

LAND MANAGEMENT: LEARNING FROM EXPERIENCE

by

SIMON KEITH MA FRICS

Formerly Senior Officer of the Land Tenure Service of the Food and Agriculture Organization of the United Nations

Formerly Chief Executive of the Commonwealth Association of Surveying and Land Economy

Formerly Assistant Chief Valuer in the UK Valuation Office

Summary

The writer uses his fifty years professional experience to provide a personal view of the way ahead. Real estate property management is not a new subject. The private sector has been managing real property for a long time often with efficiency.

In contrast the public sector has frequently been an inefficient landlord and there are reasons why this is so. When those reasons understood and the lessons from best-practice private sector techniques are used, it is possible to design better real property management systems for the public sector. An outline system for the better management of let estates is suggested.

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Part 1. Introduction

1.1 Purpose of this paper

It now seems likely that the important issue of better management of public sector real property assets will be addressed by the multi-lateral and bi-lateral agencies. The purpose of this paper is to attempt to influence the future course of that development.

Real property management is not a new issue. The private sector and a few public and quasi-public bodies have been managing real property for a long time with efficiency. There is no need to re-invent practices and methods that are already well-known. We know what works and what does not. It is important to learn from experience.

Using the writer's 50 years professional experience this paper and the accompanying presentation has these aims.

- To note the size and complexity of the public sector estate¹
- To understand the main problems of managing the public sector estate and how these contrast with the problems of the private sector. If we can understand the particular difficulties of managing the public sector estate then improvements can be made.
- To provide an outline tool-kit for the improved management of let agricultural land in order to illustrate that the future need is for practical guidance.

1.2 The context

There are working in or with the multi-lateral and bi-lateral development agencies many experts in land matters related to surveying, mapping, the handling of spatial data, GIS/LIS, and land registration. There are many well-respected firms carrying out such work internationally on contracts. High-level expert advice is available on all those issues. There are many examples of successful projects covering those issues.

In contrast there are very few individuals in or working with the international institutions with personal experience of managing real property and particularly with private sector experience. The topic is little addressed in publications. There are few successful projects outside the developed world. The essence of real property management is not widely understood within the international development world.

1.4 Difficulties in recognising and assessing the problem

It is frequently the case, in both developed and less developed economies, that the public sector is an inefficient landlord and makes poor use of its real property assets.

There are however understandable reasons why the issues of the efficient operation of the public sector estate are often little recognised and generally not addressed.

- Firstly it is difficult to perceive the magnitude of the problem because state real property is so scattered and diverse, spread as it is throughout the whole of the public sector. Thus although the total resources applied to the management of the public sector estate will typically exceed those resources used in land registration there is no obvious single focus for concern. The problem is spread diffusely over many departments and all levels of

¹ For this purposes of this paper the *public sector estate* includes all land and property within the public sector. This comprises the many different types of real property owned and/or occupied by every government department, and every public sector entity at every level of government and by statutory undertakers and parastatal organisations.

- government. There is no single office whose responsibility it is. In short the function is fragmented.
- Secondly, in many instances the holding of land and property is incidental to the main purpose of the department or organisation. The performance of such departments is correctly judged on the performance of their core business. The inefficiency of their incidental land holding functions is therefore masked.
 - Thirdly although the size of the resources involved are significant they are relatively smaller than the other costs. For instance in an average bureaucracy, about 70% of the costs relate to salaries and other staff costs. In comparison the actual or notional costs of providing the offices or other premises might typically be less than 10%.
 - Fourthly the real costs of owning and/or occupying property will often not be apparent because it does not affect the cash flow and may not appear on any balance sheet.

In spite of these difficulties the importance of the management of the public sector estate has been increasingly recognised. The issues were vigorously addressed in the UK and New Zealand in the 1980s, since when many other developed countries have followed suit with varying degrees of determination and success. There is therefore now a substantial body of experience on which to draw.

1.5 Operational and non-operational land

One of the themes advocated by this paper is that better management of the public sector estate cannot be addressed as if the public sector estate were one single homogeneous entity. We can start by dividing the subject into two broad categories.

- **Operational land** comprising all land and buildings used and occupied by the public sector for its own purposes.
- Non-operational land **comprising land & buildings owned by the public sector for the occupation by others.**

The classification is arbitrary and there will be properties and purposes that cannot be readily allotted to one or other category. However in general the two different categories require different methods of identification, different methods of analysis and different methods of effecting improvements, and there are different criteria for judging success.

The issues relating to the **management of operational land** are important and not frequently addressed. In summary the purpose of managing operational and buildings is to procure and maintain the appropriate real estate facilities as are necessary to enable the relevant organisation to perform its functions efficiently. As the functions performed by the public sector are many and varied so are the type and character of the facilities that they require.²

It is not possible to address here all the issues of all types of land and property in the public sector estate.

For practical purposes this paper will mainly address the problems of non-operational land comprising land buildings owned by the public sector for the occupation by others. The focus will be on agricultural land.

² Different classes of 'operational land' require facilities with different characteristics. Examples of operational real estate include schools, hospitals, government offices, airports, garbage disposal land and premises, sewage works, district heating systems and many others. The facilities that are required by one function are seldom interchangeable with another function.

1.6 What is land management?

The varied nature of the tasks involved in real property management can be difficult to explain to those not directly involved. For the purposes of this paper ***Land management means the carrying out of all the actions required to safeguard the ownership and beneficial interests of the public sector in connection with the real property they own or occupy.***

Such a broad general statement may be of little practical guidance because a very wide variety of actions can be required which can include amongst others the acquisition of land or buildings, letting land and buildings, maintenance of buildings, letting properties, collecting rents, and selling and disposing of properties. In each case the actions that are necessary in that particular instance will depend on the nature of the real property and the purpose for which it is managed. The variety of the tasks that a land manager, particularly an agricultural land manager, is required to carry out can be illustrated by the list below which comprises the duties and actions of a land manager, usually a firm, in the UK when retained to manage a rural estate. The list of the activities was relevant when the writer started his professional career in 1960 and is still applicable today.

Those involved in land management may wish to compare their tasks with those below.

Tasks of a manager of an agricultural estate: typical duties in the UK*Rented properties*

- 1) *Letting vacant properties, including all the many actions and processes required under this heading*
- 2) *Collecting rents*
- 3) *Taking enforcement action in the case of non-payment*
- 4) *Revising rents periodically in accordance with the lease and/or in accordance with the law*
- 5) *Enforcing the compliance by the tenants of lease covenants including any relating to the repair of buildings*
- 6) *Complying with the landlord's lease covenants which may include the responsibility for the repair the structural parts of the buildings*
- 7) *Giving the legal notices at the end of the lease*
- 8) *Taking possession of the property at the end of the lease or as a result of a breach of covenant*
- 9) *Taking possession of part of the property in certain circumstances and making necessary revisions to the lease*

All agricultural land

- 1) *Designing and supervising drainage schemes and other matters that relate to more than one holding*

Farms held and farmed directly

- 1) *Managing and farming the farm with all the activities that this includes*

Buildings

- 1) *Keeping the buildings in repair*
- 2) *Designing and supervising the erection of new farm buildings*
- 3) *Revising rents where the building erected is for the benefit for the tenant*

Vacant land and common parts

- 1) *Preventing trespass on vacant land*
- 2) *Managing vacant land and common parts as necessary*

Financial

- 1) *Preparing budgets*
- 2) *Keeping accounts and preparing management accounts and annual accounts*
- 3) *Applying for government grants as applicable*
- 4) *Arranging finances in a tax efficient manner and paying local taxes out of estate account*
- 5) *Carrying out building cost valuations for the insurance of buildings*
- 6) *Carrying out periodic asset valuations*

Statutory

- 1) *Ensuring that the interests of the owner(s) are represented when changes of planning structure plans (zoning) are being considered*
- 2) *Applying for planning permissions when applicable*
- 3) *Ensuring that the title to the ownership of the lands is secure and that changes are recorded in such official registers as necessary.*

Woodland and forests

- 1) *Managing woodland including all the many actions required to do so.*

Managing other enterprises associated with the estate

- 1) *Shooting and fishing rights*

This list is not exhaustive and nor will every action apply in every circumstance. There are some general points that should be made.

- There are a variety of professional skills required to carry out those tasks. A professional knowledge is required of: i) the relevant parts of the law, ii) agriculture, iii) building construction, iv) forestry, v) **valuation** and vi) surveying.
- Many of the listed tasks require site/field visits. Property management is not simply a desk job and the property manager must know well the properties for which he/she is responsible. However good the available maps might be there is no substitute for site visits.
- Most of the tasks are 'one-off' and time-consuming.
- It should be noted that the compilation and maintenance of an estate inventory is not mentioned in the above tasks. Such an inventory is of course required but so are various other office systems.
- The list of tasks for managing a predominantly urban estate will not be identical but the underlying duties are comparable.

Today there are many professional firms offering real estate management services. The quality of the service provided will of course vary. Although many of the basic attributes of real property management have remained un-changed, the private sector uses new technology. There are at least 30 firms offering real estate software management packages (but almost all seem to be country specific).

1.7 The cost of management

One consequence of the above points is that property management is expensive and time consuming. The fees of private firms in the UK start at 8% of the rents collected for the basic management functions and can be considerably higher. Many of the tasks listed above will be charged as extras.

The cost of managing the public sector estate are often considerably higher than the private sector. Some of the figures relating to three public sector estates in the UK are listed in Appendix A. Perhaps the most relevant to many attending the seminar are those that are related to the County Council smallholdings where the costs of management and other expenses related to the holdings amounted to 56% of the total revenue.³

The general lesson to be learnt for the public sector is that good real property management requires adequate resourcing and a corresponding financial cost.

1.8 Comparing property management with land registration

In view of the expertise that exists in relation to land registration it is important to note the differences.

<i>Real property management</i>	<i>Land registration</i>
The inventory of properties is only the <u>starting point</u> for real property management.	The inventory is the <u>end product</u> of a land registry
Real estate management happens in both the public and private sector.	Land registration is an activity that is exclusive to the public sector.
There is much significant information required by the land manager that is not in a land registry. In the case of agricultural land	Real estate registration systems are mainly concerned with the situation and legal status of the land and often there is little or no

³ It is instructive to compare the cost to yield ratio of property taxes in the UK (Council Tax and Business Rates) which is less than 3% including the cost of collection. Mass appraisal methods are applicable to property taxes and significantly reduce costs. There are no methods similar to mass appraisal that are applicable to real estate management.

it does not record the cropping of the land, the state of drainage ditches and/or irrigation facilities even the actual occupation. In urban locations the relevant information is usually the size (usable floor area) and character of the building.	information on the buildings and other improvements on the land.
For public estates held for the use and occupation by others, it is the details of the lease terms govern the management. The terms of the leases are important.	Even if the existence of a lease is recorded in the land registry it will not contain all the information that the land manager requires.
Financial information is an essential component of real property management.	Financial information, other than the often incorrectly stated sale price, is not part of the data in a land registration system.

It is also important to understand that real property management is not only, or even primarily, a mapping exercise.

Part 2. Land management in the public sector: the problems

2.1 Why does the public sector provide property for occupation by others?

The reasons why governments decide that the state or local government or a government owned body should be the owner of land and buildings which are available to be leased or issued to others on a terminable basis may be summarised as follows.

➤ **Dogma**

There may be a lingering body of opinion in many countries that believes the ownership of land is just too important to be entrusted to private ownership. This point of view has a strong intellectual pedigree stemming from Marx, Proudhon, Henry George and many others. Although socialism and Marxism no longer have the same intellectual force and large swathes of the economies of many countries have been privatised there can be a reluctance to extend the principles of privatisation to all lands and buildings. In particular there can be a disinclination to allow the free market to operate in relation to agricultural land.

➤ **Poverty reduction and reduction in unemployment**

It is widely recognised that there will always be those who do not have the financial resources to gain access to land for domestic or other purposes through the mechanisms of the market by purchase or renting. In the great majority of countries in the world, in developed and developing countries alike, the state seeks to fill this gap to a greater or lesser extent. In the developed world social housing is supplied on a large scale. In the developing world governments, often with the encouragement of the aid agencies who see a correlation between landlessness and poverty, seek to promote a wider access to agricultural land through State intervention.

➤ **Strategic Economic benefit for the community**

Commonly the private sector may be perceived as unwilling to provide access to land or premises in certain strategically important categories. In addition to the provision of small land holdings governments may develop land for specific uses such as small workshops, in urban areas. On a larger scale the public sector may be the only body with

the scale and power to initiate large-scale developments of new areas. There are many such examples throughout the world and these include the development authorities in the Indian subcontinent, the capital development authorities in Malawi and Nigeria and the 'new town' authorities in the UK particularly in the 1950s, 60s and 70s.

➤ **Financial benefits for the public sector**

It is commonly assumed that if the public sector is in control of land and buildings the community will benefit from a financial return in the form of rent from this asset. Once again this view has a long intellectual pedigree. Many advocates of public ownership of land have assumed that the revenue could be used to replace or reduce taxation.

➤ **Control of the environment for the benefit of the community**

It is believed that public ownership will bring greater control over land and property than could be achieved otherwise. It is supposed that the community, through the terms of a lease from government or the terms under which customary land is held, will be able to better control the use and development of publicly owned land.

2.2 The difference between theory and practice.

All the above reasons for land to be owned publicly are either uncontroversial or commendable in their underlying intentions. There would be very great benefits to the community if all the theoretical advantages of public ownership listed above could be delivered all the time. But this is not in fact possible. Unfortunately the difference between theory and practice is enormous. It is unfortunately a fact that the public sector has very frequently proved to be a very poor landlord. How does theory differ from practice? The analysis set out below and summarised in the table is not derived simply from theory. The generalisations are based on experience from many countries all over the world over the last century and before. Those with practical experience will readily recognise the situations described.

COMPARISON TABLE	
<i>Theoretical advantage or expectation of the public ownership of real property</i>	<i>Typical outcome in practice</i>
<p>Financial Benefits from rents and premiums Lands and property resources in the public sector ownership are a potentially valuable asset. The public ownership of land and property should in theory yield a substantial stream of revenue from rents and premiums which could significantly reduce the burden of taxation.</p>	<p>i) Where property is leased from the government the level of rent being charged for publicly owned property becomes a political issue. The number of tenants commonly gives them a political influence that the government cannot ignore. It then becomes politically impossible to charge full rack rents or raise rents on review.</p> <p>ii) The poor financial performance is compounded by poor management. The efficiency of rent collection is often poor. Arrears are often considerable and collection is not enforced. It is not unusual to find that there is no attempt to collect ground rents because the cost of doing so would exceed the receipts. Rental revenues are consequently so low that there is little or no net revenue accruing to the government after the cost of administration.</p> <p>iii) It is not unusual to find that there is no financial advantage at all for the public sector arising from the ownership of this valuable asset.</p>
<p>Reversions As the lease terms expires the land or property legally reverts to the government, who will in theory acquire valuable assets in the improved property which may then be used, re-leased or sold for the benefit of the community and the public purse.</p>	<p>It is usually politically impossible for the public sector to resume possession at the end of the term except in special circumstances. At the end of the lease tenants commonly holdover or are granted new leases on favourable terms.</p> <p>There is therefore usually no financial advantage for the public sector arising from the ownership of this valuable asset on the termination of the lease term.</p>
<p>Social equity Tenants of the public sector should have a fair and benevolent landlord granting access to land and property for those most in need.</p>	<p>The public sector is in practice no more likely to be benevolent than a private landlord. The theoretical advantages are almost always negated by</p> <ol style="list-style-type: none"> i. inefficient management systems, ii. a shortage of trained professionals, iii. insensitive and high handed attitudes of officials to the tenants, iv. corruption, and v. political patronage. <p>The most deserving do not necessarily obtain access to land. The tenants of the public sector tend to be disadvantaged by the above defects.</p>
<p>Control The State or other parts of the public sector will be able to control the use and occupation through the terms of the lease for the benefit of the community and the protection of the environment.</p>	<p>The administrative machinery of government is often unable to cope even with the basic task of efficiently collecting the rents. Therefore it seldom has the added capacity to police the terms of the lease. Property records are often poorly maintained making the task of controlling the public sector estate even more difficult.</p> <p>In practice no special control is exercised over the use and occupation of public property.</p>

2.3 The problems of managing the public sector estate

Why is the public sector so often such an inefficient landlord? The widespread failure of governments (and subsidiary public sector bodies) to operate efficiently as land and property owners in so many different circumstances in both developed and developing countries suggests that there may be causes common to all circumstances. There are explicable reasons why the public sector finds it so difficult to manage land efficiently. This is not because the public sector is per se less efficient than the private sector. It is not because public sector officials are less efficient than their private sector counterparts. There are other deeper causes.

Confusion of purpose

It is maintained here that the universal over-riding factor causing these malfunctions is either the failure of governments to formulate their objectives for owning and property, or attempting to satisfy conflicting non-compatible objectives. This is understandable because politicians have to reconcile different and often conflicting interests of their electors. Politics so often require compromise.

The efficient management of land and property, whether in the public or private sector, can only be achieved if there is a clear and simple objective. It is rarely possible to combine two or more objectives. It is for instance impossible to combine successfully a social purpose, such as providing access to land for the poor, with an objective of maximising the revenue for the public purse. Similarly it may be difficult to combine the objective of maximising the economic use of land, with the consequent benefits for the national economy, with the objective of protecting the environment.

There will often be more obvious presenting symptoms of failure: poorly maintained land records, incomplete rent rolls, uncollected rents, lack of enforcement of the lease covenants, failure to comply with the landowner's obligations and corruption. The technical solutions for efficient estate management are known and well established and they work as well in the public sector as they do in the private sector. However resources applied to technical solutions will fail if the objectives are not clarified. This is therefore a prerequisite for improvement.

Political patronage & opportunities for corruption

The practice of granting land as a means of obtaining or rewarding political loyalty is at least as old as recorded history. The medieval feudal system in Western Europe was a formal and legitimate variety of it (by the standards of the time). Grants of public land are still a widespread method of rewarding political loyalty in many countries. To be a valuable political reward the grant needs to be on advantageous terms. There is little advantage if the recipient pays the full market value. There tends therefore then a leakage of public funds.

2.4 Public sector and quasi public sector case histories

The public sector can succeed in managing real property efficiently. Here follows a brief introduction to organisations that might deserve fuller case studies

Perhaps more relevant example to most of those attending the workshop is the case of the many **Council Farms** (often referred to as County Council small holdings) in England and Wales. More than 60 County Councils (and others) own in total more than 114,000 ha. The total revenue exceeds £24 million and the net surplus after all expenses amounts to more than £10 million. When the scheme was initiated after the war of 1914/18 the purpose was to establish men, particularly those demobilised after the war, in small farms. Typically holdings were of about 5 ha with a purpose built small farmhouse. The hope was that once established in small farms the farmers would progress up the farming ladder to larger farms. This did not happen on a widespread scale due to slump in farming profitability in the 1930s and the difficulty of accumulating sufficient capital. Although there have amalgamation of holdings the average holding size of about 42 ha is much too small to be economic. In recent

years the reasons for the Counties should own agricultural land have been questioned. Since 2008 the Counties' budgets have been under strain and agricultural land is being sold in many cases. Commonly the policies are to only sell land at the end of the tenancies, because land with vacant possession is worth more, and to retain land that may have development value in the future.

The **Crown Estate** in the UK is by most standards a commercial success over recent decades. The main underlying reason for the success is that its objectives and methods of governance are clearly set out in *The Crown Estate Act 1961*. The commissioners have a duty to maintain and enhance the capital value of the estate and its revenue income but at the same time take into account the need to observe a high standard of estate management. There are a number of restrictions with which the commissioners must comply. They must achieve the best consideration when letting or selling. They may not borrow money.

The Crown Estate is a sizable organisation with a gross revenue amounts to £314 million (net revenue £214 million) and a capital value of £8 bn. It is divided into four parts and the rural estate has a revenue of £26 million and a capital value of £1.2 bn. The management of the Crown Estate lands (excluding the Winsor Estate) is contracted out to private firms.

There is another interesting class of single-function authorities that are established to manage and develop land for a single purpose. These include more than 20 'new town' authorities in the UK, capital development authorities such as those set up to establish Abuja (Nigeria) and Lilongwe (Malawi), the 'development authorities' in the Indian subcontinent and even the Olympic Delivery Authority which had the task of acquiring the land and developing the buildings for the 2012 Olympic games. They have in common two attributes. First they are set up for a single purpose. Second they abrogate or take over some of the functions of the (often democratically elected) local government for the period of their existence. At one level their success in achieving their single purpose is there to be judged. Milton Keynes physically exists. Malawi's capital at Lilongwe exists. The economic, financial and social consequences are more difficult to assess. If they continue to exist beyond the original purpose they run a strong risk of become bureaucratic monsters.

Part 3. Systematic improvement

3.1 Plan for improvement; the preliminaries

Practical but ideologically neutral advice

Policies are determined by governments. The land expert's role is to advise on what is possible in practice, how to achieve it, how much it will cost and what it will yield. Every policy option has economic consequences. Every management action has financial consequences, which can and should be quantified. Politicians need such neutral advice in order to make evidenced-based policy decisions.

Selecting a manageable task

It is not practical to undertake a single national plan for improvement of the management of all publicly owned property because it is fragmented, scattered and held for a variety of different purposes. It is necessary to select a class of properties that can be separately defined. **This is a key recommendation.** The selected organisation might for instance be all the property managed by a national lands department. It might be all the land managed by a particular development agency. It might be all the land and buildings owned and/or occupied

by a municipality. The plan below has in mind mainly the problems of a department managing let agricultural land.

3.2 Plan for improvement: 6 steps

Step 1: The current situation

The first essential step is to ascertain the facts. The table below is an indication of matters to be covered. It is unlikely that even the basic facts will be known or readily available. It is not uncommon to find that there is not even an accurate up to date record of the number of properties or the extent of the land. In all probability this initial step will be surprisingly difficult. Official records may well be incomplete or inaccurate or simply not contain the management information that is required. An estate list containing the management data needs to be created. Much data will have to be captured in the field.

Financial data can be particularly difficult to obtain. Annual accounts in many developing countries are not completed on time and probably drawn up on a cash basis.

It will at some point be desirable to have each property valued. This has two advantages. The first is that the manager needs to know the value of the property in order to make the correct management decisions about it. The second consequential advantage is that in order to value the property it is necessary to ascertain information that is also required for the proper management of it.

The completion of this step on its own will be worthwhile even if action goes no further. It may in itself improve the standard of management.

The sort of information required is indicated on the following table.

ANALYSIS OF THE CURRENT SITUATION	
1	<p>THE PHYSICAL FACTS</p> <p>Numbers and type of properties Area of land and floor areas of the buildings The format, condition and accuracy of the state of the land records at present</p>
2.	<p>THE FINANCIAL FIGURES</p> <p>Total annual rental income due Total annual rental income actually collected Total cost of administration</p>
3.	<p>THE LEGAL STATUS</p> <p>Legal status of the occupiers Length of term Rent review provisions – if applicable Other terms of the lease, licence</p>
4.	<p>INSTITUTIONS</p> <p>Identification of institutions involved Identification of the sources of information Analysis of the organisational structures Review of the number and quality of the personnel Analysis to relate personnel in post to national supply</p>
5.	<p>VALUES AND POTENTIAL</p> <p>The full rental value of the land and properties The full open market value of the properties</p>

Step 2: Identification of policy aims

Why does the public sector own real estate? What do they want to achieve with that particular class of property under consideration? Answering this question may be difficult for a number of reasons.

First there is the difficulty inherent in politics, referred to above, of responding to many different political pressures. This makes it difficult to define a single clear policy objective for the land manager to achieve. Multiple objectives may mean that none are achieved. Secondly governments have national policy objectives. For instance in many cases in this region governments are seeking to comply with the conditions of entry to the EU and *aquis communautaire* requires a functioning land market. The land management objectives need to be defined in relation to national policy and this may not always be straightforward. Thirdly it is now frequently stated that governments need to make evidence-based policies. The policy makers need the evidence and very often they do not have it.

Step 3: Identifying the feasible options

Whether or not there are clearly stated policy objectives immediately available it will probably be possible to go on to the next stages.

What are the constraints? What is technically feasible? What are the feasible options? What resources does each option require? How much will it cost both initially to set up and subsequently to run. What are the financial consequences? What are the economic consequences? What are the social consequences? In other words the land manager can provide the evidence for evidence-based policies.

The table below provides a check list of the many matters to be addressed when assessing each feasible option. Not every matter listed will be relevant in all circumstances but the purpose is to provide evidence for evidence-based policies.

In reality the feasible options may be quite restricted and the consequences readily identified. For instance it is commonly the case for publicly owned let estates that there are thousands of existing leases sometimes issued for long periods. The public sector must work within the constraints of the terms of those leases. This often severely restricts a government's options. For instance can the rents be increased during the term of the lease? This has financial consequences. Can possession be obtained under the lease for consolidation of scattered holdings? (For instance is it possible to enforce exchanges of land under the terms of the leases.) This has agricultural consequences.

It is recognised that sometimes the only option is to do nothing until the leases expire.

	BUSINESS PLAN FOR EACH IMPROVEMENT OPTION
	A CHECK LIST
<i>DESCRIPTION</i>	<i>A summary of what is intended and what will be achieved</i>
STATISTICS & QUANTITIES	A summary of the basic number of properties affected
RESOURCES REQUIRED	The preparation of a schedule with quantities and costs of management. <ul style="list-style-type: none"> ○ Number of professionals ○ Number of technicians ○ Number of other supporting staff ○ Office space ○ Transportation facilities ○ IT requirements ○ Surveying and other technical equipment ○ Other costs
OUTPUTS	What will the option achieve? <ul style="list-style-type: none"> ○ How many properties will be affected and in what way? ○ How many people will be affected? ○ Will access to land and property be improved? ○ How will their lives be affected? ○ What revenues will be received.
TIMETABLE	The stages before the improved system is in place and operating will include: <ul style="list-style-type: none"> ○ Planning ○ Preparations, including training and procurement, ○ Implementation <p>The timescale will vary depending on the scale of the undertaking be will almost certainly be measured in years.</p>
FINANCIAL FORECAST	Predicted revenue and costs in spread-sheet format over a ten year term.
RISK ASSESSMENT	Identification of the risks and a quantitative assessment of them.
ECONOMIC CONSEQUENCES	Comments on the economic consequences of this option on <ul style="list-style-type: none"> ○ The property market ○ National financial systems, and ○ Any relevant part of the economy, for instance if the options concerns agricultural land how does the option affect agricultural output.
SOCIAL CONSEQUENCES	How does the option contribute to poverty reduction? Does it provide equitable access to land and property? Identify the disadvantaged classes.

Step 4: Selecting options for improvement

The selection of the options is ultimately a political matter and matters related to public land tend to contentious political issues. The land manager's role is to provide practical quantified apolitical advice

Step 5: Allocating land

It may frequently be that although many leases already exist the relevant public sector body (perhaps a lands office) is actively issuing new leases for unused government land or property or renewing leases at the end of the lease term. Although in theory this issue should be addressed after the policy has been determined and the feasible strategic options identified, it may be necessary to bring the issue into consideration early because otherwise each new lease issued in an existing format may further constrain the options.

For those bodies who manage public sector real property held for the use of others the most important issue is how land or public property is to be sold, leased or allocated. These are the important questions to be answered and the issues to be addressed.

- **Is the public sector seeking to obtain full value for the disposal?**
- **Is the land to be sold outright or let on lease? If the latter, how long will be the lease term?**
- **If it will be let on lease, will this be subject to annual rent or the payment of an initial premium? (It can be a combination of both but the higher the rent the lower the premium.)**
- **If it is to be annual rent will the lease contain a mechanism to revise the rent periodically; and if so will it be in line with general inflation or changes in rental value? How will this be done? The lease must specify the exact steps. This is a particularly difficult question.**
- **If the property is to be disposed of (sold or assigned) at full value how will this value be determined?**
- **What is to be the method of disposal? Some of the options include auction, tender, offer for sale by negotiation or offered in accordance with a tariff that is meant to represent market value. There is no one right answer.**
- **If it is to be disposed of at full market value how will the financial ability of the potential purchasers/lessees be assessed? It is very unwise and ultimately very expensive to let land to a lessee who does not have the ability to pay the rent. Recovering unpaid rent, and if necessary possession, is a time-consuming activity fraught with difficulty. Selling at auction to a person who cannot complete the sale is not a satisfactory outcome.**
- **If land is to be allocated at less than market value how will the lessees/recipients be selected? This is a very big issue and there are many methods and none of them perfect. The essential point is to establish why the State or local government wishes to allocate land/buildings at less than market value. The motive is frequently to alleviate poverty. If so what are the criteria for selection? How is poverty or need to be assessed?**
- **What are the terms of the lease? There are many important issues here. For instance will the lease be assignable? Will the lease be heritable?**

There are no simple or generalised answers and every one of the issues above contains complex technical considerations. The questions require in response a high level of **technical expertise and clear political policies**. It will be appreciated that to answer these questions in an informed and logical manner requires that the steps above have been completed in order to arrive at a feasible political policy. Technical and professional expertise of estate management, valuation and a knowledge of property markets is necessary. It is undesirable to address the issues above without specialist knowledge.

Step 6: Management improvements

It is not possible in one paragraph to provide full guidance on how to implement improvements and these headings can only provide some short general notes on matters to be covered.

- i. **Business plan**
A business plan is simply an element of sound management for any entity. Real property management is no exception. Nor is the public sector as exception although business plans are regrettably rare in the public sector in Eastern Europe and Balkans. An outline for a business plan is shown in the table in step 3 above.
- ii. **Management information system (MIS)**
The land manager requires a system to provide the information needed for the execution of the business plan and the design of the MIS will depend on what must be achieved. If the MIS includes spatial information in the form of a LIS/GIS that will be helpful but this is not primarily a mapping exercise. Most of the essential information in the MIS will be alpha-numeric. In the first instance it may be better not to include spatial data but design a system that allows for it to be added at a later date. Thus the first priority is an alpha-numeric MIS database.
- iii. **Financial information**
Financial information is essential. It must be an essential part of the MIS. Every management action has financial consequences. These consequences are quantifiable. Some of the information relates to matters that are merely basic booking-keeping. For instance the land manager needs to know in real time the situation relating to rents due, rents paid and rent owing. As stated above all management actions have financial consequences and in most instances valuation expertise is required to quantify those consequences.
- iv. **Continuing institutional links**
There will be a need to establish continuing institutional links with the departments that hold data relevant for the land manager. The first priority may be to make formally agreed links with the land registry in which each party exchanges data. The formal agreement will need to specify what data is to be exchanged, how this will be done and to ensure the systems are compatible and how often the data will be updated. Equally important will be such an agreement with the Ministry of Finance if rents are received centrally by them.
- v. **Capturing information in the field**
However good the systems for exchanging information with other departments might be, there is much data that can only be captured in the field or on site. For instance if buildings are part of the estate being managed the relevant information is the potential use of those buildings, the useable floor area, the construction of the buildings, and the state of repair. Or on the other hand if the land is vacant only a physical inspection will reveal illegal trespass or damage.
- vi. **Allotting responsibilities & establishing good working practices**
There are matters which are simply part of the efficient management systems of any enterprise. These include such basic things as organisational charts and job descriptions which clearly assign responsibility. If there is a lack of professional skills the compilation of comprehensive instruction manuals will be necessary. Efficient real property management usually has to settle down to a strict annual cycle of activities.

Part 4 Final comments

4.1 Issues not covered

As indicated the management of operational land and buildings is not covered in this paper. The issues relating to the management of buildings is inadequately covered. The very important topic of technical and professional training is not covered at all. There is much more to say on matters related to financial control including accounting methods and when, how and on what basis periodic asset valuations should be carried. The legal issues related to the terms of leases suitable for the letting of public land and buildings by the public sector could be a paper in on its own. There are frequently institutional issues related to which department is responsible or where responsibility lies between central and municipal governments. These issues need further examination.

4.2 Future action

The methods required to manage real property efficiently are known and well established. Nevertheless there is a lack of published guidance on the topic. There is a need for the publication of practical simple readily understandable guidance notes on real property management of the public sector estate suitable for the international environment.

References and notes

There is published material that covers the subject of property management. There are several publications in the USA that are aimed at private landlords or those considering owning and letting property in that country. See a typical example.

Griswold R. *Property management for dummies* Wiley Hoboken NJ 2001

Other English speaking countries are less well served in the numbers of publications and those publications in print are also country specific. For instance in UK there is the following, which is aimed at the professional or student of estate management.

Banfield A. *Stapletons's real estate management* College of Estate Management 2005

There are many publications and text books covering in detail the different areas of expertise required for property management such as valuation, land and leasing law and building construction. However these also tend to be country specific.

There is little that is aimed specifically at the management of public sector real estate assets. The following publication was therefore welcome.

Kaganova O & Mckellar J Eds. *Managing Government Property Assets: International Experiences* The Urban Institute Press, Washington 2006