Author's approach to selection of municipal property management forms and methods

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Abstract. Municipal property is one of the economic components of local self-government. It is an important factor of the sustainable socio-economic development of the city. The population evaluates results of municipal property management. Municipal property has to satisfy needs of residents which requires the effective use of methods and forms of municipal property management. The lack of effective management forms causes a budget gap. Therefore, it is necessary to choose effective forms of municipal property management. To solve this problem, the author carried out a comparative analysis of the existing municipal property management forms and methods. The article suggests mechanisms aimed at improving the efficiency of municipal property management. The mechanisms account for modern municipality development priorities, can increase business efficiency in the local real estate market, improve the quality of municipal management, contribute to the rational use of municipal property objects.

1. Introduction

Municipal property management has to be effective, i.e., the cost of municipal property maintenance and management does not exceed the income derived from the management process.
For most municipalities, this is a difficult task because the state of municipal property objects is unsatisfactory. In addition, due to poor municipal management, the issues of infrastructure development [1], road network development, transportation, urban construction, investing in municipal property and innovation development have no efficient solutions.

To solve these problems, it is necessary to use management methods and forms that will improve the local system of municipal property management, increase local budgets and improve the living standards.

Municipal property management methods and forms. The following municipal property management methods have been developed: organizational, administrative, economic, social and psychological. In emergency situations (economic crises, natural disasters, accidents, etc.), municipal authorities use problem-oriented management methods. Some municipalities use a program-target (multi) management method [2].

Agencies managing municipal property should take into account that administrative methods, as the simplest ones, should not be used in all management spheres. Economic methods are most preferable, since they encourage activities in the real estate market; the program-target method is most applicable, since it aims at achieving the maximum effect using minimum resources and spending minimum time.

Every decision to change a dominant owner (including privatization) made by municipalities must be justified by calculating the efficiency criteria established by legislation. It is necessary to reduce the level of uncertainty in investment expectations of all businesses in the real estate market. The decision on the change of ownership must be justified based on the comprehensive analysis. Attraction of a new dominant owner is required when the new owner can improve the efficiency of municipal property management and satisfy the needs of city residents.

The priority tasks of local governments in choosing a municipal property management form are as follows: the use and development of municipal property to solve socio-economic problems of the local population; improvement of the welfare and living standards of the population; creation of favorable living conditions; investing in the innovative development of the municipality [3].

Municipal property objects require two groups of management forms:
1. disposition: sale, privatization, contribution to the authorized capital.
2. municipalization (nationalization), mortgage, lease, trust management, property object development.

The analysis of methods for using municipal property shows that most of the municipalities prefer using the following forms: direct management (municipalization), sale, and rental.
Currently, in the conditions of large budget gaps, it is better to privatize municipal property than to lease it. The municipality derives immediate income from the property sale. The income can be spent on development of municipal property, maintenance of social housing and municipal property, implementation of other municipal programs. In our opinion, municipalities should own a significant part of the production area and non-residential premises. This management approach will contribute to long-term budget revenues, since it will be the most important lever for regulating economic development of the city.

There should be an individual approach to privatization of municipal facilities, various ways to transfer municipal property into private one, the desire to preserve existing economic relations. The municipality should increase municipal property efficiency rather than change the ownership. Only unattractive and low-profitable objects should be privatized. Municipalities have a lot of methods for managing property objects without selling them.

The transfer of property to trust management is efficient [4]. One of the advantages of trust management is possibility to combine property management and investment contracts. The use of this management form shows that it is relevant for modernized dilapidated objects, objects requiring large financial investment, and cultural monuments.

Commercial concession and leasing of municipal property are also promising property management forms. Concession management of engineering infrastructure facilities of the city is an effective mechanism for improving the quality of public services and attracting extrabudgetary investment in this industry.

One of the most promising forms of property management is development [5]. There are various development forms: dredging, skyscraper construction, etc. In general, the development process involves coordination of actions carried out on a land plot with the interests of people and social groups.

In developing the real estate market, three groups of subjects are interacting: consumers, producers and municipal infrastructure enterprises. The group of consumers includes individuals who want to rent or buy real estate objects, while pursuing their own personal goals (meeting their needs, ensuring security); collective consumers (businesses) who use real estate objects for production purposes; local authorities. The producer group includes all people who turn real estate objects into a source of income: architects, bankers, timber suppliers, lawyers, urban planners, etc. The group of municipal infrastructure enterprises [6, 7] includes utilities enterprises, transport enterprises, social agencies, etc.
We believe that the main task of municipal property management is to satisfy needs of consumers taking into account the state of the environment and infrastructure.

Any development project creates new consumers of communal, educational, medical services and increases local budget revenues. Real estate development indirectly increases local budget revenues: the volume of retail trade (if a store is built on the land plot) and the commercial value of the plot increase which increases tax revenues. A new industrial enterprise built on the land plot derives profits and pays taxes to the local budget. These additional funds can be used by local authorities to expand services provided to residents living near the new industrial enterprise [8,9].

2 Discussion

Municipal authorities entrusted with municipal property management functions should know intricacies of the real estate market, construction industry, financing, leasing, municipal legislation, etc. In addition, they should perform the following tasks: identification of opportunities for the use of real estate objects; market and financial justification of the project; attracting property developers; selection of contractors; discussion of transactions; control over the construction process and further exploitation of real estate objects.

We believe that at the present stage, any development of an existing object or designing of a new one as a product with a set of properties and attributes that can satisfy needs and demands requires development of design scenarios aimed at the qualitative transformation of already implemented projects or creating new ones that set a substantial reserve of competitiveness for initiators.

Not being a monopolist in the real estate market but possessing more property objects than any other owner and using various management methods and forms, the municipality is able to dictate its conditions and implement policies of purposeful urban development [10].

The municipal property management experience of Moscow is indicative. Identification of strategic values of real estate objects for various segments generated a situation when it is not important what object was located on the land plot or in the city area. If it is possible to improve the territory and increase the value of the land plot, rarities can be demolished (e.g., hotels “Rossiya” in Moscow and Sochi, hotels “Moscow” and “Intourist”, five-storied apartment blocks of the 1960s, shell garages, etc.). The issue of
demolition of multistoried buildings of the industrial period (the 1980s), i.e. nine--storied apartment blocks is being discussed. The underground space is being developed. Industrial enterprises, offices and warehouses are located outside the city limits; shopping centers and business parks are being constructed on the outskirts of cities.

When making decisions on the urban territory development, the municipal property management agencies should account for the ecological situation in the city. There are certain requirements for the site used for constructing industrial facilities. In addition to environmental restrictions, the municipal agency has to take into account planning restrictions associated with functional processes in the city. These are sanitary characteristics of industrial facilities and their relationship with the urban area.

Active development of the consumer market requires construction of shopping centers in every major city district.

All over the world and in other regions of Russia, “eco-houses” and “eco-settlements” are being constructed. Town-planning city-nature integration in the new part of Houston (USA) is of interest. Insulation of attic walls combined with penthouses and mansards which form the upper tier of the mass residential development and improve its appearance is of great interest. Due to the wide well-groomed inter-quarter spaces with traffic intersections and well-organized parking lots, the city has a very high rate of landscaping per inhabitant [11,12].

Further development of the planning structure of large and major cities, formation of systems of city dominants and centers involves construction of multistoried multifunctional residential buildings (MMRB). These buildings can be located both in the reserve zones of existing buildings (vacant lots, technical zones or inter-district open spaces), and on the sites of demolished houses. This will significantly increase intensity of land use and create optimal social and functional-spatial conditions, new jobs and leisure areas. The multifunctional building is able to improve living standards. This type of construction is important due to the lack of construction sites.

The continuously increasing number of outlets, kiosks and trays spoils the space of streets, squares and highways. It is necessary to streamline the entire system of intra-quarter and inter-quarter shopping facilities. One way to solve this problem is the effective use of the lower tier of residential buildings.

Vast rooms of ground floors are a platform performing maintenance functions (bowling alleys, swimming pools, small shops, etc.). The active use of ground floors of residential buildings makes it possible remove tents and trays that impede movement of pedestrians on narrow sidewalks. The
appearance of streets will benefit from these actions. In addition, the space between houses can be used by combining the houses into a block of attached premises and placing small offices there. It will allow for unification of the architectural design of the lower level of the facade of the entire street. Courtyard areas will become more comfortable, closed and intimate, which will have a positive effect on leisure activities and children’s safety. Light arches can be used for entrances and exits. It is necessary to remove institutions which reduce the recreational space and violate sanitary rules. It is necessary to locate legal and notary offices, agencies, small bank branches, offices, small workshops there [13].

Owners of first floor second-pair back apartments can have small courtyards to grow flowers or relax. It might reduce the number of janitors, since the tenants will monitor their site. It will enhance prestige and increase price of these apartments and create a favorable environment [14].

3 Conclusion

The structure and composition of municipal property includes many independent elements. Each element is characterized by qualitative homogeneity and managed using specific forms and methods. When choosing a management mechanism, it is necessary to take into account the purpose of the property object, its composition and objectives of its use.

Municipal authorities managing property objects pursue financial and socio-cultural goals. Therefore, the municipality (as an owner of the property) has to choose the best management form to achieve financial goals aiming at maximization of budget revenues derived from the use of municipal property objects. The efficient management form should be based on the socio-economic significance of these objects when solving issues of local significance.

The municipal authorities should choose property management forms and methods which are most beneficial for the municipal entity. They have to take into account interests of the residents, environmental issues, sanitary standards, employment issues, social infrastructure, transport services, etc.

Thus, implementation of innovative forms and methods makes it possible to use municipal property in an effective way, choose management forms for the municipal property object based on its usefulness for the municipality, influence the development of the real estate market, derive the maximum benefit from property objects and use it to improve living standards.
We believe that municipal authorities should have a purposeful strategy to determine the marketing basis of the municipal real estate market by developing “standards” of zones depending on the location of real estate objects, density and cost characteristics and consumer qualities.

It is necessary to implement measures for monitoring the compliance with urban planning regulations. It is necessary to ensure urban planning for the most efficient use of land and real estate objects. Municipal authorities should deal with legal zoning, development of a urban planning documentation system, and preparation of land plots as real estate objects [15].

For further development, the municipalities need to have a clear urban planning strategy. When constructing houses, they have to think about future market demand. Being engaged in road construction, it is necessary to understand that changes in the road network can affect the urban settlement system and revise existing types of real estate objects.

The strategy will prevent errors that occur in the dynamics of development of municipalities and require constant and costly correction.

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