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Good governance in some public real estate management systems

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ABSTRACT

The paper presents real estate management as a system and specifies all its constituent parts. It contains a comparison of good governance principles and chosen procedures as well as their execution in different countries. The analysed systems were divided into two groups by cluster analysis. Afterwards, an analysis of the management systems in the chosen countries was performed.

On the basis of the above analysis, the condition of the Polish public real estate management system was characterised in comparison to the other systems. Some changes in the system were suggested in line with the good governance concept (openness, participation, accountability, effectiveness, coherence). In order to implement these modifications, the existing law concerning this subject should be adapted or changed.

1. Introduction

Public real estate management continues to be a relevant issue, partly because of the role of real estate resources in different management systems. This pertains not only to such countries as Poland, Lithuania, Latvia, Ukraine, but also to West European countries, even though their public resources are much more modest. Moreover, this problem is brought to attention globally, as evidenced by the works of Commission 7 (International Federation of Surveyors—FIG), Food and Agriculture Organization of the United Nations (FAO), Grover (2009), Grover and Elia (2011), Phelps (2011).

It is easiest to identify public real estate in such countries where there is no other form of real estate possession but the state's. A problem arises when countries have a diverse ownership structure of the resources and especially in situations where procedures such as outsourcing or public private partnership (PPP) are used.

Public real estates can be defined as the ones which are not in the ownership or possession of private entities. This is the simplest way of distinguishing them, but this rule is not entirely true because if a real estate is leased to a PPP, for example, it may not be in the possession of a public entity but it can be used by a private entity for a public purpose, which is why it is still identifiable as a public real estate. A similar situation occurs when a *poviat* in Poland (one of local government unit in the Polish administrative division) lets its real estate to a municipality into perpetual usufruct. A different situation happens, for example, when a municipality lets its real estate to a private entity into perpetual usufruct. A perpetual usufructuary has no full control over a real estate, being limited by the rules of law, principles of community life and especially by the perpetual usufruct contract signed with the owner. Moreover, a perpetual usufructuary is obliged to pay the first fee and then annual fees on predefined dates.

The problem of identification of public real estates was considered inter alia by Grover and Elia (2009), who suggested that public real estates could be defined as the ones which are managed by local government units from all the levels of the territorial division of a country, i.e. the national, regional or local level. Moreover, they can be characterised as the ones which remain in the possession of different kinds of agencies, corporations or other entities, which assume control over these types of real estates but provide public services. Therefore, a public real estate means that it is not necessarily in the possession of public entities, but can also be possessed by private organisation. The latter include real estates that are in the state or another public entity's ownership, but other entities may have certain rights to them, for example they are real estates which were let into lease or rented as well as ones that a public entity rents or leases from a private person or a public entity manages on behalf of others.

Another source of difficulty in defining what a public real estate is the diversity of interpretations of public estates in various countries. In Poland, the Real Estate Management Act (1997) contains an indirect definition, stating that public real estates are the ones which actually remain in the possession of the State Treasury or local government units. This notion was also adopted by Kisilowska (2011).

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In other countries, public real estates are defined likewise, depending on the administrative division of a given country. In Latvia, Finland, Russia, Turkey and the United Kingdom, public real estates are the ones which are in the ownership of the state, local government units or public entities whose functioning is regulated by other legal regulations. In Azerbaijan, public real estates are the ones which belong to municipalities and the state ownership is excluded from the definition. Conversely, public real estates in Nepal belong to the state and are used for public needs.

There are countries where public real estates are not defined in any legal act because they are distinguished in exactly the same way as private ones (the only difference is that they are in a public entity's ownership). This is, for example, the case of Switzerland or Sweden.

To recapitulate, herein a public real estate is defined as a real estate which is in the ownership of a state, local government unit and another public entity responsible for its management in compliance with separate regulations. This definition reflects the position of public real estates in most of the analysed countries.

The paper presents real estate management as a system and determines all its ingredients. It contains a comparison of good governance principles and chosen procedures as well as their execution in different countries. The paper also proposes some changes in the Polish public real estate management system.

2. The theorethical basis

Public real estates create a coherent system, which can be treated as a set of relations and procedures appearing among subjects and objects of management (Źróbek et al., 2012) or as a set of standard activities of real estate management such as selling, leasing, etc., which facilitate rational use and development of real estates (Źróbek, 2005).

Therefore, a public real estate management system is a certain unity, which is separated from the environment (Fig. 1). The system consists of objects, subjects, procedures, processes and relations that occur among them, as well as information (which is changed during exit the system). First, connections and relations that exist among subjects and objects of management should be determined. The subjects active on the real estate market are natural and legal persons, public and private ones, who have various rights to the real estates (for example leasing, renting, ownership) and also subjects operating on the real estate market such as real estate appraisers, managers, brokers, developers, etc. The objects are three types of real estates (lands, buildings and housing or business units) and rights connected with them. Each real estate (management object) is different (unique), i.e. no two objects are identical. The same can be said about subjects on the real estate market. Each is different and has a different approach to real estate. Thus, relationships among subjects, objects and the role they play have an impact on the management and its efficiency. The effects can be one-way or reciprocal.

A public real estate management system consists of separate subsystems, mutually affecting one another. Although they are part of the system, they create independent units. There are processes and procedures of management and detailed tasks being pursued within each of the subsystems (Fig. 2).

The processes of management are a function of strategic directions of actions (Janowski and Wiśniewski, 2008). They include, for example, a real estate condition survey, plans of its use, questions of finances or accessibility as well as an analysis of the system's environment (Wiśniewski, 2008). The next level of management processes consists of procedures, which are chronologically arranged into complex sets of activities, conducted within a management process. They form an operational level, where the decision-making process is seen as completed (higher level) and executive processes, i.e. tasks, are being realised (lower level). This is the place where real estate management procedures (i.e. selling a real estate, letting it into perpetual usufruct and permanent management, real estate exchange, compulsory purchase, etc.) are being planned, programmed and implemented. Thus, a level of management procedures aims to determine detailed tasks concerning the execution of procedures, especially these which are compulsory on the local and national level.

As shown in Figs. 1 and 2, the environment has an effect on the system composed of objects (real estates) and relations. Moreover, the system reciprocally affects the environment using its output data. An owner, holder or user of a real estate changes.

There is an internal and external environment. The former has a direct effect on the functioning of the real estate management system. It is composed of local acts, documents and analyses, which ought to give reliable and up-to-date information about the functioning of a real estate resource (the importance of information was emphasized by Deakin, 2002). An analysis of the internal environment helps to identify relations between subsystems in real estate resources management. Although the external environment comes from outside of the real estate management system, it also affects subjects of the system. It consists of legal acts on the national level, documents created on regional levels and of external indicators pertaining to the subject, which is exposed to the influence of social, legal, cultural, economic environments. Hence the need to try and achieve a better match of the system to the environment. Moreover, interferences cannot be neglected when determining the environment's impact on the real estate management system. They are the input data which are not a decisional variable, but which directly and uncontrollably stimulate the impact of the environment on the system. They make the system's management more difficult because they are random and non-measureable. The evidence of their presence is the impact they make on output data of the system.

Finally, the public real estate management system is built of interrelationships between three components: legal, fiscal and administrative (rights to a real estate, its value, use and development). Real estate management activities can be described by real estate policy, spatial information infrastructure and a real estate management function based on sustainable development. These components create a real estate management paradigm, which enables one to identify real estate management principles and processes. Adequately defined components and their interactions lead to sustainable development. This is why real estate management functions should be considered as a whole rather than as separate activities (Williamson et al., 2009).

3. Methodology

Four main methods were used in this paper: the modified Delphi method, good governance principles, cluster analysis and modified USAID method (Fig. 3). They are described below.

The modified Delphi method (MDM) is a compilation of two methods: the Delphi method and a questionnaire. The aim of the Delphi method is to determine the probability that a specific event will take place in the future. The survey is anonymous (to ensure independence), based on experts' opinions, achieved through a multi-step procedure (sending modified questionnaires). Subsequent versions of the questionnaire are created on the basis of the feedback from the previous questionnaire. In contrast, the questionnaire method uses opinions of randomly selected group of people, who are not necessarily experts in this field. It is used to detect various types of regularity, e.g. the behaviour of real estate market players. The research tool is also a questionnaire.