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SPECIFICITY OF MANAGING PUBLIC REAL ESTATE RESOURCES BASED ON THE EXAMPLE OF THE POLISH EXPERIENCE

Abstract: Real estate, due to its specificity and the role it plays in the economic, social and environmental area, requires an economically effective but also sustainable approach to its use. There is a need to protect both public and private interests through rational real estate management with the use of modern decision support tools. The changing socio-economic environment in a given country, as well as international cooperation, require modernization of the rules and procedures of real estate management, especially those that make up the public real estate stock. This article presents the basic premises and goals of the existence of public real estate resources. Features and conditions specific to the management system of such a resource are also given. A list of strengths and weaknesses was made using the literature and the results of the authors' own research on such a system functioning in Poland. It was emphasized that, at present, a key element in the decision-making process regarding spatial development and real estate management is having high-quality information. The article was written on the basis of selected literature, Polish law and the authors' experience in property management and appraisal.

Keywords: management system, public real estate resources, spatial development

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Introduction

Public space management is a large and important element of urban planning and design. The importance of this issue stems from the fact that the challenges of adapting to climate change, transforming energy sources and increasing mobility require significant changes in public spaces – both physical and social. The importance of the problem is also heightened by the fact that public space management involves large national and local budgets. More integral and strategic management of public space brings with it enormous potential, so far overlooked in the academic debate on public space in general and cities in particular (Żróbek, 2012; Duivenvoorden et al., 2021; Leclercq & Pojani, 2021; Lee, 2022). Pressure on urban areas is stronger than on rural areas and is increasing faster due to demographic changes.

Today, there is no need to argue that public spaces are necessary for the functioning and quality of life of residents of not only specific cities but also regions. They perform the much-needed function of infrastructure providers (roads, sewage systems, energy, telecommunications, green areas). Apart from this technical function, public spaces also perform social functions, contributing to the provision of health conditions, interpersonal relations, cohesion and biodiversity (UN Habitat, 2017; Maring, 2018).

Analysis and practical operation should take into account the assumption that public real estate (especially land) should be subject not only to long-term planning but also to systemic monitoring. These activities, therefore, require public involvement in decision-making and should serve many communities. Sustainable development is the dominant paradigm of development not only in the international arena but also at all levels of governance in many countries. This concept is embodied by the “think globally, act locally” slogan, which indicates that sustainable development principles should be developed and implemented first at the local level. Territorial governments play a special role in planning sustainable development and management of space and real estate (Żróbek-Sokolnik et al., 2021).

Real estate management can be understood as the process of taking action in the real and legal spheres by (public and private) entities in relation to real estate, aimed at selecting the most advantageous solution from the options considered from the point of view of the set goals (Grover & Grover, 2011; Molen, 2015; Trojanek, 2019).

The main goal of managing real estate owned by the commune is the effective use of communal real estate in the process of implementing public tasks, i.e. meeting the collective needs of the community by providing local public goods. The specific real estate management goals differ depending on the functions performed by the property. Municipal properties can serve many purposes, including:

- fulfilling the statutory obligations of the commune (functions of an administrative and public utility nature);
- generating one-off or periodic streams of revenues (sales), e.g. from rent, lease or loan; or
- implement investment projects or accumulate a reserve for the implementation of development goals in the future.

Activities related to real estate located within the commune and owned by another entity are another area of real estate management in a commune. The commune's activities in this respect are indirect, as opposed to the management of real estate owned by the commune.

The role of public real estate resources in area development

There is no uniform, universally binding definition of public real estate resources. In the specialist literature, one can find a fairly consistent view that land owned by the state and other public entities (e.g. local government units) can be treated as public property (Zimmerman, 2007; Grover, 2009; Żróbek et al., 2020). It should be noted that not all countries have a strict dividing line between state real estate and other units managing public land, such as rural communities, tribal organizations, mixed state-tribal structures, etc., to a distributed (local) system.

In many countries of the world, the role of state property in the implementation of state tasks in the economy is often highlighted. In the international arena, including Poland, the term "property" most often means both property and other property rights vested in the State Treasury (ST) and other state legal persons. This applies to both countries with a developed market economy and countries in transition (Survey ..., 2016). Vietnam is an example where all land is owned by the state. In this country, land may only be transferred to other people (Do Thi Tuyet et al., 2022). Some countries still have a problem with the transition from a centrally planned economy to a market economy, including property re-privatization and the restoration of private property in the real estate sector.

The reasons for the prevalence of state ownership in many countries are considered both in economic theory and in the social and political spheres. A fairly unequivocal justification for the existence of state property (including property rights) was presented, among others, by Kwiatkowski (2016), who distinguished three basic types of functions assigned to the State, namely:

1. Allocation function - the existence of natural monopolies:
 - the existence of externalities,
 - the existence of public goods,
 - capital market failure (reluctance to finance projects with long lead times and high-risk rates).
2. Stabilization function – counteracting fluctuations in the level of employment and investments related to the business cycle.
3. Redistributive function – providing the so-called socially desired goods at prices below the market – ensuring universal access to goods considered as basic.

Stiglitz (2004) points out that sometimes the redistributive function is included among the other justifications for the state's function in managing public resources.

In Poland, the state real estate sector still covers over 30% of the area of all real estate (approximately 10.4 million ha) and, for example, in New Zealand, the state owns over 45% of the country's area, which is approximately 15 million ha. However, the structure of functions related to real estate in this sector is different than in Poland. The structure of public real estate resources is also different in Great Britain and the USA. In many publications related to the management of public real estate resources (Bovaird & Loeffler, 2009; Ingram & Hong, 2009; Gross & Żróbek, 2013 and 2015; UN Habitat, 2017; Żróbek-Sokolnik et al., 2021) points to the important role of state property related to, *inter alia*, reducing poverty in society, sustainable protection of the natural environment and providing housing to citizens. This matter is also mentioned in many publications issued by the F.A.O (2007) and the World Bank (2011). The national economy includes, *inter alia*, spatial management, including real estate management. It should be assumed that the management of public real estate resources constitutes a significant part of the spatial, legal, financial and technical dimensions of spatial

development. This sphere of the economy should essentially be viewed as a process of regulating development, optimizing use and conserving resources. This also applies to obtaining revenues from the disposal of real estate and the elimination or limitation of conflicts regarding land rights and the principles of their development, now and in the future. An important element of this economy is, among others, the use of the potential inherent in real estate, taking into account the principles of sustainable development in the use of space. The remainder of the work focuses on the principles and procedures of managing public real estate resources in Poland based on the solutions used in selected countries of the world. Recommendations developed by various international organizations such as the World Bank, the F.A.O. and the International Federation of Surveyors (F.I.G.) have also been included.

It is commonly accepted (Williamson et al., 2010; World Bank, 2011; Zevenbergen et al., 2013 and 2015; Żróbek-Róžańska & Zadworny, 2016) that the goals of real estate management concern, among others:

- 1) creating conditions conducive to the implementation of the objectives of the spatial policy,
- 2) acquiring land necessary for the implementation of area development programs,
- 3) creating legal conditions and administrative procedures for the use of real estate resources and the implementation of public tasks and goals,
- 4) counteracting the use of the property inconsistently with its intended use contained in local plans and other detailed studies,
- 5) ensuring income from resource management and optimization of costs related to the management and administration of resources.

Attention should be paid to the place where decisions related to the strategy and day-to-day management of real estate resources are made. An important component of this process is the provision of timely and adequate information about resources. A significant role should be assigned to spatial information systems used in the management process, and attention should be paid to the decision-making system concerning management strategies. Their proper functioning, depending on the decision-making level, is a condition leading to the sustainable development of areas.

The development and implementation of the basic principles of real estate management at the national or regional level should concern:

- real estate management (administration),
- maintaining and developing the structure of administering real estate resources at various levels of management,
- creating a policy for the use of real estate resources and their protection,
- development of legal regulations taking into account the specificity of the country (law, society, environment),
- maintenance and updating of real estate information systems.

In the management of public real estate resources, the following features can be distinguished in the manner of management and administration:

- introduction to the public sector of professional principles related to the concept of "new public management" and "good governance",
- adopting many principles proven over the years in the practice of private sector real estate management and management,
- improvement and adaptation of standards of conduct and modernization of the principles of measuring the effects in the management of public property (economic and social effects),

- increasing emphasis on an efficient system of controlling the state of managing public property by various entities and making the results of these inspections public,
- improving the system of accounting records and other (spatial and non-spatial) information systems about real estate,
- increasing discipline in managing public property and applying the principles of saving expenses related to this management,
- reducing, as far as possible, the role of state and local administration in resource management and introducing changes to market regulation mechanisms,
- optimizing the process of privatization of public real estate,
- introduction of competition rules in public entities dealing with management and competition with private entities.

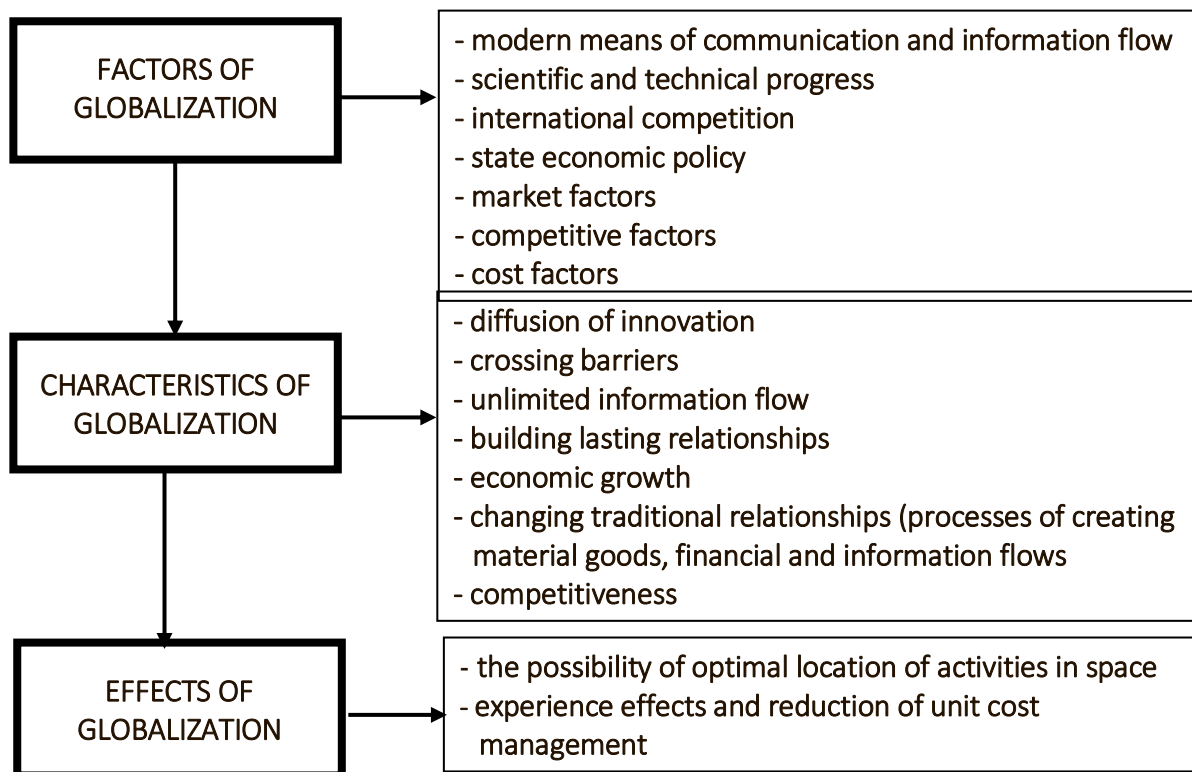


Fig. 1. Spatial management and development in the globalization context

Source: Own study

In real estate management, the recently noted and increasing impact of globalization on the spatial development of individual countries and regions cannot be overestimated. This economy develops spatial management and allows for the implementation of spatial plans and area development strategies, also taking into account various forms of international and cross-border cooperation. Figure 1 shows selected factors, features and effects of globalization related to the possibilities of information flow, overcoming various barriers (including political and administrative) and the need to optimize the location in a specific space. Modern means of information flow and forms of its presentation are essential in this process.

It is also important to get decision-makers accustomed to the solutions from the previous period, as well as mental and social fears of introducing new rules to the

management system, such as public-private partnerships or the multidimensional nature of the privatization of public property. This also applies to the use of passive forms of management in practice, despite the creation of formal foundations for active management and possible obstacles in the implementation of various detailed procedures.

The starting point for management activities is the identification of the processes taking place in the management of real estate resources. It is also important to pay attention to the specificity of the public sector and its complexity and susceptibility to external influences. Rational resource management additionally requires the assessment of alternative scenarios and making effective choices.

Attention should also be paid to the difficulties that may arise after the transformation of a centrally controlled economy into a market economy. At the same time, this process is subject to adaptation to changing market conditions, both on a global and local scale.

The specificity and principles of management in the public resources sector

The specificity of managing resources that are the responsibility of the public sector should be clearly noted. This is manifested, *inter alia*, by such problems as:

- the environment of these resources usually has opposite goals and expects different results,
- the public is different, and the expectations towards the private sector are different,
- there is little tolerance for failures in the implementation of public projects,
- detailed measures of the management process related to the mission and the results obtained (e.g. social effectiveness) are difficult to identify,
- resource management is carried out within imposed constraints (predefined processes and procedures),
- the implementation of tasks usually occurs within the existing human resources,
- there is a possibility of developing professional experience (relative stabilization) as well as raising qualifications and developing a training system,
- the environment for the performance of tasks may also contain elements of clashes between various political options,
- goals imposed from the outside are achieved (significant limitation of independence in actions and detailed proceedings),
- high social and political pressure in the decision-making process related to spatial development.

Efficient management in the public real estate sector requires good information at various levels and stages of decision-making related to the development of space, treated as a non-renewable resource (information support for the decision-making process related to space). In the real estate sector, activities are related to:

- ensuring the safety of trading,
- efficient and effective management and management of resources,
- assessment of the effects of planned projects,
- improving the quality of information used in decision-making processes.

Information, especially information about the area, is one of the important factors in the functioning of spatial management, contributing to the improvement of area development processes. Real estate management, treated as a system, is both a "consumer" and a "producer" of information about the area. This applies to both

geometric data and descriptive data – related to the subject of management and managing entities.

In the conditions of the development of the resource management system, it seems possible to formulate the three main principles of public resource management, taking into account the general guidelines of economics and basic legal regulations:

1. Satisfying and protecting public interests;
2. Reducing possible conflicts resulting from development;
3. Real estate market balancing.

Overall assessment of the property management system in Poland

In Poland, there are three types of public real estate resources: the State Treasury, municipalities, poviats and provinces, which were established under the Real Estate Management Act (Ustawa 1997). On its basis, the following groups of mutual relations between real estate management entities can be distinguished:

- the State Treasury and local government units;
- relations between individual local government units (commune, poviats and voivodship);
- the State Treasury, local government units and private entities;
- indirect influence of public entities on private property owners;
- special relations between the State Treasury, local government units and their organizational units without legal personality (permanent management);
- relations included in the contract for putting land in perpetual usufruct: (owner – ST or local government unit and perpetual usufructuary).

An analysis of the principles of real estate management in the public sector shows that this system has both strengths and, unfortunately, also weaknesses (Gross & Żróbek 2013; Marona, 2018; NIK, 2018; Trojanek, 2019; Żróbek, 2012; Żróbek et al., 2020).

Strengths include:

- a relatively well-designed real estate information system (Real Estate Cadaster, Integrated Real Estate Information System),
- most real estate held in public resources was entered into a Land Registry (it is covered by the state-guaranteed registration system),
- experience in managing state real estate in the previous socio-economic system and the possibility of using it in a market economy,
- a relatively efficient decision-making system,
- the relatively good skills of the management staff,
- transparency of procedures and the possibility of lodging appeals against decisions and orders,
- transparency in making decisions (social responsibility),
- principles of public-private partnership developed,
- public sector innovation,
- resource management plans as the basis for making decisions,
- real estate professional activity system, including public real estate appraisal.

The main factors that impede the proper functioning of the system are its weaknesses:

- no current updating of some of the data covered by information systems about real estate,
- no land and mortgage registers for some real estate included in public resources,
- excess and detail of legal regulations (including various interpretations and ambiguities in basic concepts),
- frequent changes in regulations related to the management of real estate resources (the Real Estate Management Act of 1997 has been amended many times),
- different interpretations of administrative courts in similar cases,
- inconsistency in implementing rules,
- the lack of a uniform and obligatory system of lifelong learning for people dealing with real estate management,
- relatively low economic efficiency of managing public real estate resources,
- lack of comprehensive real estate resource management programs taking into account the specificity of the resource and directional goals.

Key elements of an effective public real estate management system

The theory and practice of property management show that there is no universal management model. Indications for constant changes in the approach to property management result, in particular, from the need to rationalize the cost of maintaining the asset, constant changes in the size and structure of the asset, or the need to increase the cost of property maintenance. In order to ensure optimal operation in the area of real estate management services, knowledge in various fields is necessary: law, financial and insurance sciences, economics, and technical sciences (Marona, 2018).

Figure 2 presents some trends and directions of the development of the public real estate management system. It should be remembered that effective action does not always mean that it is effective from an economic point of view. In managing public property, the so-called social efficiency is no less important, which is usually related to the implementation of public goals.

Systemic implementation of the activities presented in the diagram could make the management of real estate in general and real estate as a public resource, in particular, more effective. However, it requires first having an appropriate legal and administrative system and carrying out significant preparatory and design work so that it can be implemented in practice and then consistently applied.

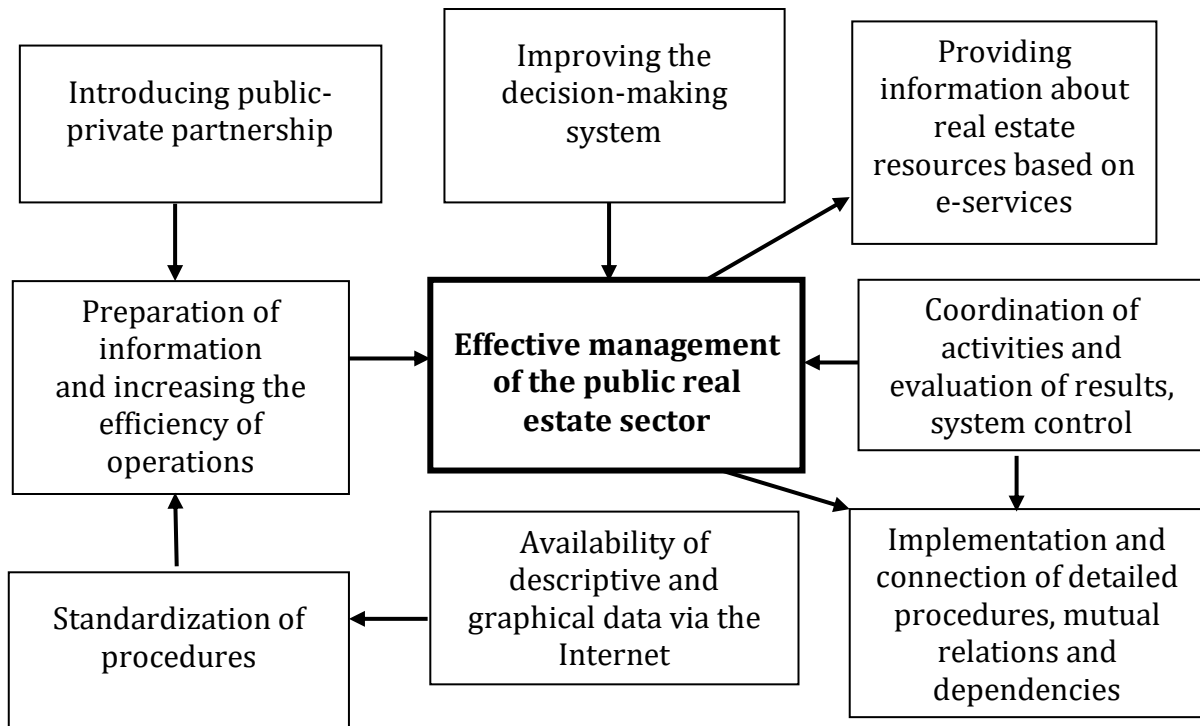


Fig. 2. Key activities and conditions for an effective system of managing public real estate resources

Source: Own study based on Williamson et al., 2010

Final remarks and recommendations

This article analyses some of the problems related to the management of public real estate resources. The presented considerations show that the management of the public real estate sector has many goals to be achieved, both in the economic and social spheres. Meeting these expectations requires comprehensive and systematic actions taken in the legal (legislative) sphere and at various levels of administration. The success of these activities largely depends on having good information about real estate (as a subject of management, but also about the legal and economic environment in which the areas and individual properties are used) at various levels and stages of the decision-making process. It also requires up-to-date specialist knowledge from those who develop resource management plans as well as those from the public administration sector issuing specific decisions. Proper management of real estate resources should also ensure the security of real estate transactions (also increasingly with the participation of foreign entities) and the possibility of access to financing public investments. It is also noticeable that the scope and volume of public services are being extended as well as the relationships between the office and economic and physical entities. The changes are also visible in the new approach to educating specialists in the field of real estate services (e.g. in Poland, there is an obligation to certify property appraisers). The functioning of an efficient quality control system for the effects of public real estate management is also important (e.g. in Poland, they are systematically performed by the Supreme Chamber of Control – NIK).

To sum up, based on the presented observations, it is possible to formulate several key recommendations as to the main directions of the development of the real estate management system: a) register the rights to all real estates, as well as: improve the flow of information through computerization of the system in conjunction with other real estate information systems; b) simplify and reduce the number of regulations, integrate real estate regulations with each other, develop a so-called "real estate code"; c) improve the quality of human resources and services, including through an appropriate policy of employing specialists with skills acquired during education, improving their qualifications (postgraduate studies, courses improving knowledge and skills). In an era of ever closer international cooperation, also in the real estate market sector, the need for greater integration of the principles of managing public real estate resources in the international arena, especially within the European Union, has become essential. It is required by the idea of sustainable development of areas, which should be effectively and consistently implemented in a given country and in international relations.

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