A review of the mandates and functions of the asset management office should indicate whether there is coherence in the guidelines, terms of reference, job descriptions and overall reporting lines and levels of responsibility.

### **3.2. Audit Mechanisms and the Asset Management Function**

Special provisions for yearly (or half yearly) audit and reporting by external public or private entities have to be made by the municipal government, either because it is mandated by law, or to improve the level of trust, and public performance and service.

Public accountability is especially important in matters of stewardship of assets. The audit function on behalf of the citizens of a region and locality can be exercised in different forms, according to traditions, laws and technical innovations incorporated in the public administration processes for example: parts of the inventory valuation of properties can be subjected to regular audits internally and externally to guarantee the quality of information. Main properties status and values could then be made available to the public via regular publications, and widely accessible through local websites and other methods.

Special efforts should be made to hold regular public meetings, to discuss financial reports asset valuation and planning objectives, and to obtain inputs from the public in a systematic fashion.

### **3.3. Transparency Increase**

Municipal authorities must be able to use more smart forms of public asset management, for example by increasing significantly the yearly revenues of the municipal government, which can translate into better services for all citizens with special concern for the poor. Land that was idle can be transformed into highly productive purposes with the objective to increase tax revenues, services, the overall welfare in a balanced manner.

It is a challenge for the municipal authorities to find and improve approaches in asset management. Many of the new residents of a city in the developing world for example will initially relocate to the urban slums. The sooner they understand the rules of settlement in new areas of development and the more efficient the process of resettlement and communication, the higher their acceptance of municipal authority and

support. The trust that develops creates synergies and heightens probabilities for initiatives emanating from entrepreneurial poor residents to succeed for their benefit, and ultimately the benefit of the city.

The rules under which public properties are managed by municipal governments form part of the necessary social contract for the creation of credibility and social capital, understood as the institutions needed to create social coherence and lower transaction costs for economic activities. If local authorities are entrusted with the management and allocation of critical assets, without oversight and accountability measures, the potential danger and perception of collusion, corrupt practices, and possibilities of bribery etc. are very high. Although many current laws around the world guarantee free access to municipal records from financial budgets, balance sheets and records on inventory, valuation and use of public property, there is still lack of transparent management and reporting, as well as obstacles that prevent this, sometimes even in the most advanced SEE countries economies.

Municipal policy makers interested to increase economic growth and welfare, will reduce poverty and improve the living conditions of new and old urban and peri-urban residents when they will tend to promote the use of a transparent system of land and asset management. They should be formally recognized for their leadership by the public sector and through citizen's initiatives.

It is suggested the use electronic and web-based information systems which allow more open access and potentially increased levels of social auditing by the residents. The criteria for selecting a computerized asset management inventory, valuation and reporting system depends on the size and complexity of the portfolio of public properties of each municipality. The systems design, standards, reporting requirements, valuation methods, etc, will depend on the authority level given by law and custom to the local governments, financial, institutional and professional capability, and size of the local economy. A systematic evaluation of the information systems to be used to regularly report the inventory of properties including updated valuation, cost implications and other relevant information, has to be assessed carefully, in comparative terms, so that it becomes cost

effective and can grow in sophistication while maintaining a certain relation to the costs and benefits of reporting.

### **3.4. Acquisition and disposal of Real Properties**

Depending on the country and the specific case, purchase, rent, leases or sale of existing municipal properties is the recommended action based on the analysis of alternative options.

Land, buildings and other fixed assets can become part of the portfolio of properties of the municipality, through the following processes:

- a) Allocation of rights and transfer of land and fixed assets by the central government, according to the constitution and other laws of the country.
- b) As part of development implementation plans, developers might be required by law and local statutes to relinquish a certain percentage of the privately owned and developed land to the municipal government for different uses: from access roads, to community centers to parks, schools, and other.
- c) In the process of adjudication of lawsuits, infringements, re-possession due to lack of tax payments, death, bequests by individuals or other legal entities.
- d) Buying through competitive bidding of private land backed up by a special process of appraisal and valuation for the benefit of the municipality (although if not properly managed, this can be a contentious issue).
- e) As part of other public and administrative processes, for example the redirection of water flows that can liberate important areas of river basin land for other potential commercial uses, which by constitution are owned by the state until such an intervention.
- f) Eminent domain and public interest expropriation or buy outs.

For disposition of assets, the financial and fiduciary regulations prescribe the processes for open auctioning, arbitration of values and other methods of sale, which need to be

clearly written, explained and made public by the municipal administration. The process of real property disposal must be not only fair, and perceived as such by all parties. Methods of recourse and disclosure must also be clearly indicated, made public and enforced.

### **3.5. Contracting and Asset Management**

Some functions, of a more technical nature, could be contracted out for better results. If a municipality government is at the early stages of an asset management improvement strategy formulation, during critical period of implementation, or during particularly difficult design and negotiations of projects involving significant assets and potential future revenues, it might be advisable to hire consultants through the most optimal and transparent methods available. More specific work, such as setting up the inventory and valuation methods, could in some cases be fully or partially contracted out, with capacity building components to ensure sustainability.

Municipal authorities need to manage the cost of appraisal, design and negotiation and to contract when needed with private partners who could provide specialized skills and technical resources. The process needs to be carefully assessed and managed. Local governments should strengthen their capacity in project management, appraisal and risk analysis, contracting and negotiation, and their appreciation for local conditions, laws, customs, and local and national norms. Well managed processes which have been evaluated ex-post show significant net gains must be achieved when such expertise was utilized by local governments and/or consultants.

## 4. Promotion of Strategical Analysis and Valuation of MRP

Whenever a municipal government wants to significantly change the quality of municipal administration, engage the citizens in a process of urban renewal, or develop a master plan into the future, it will need to engage the community in participatory processes to define vision, objectives and an action plan of implementation. It is here where a well managed real property management system can make significant contributions and can benefit from proposals to improve the entire city administration.

A strategic review of property management will/can:

- Help improve the level of public and then private services;
- Increase the active participation of the residents of a city for their support;
- Define the necessary steps to improve the city living environment, which could result in measurable increase in prices of real estate assets;
- Develop strategies to make the process of economic development inclusive, so that nobody is left behind from the results of improvements and investors are attracted;
- Help enter into a virtuous circle of improvement of municipal performance.

Municipal authorities need to undertake analysis of options for individual or categories of assets by doing regular review of the costs (maintenance for example) vs. the benefits of keeping the assets under different potential uses: (e.g. fire stations), leased units (e.g. market spaces and office space), joint ventures (with special provisions of reversal of assets in case of dissolution), concession contracts (for example for water provision), rent and sale of assets.

The decision making criteria for ranking and suggesting programmatic decisions on municipal assets should include economic criteria (returns on investments, long term asset position in relation to liabilities of the government, economic objectives such as increasing economic activity and job creation and tax base) or financial criteria (budgetary

resources needed to maintain an asset or optimized level of rent revenues. In addition, environmental considerations might be crucial in the decision making process on municipal assets: for urban planning and zoning considerations, ensuring the allocation, preservation and enhancement of public parks and buffer land areas (erosion, air quality, recreational value) might be important issues to consider.

Municipal authorities need to apply national and international planning norms as they apply to the balancing of private and public property, densities of economic and human habitation and the necessary urban services. A multidimensional and multi-criteria decision making matrix will be needed to explicitly develop rules of the game for asset management purposes. For example a well developed urban plan, with great attention to environmental amenities and quality of air, freedom from noise and pollution, can also enhance significantly the value of the private and public properties, which can have a significant impact on the financial flows to the municipal government through higher taxes and user fees. In addition, the feedback from enhanced quality of city life can help make the area more competitive in attracting additional investors, potentially increasing economic and social returns to the city.

From a social perspective, the ability of the city to create jobs of certain quality, and engage in service provision that is progressive (e.g. favors the poor more than the rich in a sustainable manner), could be one of the objectives that a strategic review of assets should help attain.

## 5. Towards the New Era in MRP Management

Strategic use of assets can greatly enhance the ability of a local government to provide better services and engage the participation of residents to achieve the goal of a shared vision. Land based fixed assets are particularly important for the delivery of economic, social and environmental services that people are willing to pay, either through systems of taxation, or special user fees. Because of its potential, particularly in cities that are growing rapidly, the municipal asset management deserves special policy and political attention from both the municipal government and very importantly, from the citizens themselves.

New institutional frameworks of Public-Private Partnerships, based on the valorization and use of the real property, which have already been established during the last years in almost all the SEE countries, and the new methods and mechanism of financial engineering for the realization of urban projects such as the new EU initiative JESSICA, the process of municipal real property management renders urban planning and development directly dependent on the globalised financial system. The private sector, from a mere advisor, to a contractor or financier of the projects, now becomes the crucial partner in planning and development. This would not have been a problem at an operational level if there had not been conflicting interests between the parties, if the real estate markets had not been so unstable, and if the institutional environment had not been so volatile and opaque. Private capital involvement in large scale PPP urban planning projects, such as urban regeneration programmes, requires expectations of significant economic profits. Specifically, the basic requirement for the success of an urban intervention is not only the provision of properties and the sophisticated planning. More, it is the quantifiable gain prospects of the capital investments in many property sub-markets, which in combination with the public equipment, constitute the integrated product of an urban planning programme that will be proposed to the capital market for financing. The financial profits cannot be exclusively long-term, since there are investors representing “nomadic” global funds who seek for short-term gains. Even during the planning phase, the accurate appraisal of the property management and development project and the risk allocation among the collaborators/partners is necessary. However,

the assessment of both the expected return and the contractual risk undertaken by the partners is difficult because of the complexity of the projects and the volatility of property markets.

Under an uncertain environment, the negotiations and management in public procurement contracts (such as large urban intervention projects which involve municipal property) is an extremely difficult and skilful task, and particularly for the public authorities. The municipalities need to be well organized in all the matters related to their real properties, and to dispose of high qualified personnel in order to achieve the best possible results for their citizens-stakeholders.