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ISSUES OF EFFICIENCY IN PUBLIC REAL ESTATE RESOURCES MANAGEMENT

- Poland – basic facts
- Aspect of sustainability of development
- Hierarchy of real estate management tasks
- Public real estate resources management
- Issues in public sector real estate – some trends
- Chosen legal regulations
- Public purposes
- Economic aspects of public real estate resource management
- Management and structure of public real resources in Poland
- Public vs. private sector in real estate management

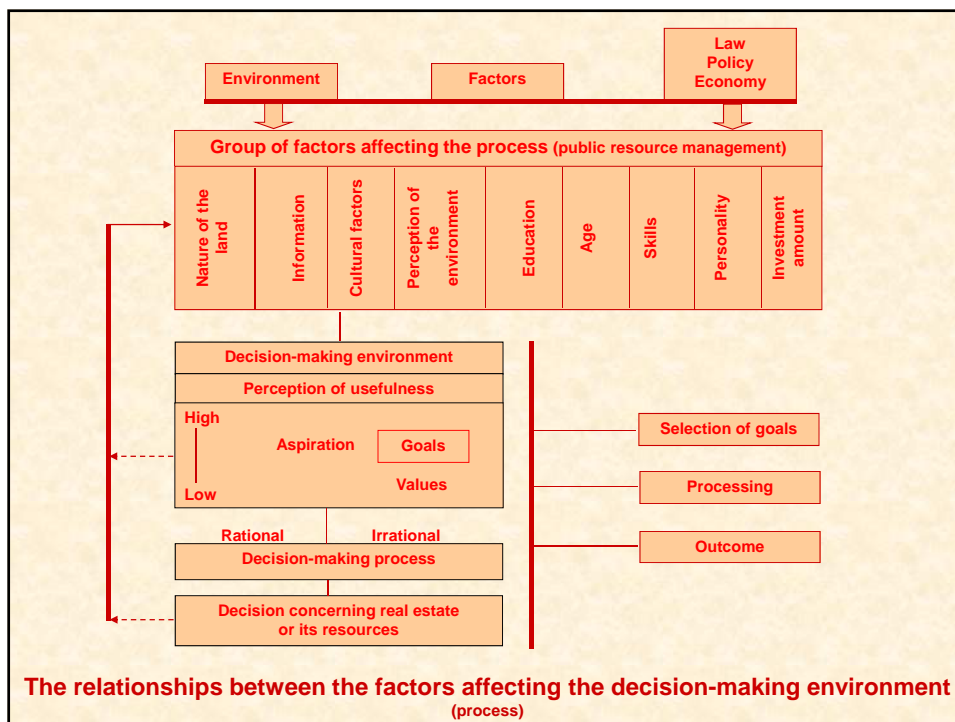
FIG, 2010 – Sydney, Australia

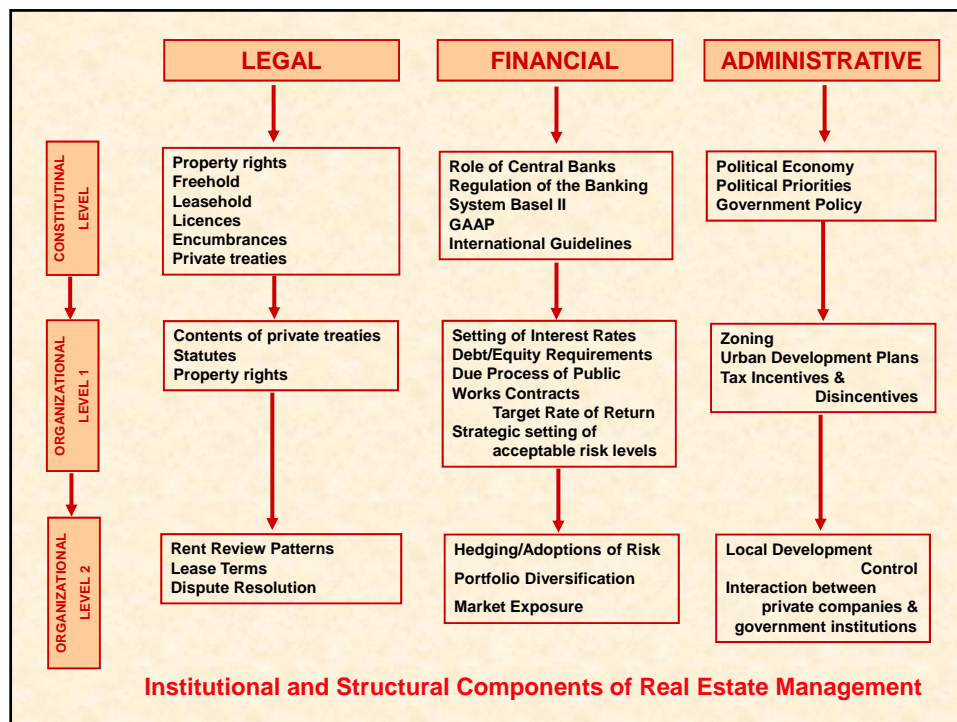




SOME ASPECTS OF SUSTAINABILITY OF DEVELOPMENT

1. The effectiveness of local and general law making process
2. The existence of mechanisms to mobilize public support
3. The effectiveness of public real estate management
4. The existence of appeal procedures





DEFINING THE NEED FOR REAL ESTATE PERFORMANCE MANAGEMENT

- **Manage a Significant Capital Commitment**
- **Control Linkage Between Overall Corporate Performance and Real Estate Performance**
- **Efficiently Manage Overall Costs**
- **Manage Dynamic Nature of Acquisition and Disposition**
- **Allow Efficient Collaboration Across Entire Real Estate Lifecycle**
- **Manage Compliance and Regulatory Risks**

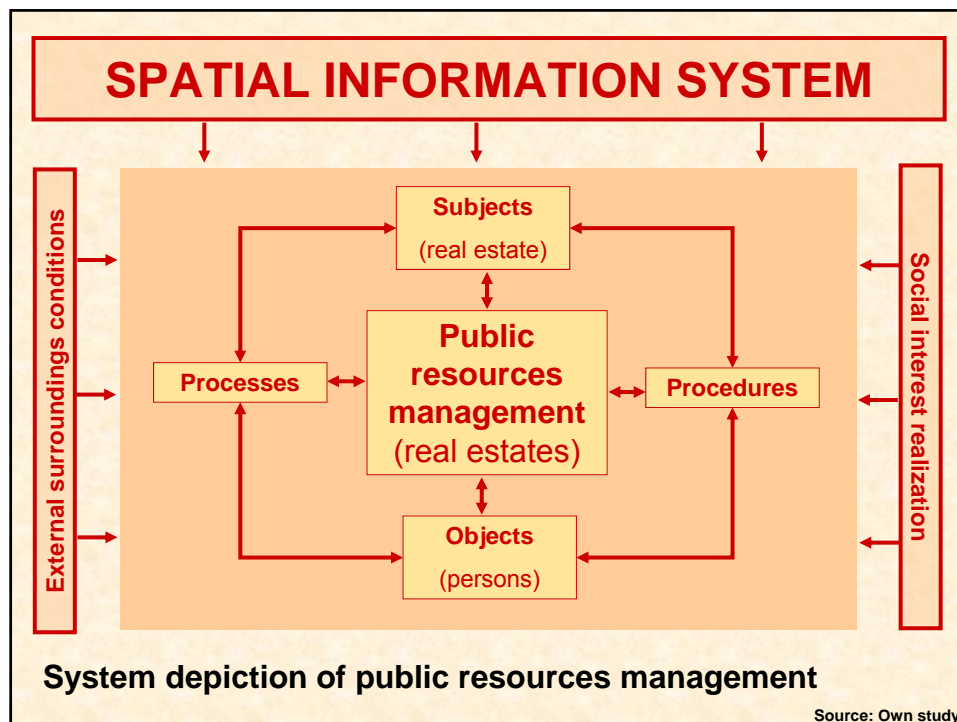
THE PUBLIC CHOICE THEORY

THE MANAGEMENT THEORIES

- public organizations have their own specific features
- public real estate resources management is run in specific, adjusted to public sector conditions
- public sector differs from private one in ways of measuring the success or failure of fulfilled duties and regulations limiting the kind of activities (**every action must be taken in accordance with legal acts**)

BASIC ASSUMPTIONS FOR PUBLIC REAL ESTATE RESOURCES MANAGEMENT

Public real estate resources management requires adequate system of public institutions and local authorities possessing ownership or other rights to public real estate resources along with legal and other than legal regulations defining contents, scope and ways of execution.



Special issues in public sector real estate

- Limited entries and exits to the space and real estate markets
- Planned economy superior to the market one
- Measurement of performance
- Optimizing value of core business
- Transfer pricing
- Bonus and incentive programs
- Ownership or lease (perpetual usufruct, long term lease of public land)
- Disclosure of information
- Dependence on one main customer
- Political changes
- Limited alternate use of real estate
- Real estate - value in use
- Maintain capital value and create flexible functions to the customer

Some trends

- Sale and leaseback
- Private Public Partnership - PPP
- Outsourcing
- Measures for increased market transparency – return index, benchmark systems, common definitions

CHOSEN LEGAL REGULATIONS CONCERNING REAL ESTATE RESOURCES MANAGEMENT

Administration function relates to common management activities, i.e. current exploitation, maintaining real estate in good condition and other activities required by law, like the following:

- real estate register and value assessment,
- applying for mortgage register and regulating other rights to real estate, protecting real estate from damages and devastation,
- assessing, collecting and vindicating the fees for giving real estate from public resources,
- other "service" activities related to real estate management process.

Public real estate resources management, in turn, means strategic approach and is particularly applied to:

- 1. preparing the plans for the public real estate resources use - depending on the level of management, the plans should take the form of strategy, tactic plan or operation program,**
- 2. reasonable resources management, that includes:**
 - **selling and buying real estate for real estate resources - these activities should ensure the maintenance and gaining real estate that are crucial for satisfying social needs, and selling the ones which are inappropriate for realization of the particular public purposes,**
 - **tenancy, lease and granting real estate from public resources and undertaking proper activities in judicial proceedings in cases concerning i.e. ownership or other rights to real estate,**
 - **collaboration with proper local government units and other units managing real estate of the Treasury on the basis of legal acts.**

Managing real estate belonging to public resources should be realised accordingly to rules of proper economy. Thus, it should be assumed that it would include series of proper real and legal activities undertaken by managing subjects that ensure public real estate resources use consistent with their purpose and function. It usually concerns the realisation of public purposes and satisfying collective needs of citizens.

Moreover, proper economic policy should be identified with ensuring fundamentals of market economy, including regulations and other instruments protecting ownership and agreements. Improper, imprecise defined property laws along with the lack of efficient ownership and agreement protection result usually in the lack of motivation for saving and investment, i.e. renovating and modernising real estate, and at the same time in inefficient use

CHOSEN ECONOMIC ASPECTS OF PUBLIC REAL ESTATE RESOURCE

Pareto efficiency:

- 1. efficiency of trade - particular goods and services are directly sold to consumers who price them the highest (consumers are on the highest available indifference curve);**
- 2. efficiency of production - operating on the verge of production possibility, i.e. when increasing production of one good means decreasing the production of another one;**
- 3. efficiency of production structure - providing goods properly adjusted to individuals' needs, that is adjusting quality and quantity of public goods and services to local societies' needs.**

Decisions made in public sector usually improve situation of one part while at the same time deteriorate situation of the other one. It is popular belief that public sector units are less efficient than relevant private ones. It result from organizational differences (soft financing limits in public sector), political influence on decisions, limited or not existing competitiveness, very small tendency to risk, legal regulations and budgeting discipline, etc .

MANAGEMENT EFFICIENCY ISSUES

Specific economic character of real estate market implies that the assessment of investment efficiency demands complex analysis and should include series of activities, such as:

- identifying and defining strategic purposes, assignments and investor restrictions;**
- analysing market situation, factors of internal and external environment;**
- preparing the set of possible alternative ways of carrying out the venture and assessing all the consequences of each planned scenarios;**
- preparing the forecast of expected incomes from the investment and necessary investment and exploitation inputs in money value;**
- summarizing the analysis and assessment of general profitability of each option to choose the optimal project (maximizing the difference between the benefits and costs, only when benefits exceed the costs).**

PRINCIPLES OF MANAGING THE PUBLIC RESOURCES OF REAL ESTATE

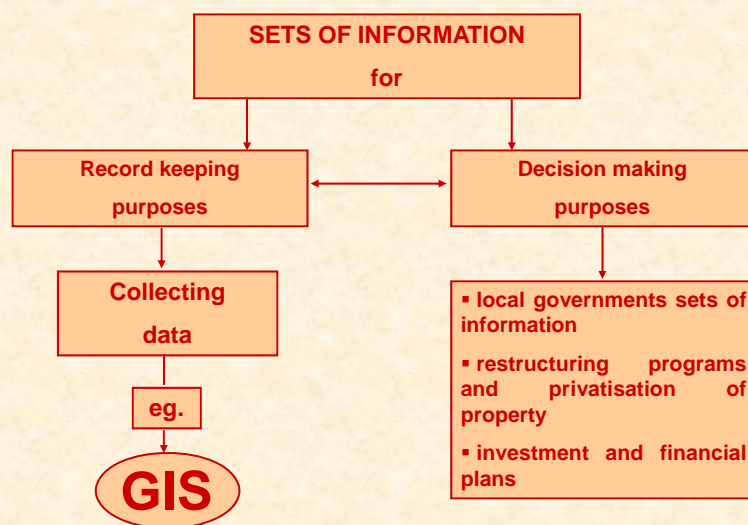
1. Keeping records of real estate:

- a) assessment of the condition of real estate
- b) economic usability
- c) kind of use
- d) list of users
- e) management strategy
- f) legal and design study
- g) technical infrastructure

2. Real estate appraisal

- the market value → to measure the quality of management
- the market and cost value → to assess the cost of letting the resources and establishing the level of revenue

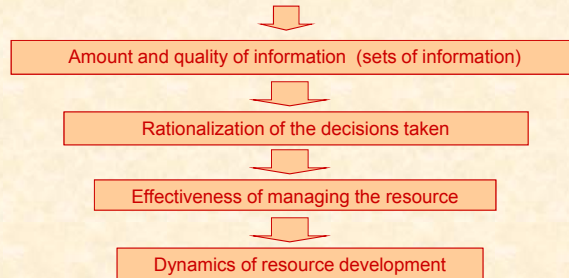
THE SCOPE OF INFORMATION NEEDS FOR THE MANAGING THE PUBLIC RESOURCES OF REAL ESTATE



THE ROLE OF INFORMATION IN THE DECISION MAKING PROCESS OF PUBLIC RESOURCES OF REAL ESTATE

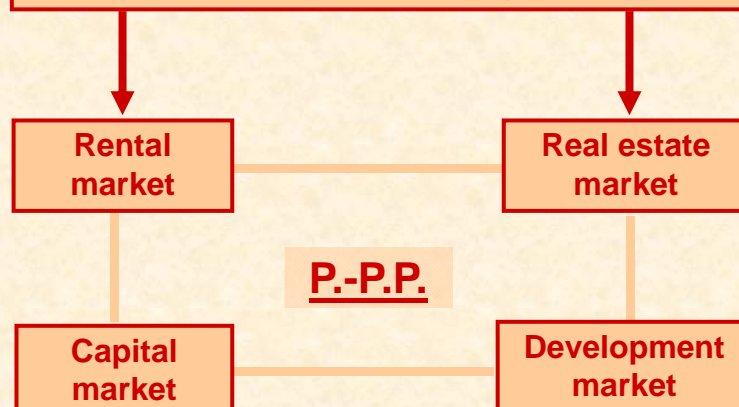
Two basic reasons for creating information – based systems of managing:

1. All the decision making entities, in the State Treasury and local governments



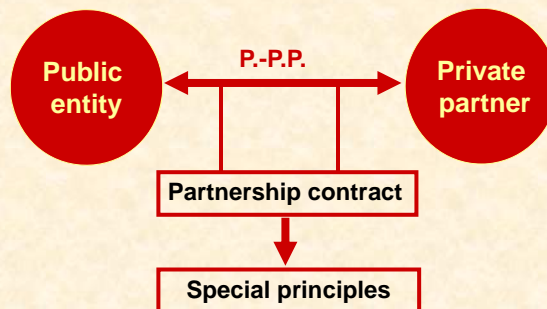
2. The specific goals by public entities, as required by the relevant law
 - Local governments as managers
 - The success of all the economic entities

Public vs. private sector real estate management



PUBLIC – PRIVATE PARTNERSHIP

- P.-P.P. shall be cooperation of a public entity and a private partner, based on a public – private partnership contract, in the performance of a public task (special principles)



Public entities:

- governmented administration organs
- local government
- state tertiary-education school
- state or local-government legal persons
- other

Some examples of activities:

- **designing or execution of an investment project in the performance of a public task**
- **providing public services (operation, maintenance, management)**
- **an activity aimed at economic and social development (i. e. revitalization or development of a town)**

Preparation of a public-private partnership

- **public entity shall prepare analysis of the undertaken to determine its EFFECTIVENESS**

CONCLUSIONS

- public real estate resources management system requires detailed solutions
- special attention should be paid to specific character of public real estate sector and its size (i. e. Poland ~ 40% area of real estate in owned by the public sector)
- managers should act efficiently in order to satisfy public needs and future mass purposes
- the important are:
 - a) elaborating coherent rules for public management
 - b) introducing changes to existing law
 - c) updating the terms „social purpose” and „public purposes”
 - d) choosing the criteria for economic efficiency (valuation, management, developing)
 - e) introducing the update information on management object to decision making process
 - f) improving the quality of public resource managers (C.P.D.)

LAND ADMINISTRATION DEVELOPMENT TRENDS

