

MANAGEMENT OF COMMUNAL LAND AND PROPERTY RESOURCES IN THE CONTEXT OF MUNICIPAL DEVELOPMENT – THE EXAMPLE OF BOBOLICE MUNICIPALITY

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Summary

The article contains the analysis and evaluation of the management of communal land and property resources, or the real estate pool, in the Bobolice municipality, as well as the impact of the said management on the municipality's development. The analysis consisted in the assessment of municipal real estate management from the point of view of the municipal finance and economy. Reports from the municipal budget implementation for the years 2009–2013 have been assessed, with the focus on costs and revenues pertaining to municipal real estate resources. Subsequently, indices have been proposed, which determine whether the management of communal land and property resources has an impact upon municipal development. Values which the indices have reached served to demonstrate that the revenue from municipal real estate is so low as it cannot significantly stimulate the development of the municipality, whereas the costs of preparing the real estate for investment purposes was not covered. However, when municipal investment is taken into account, it should be stated that the management of communal land and property resources does support municipal development of the studied municipality in a long-term perspective. The article shows the management of communal land and property resources through the lens of financial indices, however, there are also non-financial factors, which have a significant impact on the effectiveness of real estate management in the given municipality.

Keywords

development • real estate • management

1. Introduction

Often discussed in literature in the field of economics, the issue of development is a broad and complex one. It is, however, universally agreed that the term “development” should always be associated with desired positive change, occurring in the quantitative, qualitative and structural properties of a given system. If the system in question is a distinct, social and territorial unit with a set of economic, spatial and cultural characteristics, expressed needs, as well as a value system and a hierarchy, then

we are dealing with the development at a local (regional) scale. The many terms we encounter throughout the subject literature, despite the necessary simplifications, seem to clarify its essence in a precise way – as on the one hand, they present the “local” quality of development, and on the other hand, its effects and decisive factors [Sztando 1998, Sobczyk 2010].

Real estate management signifies, among other things, the process pertaining to the development of real estate, the use and protection of land, as well as generating revenues from sales, rental, and taxes, and also, resolving any conflicts pertaining to property rights [Dale and McLaughlin 1999].

The municipality owns a wide range of real estate – beginning with land, council flats, real estate supporting technical infrastructure, and ending with roads, public utility property, and strategic real estate perceived as mainstays supporting the development of town centres (also in a trans-regional context) [Kaganova et al. 2006].

According to article 24 passage 1 of the Real Estate Management Law, municipal property resources include the real estate properties, which are owned by the municipality and/or are used by the municipality pursuant to the perpetual usufruct rights. The foundations for the creation of the municipal property pool of resources lie in the municipal Studies of the Conditions and Directions of Spatial Management, adopted on the basis of the Spatial Planning and Development Act (under the Polish Law). The municipality should strive to obtain ownership of a pool of real estate indispensable for the implementation of its functional objectives. Municipal real estate pool management consists in taking all decisions and performing all operations in a manner complying with principles of good governance. Performing the operations pertaining to the management of real estate is a responsibility of an alderman, a mayor, or a town president, who represents the municipality in that regard [Magiera-Braś and Salata 2010].

Municipal real estate pool may have positive impact on the development of a self-governed regional unit only if the management thereof is effective and efficient. Development potential of a territorial unit is shaped by a variety of factors, however, the basic ones of those factors include attractive land for investment, which facilitates the location of new economic activity units within the municipality, and therefore, the creation of new jobs. In order for the municipality to become an attractive investment partner, it should conduct an active and effective management of its pool of real estate resources. This kind of management should consist in obtaining real estate properties, preparing land properties for new investment projects (equipping it with access to networks of technical infrastructure, enabling access to public roads, etc.), followed by selling or renting out a given property. As far as municipal housing (the council flats) is concerned, the municipality should ensure their adequate numbers and the highest standard possible.

The goal of the present report is to evaluate the municipal real estate pool management in the Bobolice municipality, and its impact on the development of the studied municipality – which is located in the Koszalin powiat (district), in the West Pomeranian region of Poland. Furthermore, we have analysed the impact of managing communal property upon the development of the municipality in question.

2. Research materials and methodology

In the report, we have used the method of a descriptive, logical analysis, based on descriptive statistics. The analysis was conducted based on the collected data, originating in the reports from the Bobolice municipal budget implementation for the years 2009–2013, as well as the data of Główny Urząd Statystyczny (Central Statistical Office of Poland).

Bobolice municipality is a mixed, urban and rural municipality. It is located in the Koszalin powiat (district), in the eastern part of the West Pomeranian region of Poland (Figure 1). It is one of the largest municipalities within the region, with the total area of 367.56 km². Bobolice municipality shares borders with seven other municipalities, including: Biały Bór, Świeszyno, Tychowo, Manowo, Szczecinek, Grzmiąca, Polanów [Lokalny Program Rewitalizacji... 2008].



Source: <http://www.wios.szczecin.pl/> (accessed: 28.09.2014)

Fig. 1. Administrative location of Bobolice municipality among neighbouring municipalities

When analysing the impact of the management of communal real estate pool upon the development of the municipality, a number of conditions should be taken into account, which occur within its territory. The most important of these conditions include: geographic location, demographic structure, as well as economic and financial conditions. In the present report, it is the economic and financial conditions that have been analysed most broadly, and the conclusions were based on an exhaustive assess-

ment of the municipal budget, in particular the costs and revenues of the municipality pertaining to the management of communal real estate pool.

Any municipality conducts its financial management using the key document, which is the municipal budget. The budget of a municipality is an annual financial plan: of revenues and expenditures of a territorial self-governing unit, of revenues and expenditures of their financial units, state entities, auxiliary divisions, and so forth. It is adopted in the form of a budgetary resolution [http://www.ekonom.info/725-budzet_gminy/, accessed: 27.04.2014].

One of the key elements of the budget consists in the revenues of a municipality. Without doubt, real estate property can be seen as a source of the municipality's income. This is the case with the communal real estate pool, which, firstly, serves for the implementation of the municipality's own tasks and responsibilities, but also, secondly, it is the source of income, that every municipality possesses.

Table 1. Size and structure of real estate revenues in Bobolice municipality between 2009–2013

Item	2009	2010	2011	2012	2013
(amount in zł)					
Revenues from municipal real estate	1 047 738	947 580	1 258 522	1 457 392	965 960
Revenues from municipal real estate management	654 367	604 804	584 542	594 358	627 714
Revenues from municipal real estate trading	393 370	341 012	657 682	854 207	336 285
(percentage)					
Revenues from municipal real estate	100.00	100.00	100.00	100.00	100.00
Revenues from municipal real estate management	62.46	63.83	46.45	40.78	64.98
Revenues from municipal real estate trading	37.54	35.99	52.26	58.61	34.81

Source: authors' study based on the data from the Town and Municipality Council of Bobolice

As follows from Table 1, revenues received from communal real estate pool may be subdivided into:

- revenues from municipal real estate management,
- revenues from municipal real estate trading.

The data presented in table 1 goes to demonstrate that there is no clear tendency within revenues pertaining to municipal real estate. In each of the years, we observed a different situation, resulting above all from the varying numbers of real estate properties sold. In 2009, revenues from municipal real estate slightly exceeded one million Polish złoty, while almost 63% of that came from the revenues from municipal real estate management, and 38%, from the revenues from municipal real estate trading. We observed a similar situation in 2010, where the revenues from municipal real estate decreased by 10.5%, and the revenues from municipal real estate management

still constituted a little more than 63% of all revenues from municipal property, while the revenues from municipal real estate trading – amounted to 35.99%. In 2011, we observed an increase in the revenues from municipal real estate, which amounted to almost 1.3 million Polish zloty, however, the revenues from municipal real estate management decreased down to 46.45%, while the share of the revenues from municipal real estate trading increased up to 52.26%. In 2012, we observed another increase in the revenues from municipal real estate, and – similarly to the previous year – the decrease in the share of the revenues from municipal real estate management, now down to 40.78%. An increase in the revenues from municipal real estate trading was noted – up to 58.61%. In 2013, the situation changed again, and it resembled that of the years 2009–2010. The revenues from municipal real estate decreased by 50.8% and it now amounted to over 960 thousand Polish zloty. At the same time, the share of revenues from municipal real estate management increased (compared to the year 2012) by almost 25% and it constituted 64.98%. The share of the revenues from municipal real estate trading decreased by approx. 24% and it constituted 34.81%.

We should remember that the municipal real estate pool serves for the implementation of the municipality's own tasks and responsibilities, and therefore, it also constitutes a source of expenditures (costs). The scale of expenditures pertaining to the communal property may be best perceived when seen in juxtaposition against general expenses of the given regional administration unit, which we are analysing. These expenditures pertain mostly to the maintenance of the communal property, repairs and current conservation. Investment costs on the communal real estate constitute the lesser part of expenses.

Table 2. Expenditures pertaining to communal real estate in the budget of Bobolice municipality between 2009–2013

Item	2009	2010	2011	2012	2013
(amount in zł)					
Total budget expenditures	32 019 472	35 993 946	34 750 904	35 723 050	36 558 748
Real estate expenditures pertaining to investment	7 896 000	5 602 712	2 923 897	1 881 443	2 989 988
Total current costs	24 123 472	30 391 234	31 827 006	33 841 607	33 569 761
Total expenditures pertaining to communal real estate	535 126	2 126 064	1 303 227	1 447 337	1 367 610
(percentage)					
Share of investment expenditures in total expenditures	24.66	15.57	8.41	5.27	8.18
Share of current costs in total expenditures	75.34	84.43	91.59	94.73	91.82
Share of expenditures pertaining to communal real estate in total expenditures	1.67	5.91	3.75	4.05	3.74

Source: authors' study based on the data from the Town and Municipality Council of Bobolice

When analysing the expenses on the communal real estate, no clear tendency can be determined, as these costs are not subject to any trend – similarly as in the case of total budget expenditures in general. In 2009, expenses pertaining to communal real estate were at the lowest level of all the analysed years, and they amounted to over 535 thousand Polish złoty, which constituted 1.67% of all budget expenditures. In 2010, the highest increase in the communal real estate costs was noted, when these costs increased by as much as 297.3% and amounted to over 2.1 million Polish złoty, which constituted 5.91% of all budget expenditures (the highest share in the analysed period). In 2011, expenses on the communal real estate decreased by 61.3% compared to the previous year, while their share in all budget expenditures decreased down to 3.75%. In 2012, costs pertaining to communal real estate again increased by 11%, in order to decrease in 2013 by 5.5% – in that latter year, their amount reached the level of slightly above 1.3 million Polish złoty. Despite the decrease in the spending on the communal real estate in 2011, its share in all budget costs increased by 0.3%, and it constituted 4.05%, while in 2013, despite the increased communal real estate expenses, their share in the total budget decreased by 0.31%.

3. Non-financial instruments versus the management of municipal land and property resources

Management of municipal real estate pool does not focus solely on the management of municipal finance, but it also encompassed the planning functions, which create the guidelines for the municipality's development [Fernholz 2007]. Municipality possesses also a number of non-financial instruments, which can be used in the process of managing its resources. The first group are the planning and strategic instruments. They chiefly consist in elaborating strategic documents, which set long-term objectives for action and development. The first and foremost of those is a municipal development strategy, which is an optional document, determining economical development goals of the municipality. At the same time, it is, in a way, a scenario for the development, presented in the format of a long-term vision. The second document is the Study of the Conditions and Directions of Spatial Management of the municipality, which defines the economic, geographic and social conditions within its territory, while at the same time, it sets out the desired directions for change and development of the municipality. The second group of the non-financial instruments are those of a planning and operational character, which are more detailed than the planning and strategic ones. These include: the local land use plan, as well as planning permissions (land use decisions). In addition to the above, municipalities may develop also other studies and reports, which can help in managing the municipal resources, for instance the plan for the utilisation of municipal real estate property [Cymermann 2013]. Another group consists of implementation instruments of an economic and financial character. These include all kinds of fees and taxes pertaining to real estate properties, paid to the municipality by the owners or perpetual usufruct holders of these properties. For instance, such payments may include: perpetual usufruct fees, bonuses on sale price, penalties for not devel-

oping the given property within the stated deadline, etcetera. Finally, the last group of instruments, used by the municipalities in managing communal real estate pool, consist of implementation instruments of the legal and administrative character. These include, above other things: division of property, merging of properties, pre-emption rights, investment, expropriation, permanent management, and so forth.

4. Empirical analysis of the impact of municipal land and property resources on the municipal development – the example of Bobolice municipality

The problem of evaluating the efficiency of communal property management is a difficult one, as it depends upon a great number of factors. In case of each analysis or each evaluation, the starting point should be in the examination of the present condition, which can provide a baseline for further studies.

Based on the conducted analysis of the present condition of the municipality, indices should be proposed, which shall depict certain relationships, correlations, and dynamics over a certain period of time, and through that depiction, they will enable the correct conclusions leading to the evaluation of the impact of communal property management upon the development of the municipality in question. Proposed indices adopted for the analysis have been included in Table 3.

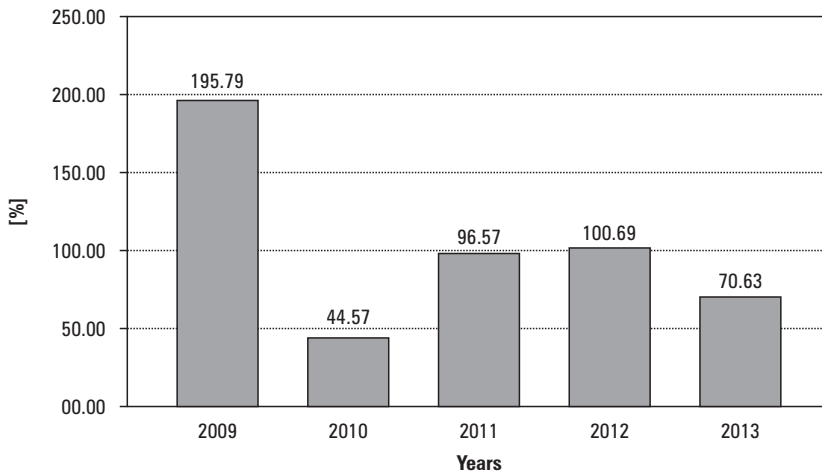
Table 3. Proposed indices for the evaluation of communal real estate pool management in a municipality

Evaluation index	Justification
Revenues from municipal real estate / total revenues of the municipality	Presents the structure of municipal revenues with reference to revenues from the municipal (communal) real estate.
Revenues from municipal real estate / municipality's own revenue	Presents the structure of municipal revenues with reference to revenues from the municipal (communal) real estate.
Expenditures pertaining to municipal real estate / total expenditures of the municipality	Presents the structure of municipal expenditures with reference to expenditures pertaining to the management of municipal (communal) real estate.
Expenditures pertaining to municipal real estate / number of inhabitants in the municipality	Presents the amount of expenditures per inhabitant of the given municipality.
Revenues from municipal real estate / number of inhabitants in the municipality	Presents the amount of revenues generated from the municipal (communal) real estate per inhabitant of the given municipality.
Revenues from municipal real estate / expenditures pertaining to municipal real estate	Presents the level of financing of the expenditures pertaining to the management of municipal (communal) real estate – i.e. the coverage of these costs with the revenues resulting from the municipal real estate management.
Area of municipal land properties / total area of the municipality	Presents the share of the municipal land properties in the total area of the municipality.

Source: authors' study based on Nalepka 2014

5. Research results

The results of the discussed analysis are based chiefly on the proposed indices for the evaluation of communal real estate pool management in the given municipality. In the present article, the most pertinent of those indices have been depicted. The most important of those is the level of financing of the expenditures pertaining to the management of municipal (communal) real estate; or in other words, the coverage of these costs with the revenues resulting from municipal real estate management (Figure 2).



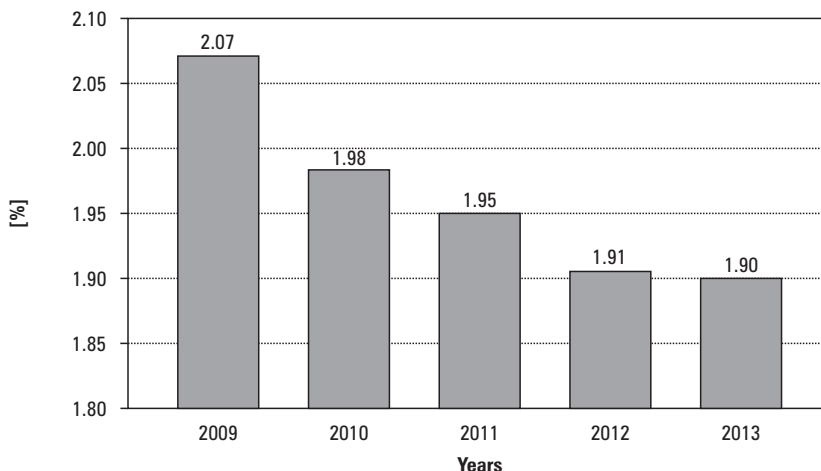
Source: authors' study

Fig. 2. The level of financing of the expenditures pertaining to the management of municipal (communal) real estate, i.e. the coverage of these costs with the revenues resulting from municipal real estate management, in the Bobolice municipality between 2009–2013

When analysing Figure 2, we should note that the average level of coverage of financing the expenditures pertaining to the communal real estate with the revenues resulting from the municipal real estate management, in the period of 2009–2013, remained at the level of approximately 102%. This testifies to very good management of municipal real estate, in other words, to such management, which is effective, for instance in producing financial surplus in the sector of communal land and property. Having said that, the index varied from year to year over the studied period. For instance, in 2009, it reached more than 195%, which means that municipal real estate property did not only cover the cost, but it also generated profit. On the other hand, in 2010 the value of the index decreased by as much as 4.5 times. Between 2011–2012, the coverage of financing the expenditures pertaining to the communal real estate with the revenues resulting from the municipal real estate management, remained at the level of approximately 100%. In 2013, the value of the index decreased again, to only a little more than

70%. In each case, whenever the value of the index falls below 100%, this means that the municipality has to bear additional cost for the maintenance of its real estate pool.

Another interesting index, which explicitly depicts a certain trend observed in the studied municipality, is the share of the municipal land properties in the total area of the municipality (Figure 3).



Source: authors' study

Fig. 3. The share of the municipal land properties in the total area of the municipality, in the Bobolice municipality between 2009–2013

Figure 3 shows a clear tendency, indicating that the share of the municipal land properties in the total area of the municipality decreased annually. In 2009, it was a little above 2%, and it decreased each year, in order to reach the share of 1.90% by the year 2013. This change may seem a slight one, however, in the case of a municipality with an area of approximately 367 km², these fractions of per cents are of high significance. Figure 3 also demonstrates that Bobolice municipality gradually sells its land communal property. This consisted mostly in the sale of communal land property to private persons, in order to release it for the construction of single-family developments.

6. Conclusions

As demonstrated by the financial indices pertaining to the management effectiveness of the municipal real estate pool, investment projects cause the situation in which communal properties generate revenues insufficient for financing the necessary expenditures. This, however, should not be perceived as negative – the spending in question is sure to bear fruit in the period of the next dozen or several dozen years, having a positive impact on the image of the municipality, as well as bringing investors and

tourists hereto. Most certainly, testifying to the investment attractiveness of the area is the rich repository of competitive municipal properties, providing ideal location for all kinds of investment projects. On the other hand, tourism attractiveness of a given municipality is mainly decided by its abundant leisure offer, which is created mostly based on its communal resources, including the real estate. These expenditures will also serve the local residents, inhabiting the municipality. Therefore we cannot draw conclusions – based on the financial indices only – that in the Bobolice municipality the management of the municipal real estate pool does not significantly impact the development of the municipality, as this would be a false inference. Following a broader analysis of the issues pertinent to the management of communal property resources by the municipality, which takes into account also the non-financial instruments, we note an impact of the municipal real estate pool management upon the development of the said municipality.

To conclude, we need to remark that the municipal self-government should strive at continuously increasing the effectiveness of the municipal real estate pool management – both as it relates to the social effect, and the economic and financial results. One of the possible ways to increase the effectiveness of the communal real estate pool management in the Bobolice municipality would be to develop a planning document with detailed guidelines for the management of communal land and property in a long-term perspective. This would allow the municipal authorities to plan any larger investment projects, which require large financial outlays. Furthermore, a long-term plan for the utilization of communal land and property would influence the increase in the revenues from the communal real estate, and it would facilitate the control of the implemented tasks and juxtaposing them with the planned tasks, which had not been implemented. The plan for the management of the communal land and property should deal separately with non built-up land properties, municipal buildings and structures, and council housing. Each of these types of properties is different – and each requires specific conditions and guidelines, in order to provide a positive impulse for the development of the given municipality. In addition to the implementation of the plan, municipal authorities should purchase new properties in order to increase their real estate pool of resources. The purchased properties should be prepared as well as possible for the investment process for private investors. Also selling properties at a price higher than the one at which they had been bought would have a positive impact on both the municipal budget and the activation or communal real estate turnover.

Another important issue consists in the local spatial development plans. It would be the best possible option for the Bobolice municipality to implement the plan for the entirety of its area, which would significantly and positively impact the development of spatial order within its range. These goals, however, may be achieved only as a result of rational management of the municipal real estate pool.

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