

Professionalization of Municipal Real Estate Management: An Analysis of Dutch Literature

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ABSTRACT

Background and aim – The aim of this paper is to look at the professionalization of municipal real estate management (MREM) from an organizational design perspective.

Methods / Methodology – Analysis of current and recent MREM-literature in a Dutch context on organizational design.

Results – It appears that organizational design is implicitly or explicitly concluded as being interesting and relevant, but no research was performed on this topic. In general, it seems MREM could be significantly better organized creating higher value of its real estate for society.

Practical or social implications – The finding that organizational design is an interesting yet underexposed parameter contributes to an awareness at real estate professionals. A better organization of MREM will not only increase professionalism, but also create higher value for local authorities and society. Moreover, possibilities for future research have been identified. Ultimately, new research and more best case practices can advance the management of real estate at local governments.

Type of paper – Research paper.

KEYWORDS

Municipal real estate management, organization design, professionalization, public management, local authorities

INTRODUCTION

Public administration in the Netherlands has four tiers: central government, the provinces, the municipalities, and the water authorities. Municipalities are the third in the Dutch public administration line and only do tasks that directly affect local residents. There are 355 municipalities in the Netherlands and these have autonomous powers to decide on issues concerning implementing national and municipal policies (Government of the Netherlands, 2020; Centraal Bureau voor de Statistiek, 2020).

Municipality's main policy priorities are set by municipal councils, which are representatives of the local residents. The municipal executive is responsible for implementing these policies effectively. In order to do so, facilities are needed to support the core business of authorities. One of these facilities is real estate. So, the main reason for authorities to own and manage real estate is to support them in performing their primary tasks for society (Evers, van der Schaaf, & DeWulf, 2002).

From this perspective, real estate as a facilitator for effective policies, three studies (van den Beemt & Veuger, 2016; van den Beemt & Veuger, 2017; Marona & van den Beemt, 2018) were performed by Van den Beemt on municipal real estate management (MREM) in the Netherlands. Results of these three studies will be presented and scrutinized. The study is organized at two main questions: Does Dutch real estate support local authorities in their primary task for society? And what is the role of the real estate professional in this respect? Implications of these questions will be discussed, allowing us to identify possible best case practices as well as blind spots at MREM.

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CONCISE LITERATURE STUDY

Three Dutch studies will be presented and discussed. The first study (van den Beemt & Veuger, 2016) is about how the profession of corporate real estate management can add value to the less developed discipline of MREM. Secondly, the study about real estate value (van den Beemt & Veuger, 2017) deals with the relationship between assessed values and transaction prices of sold municipal real estate. The most recent study (Marona & van den Beemt, 2018) is an international study. It studied concepts developed in the profession of public management, and applied in Polish and Dutch MREM. All three studies are part of a PhD study concerning the professionalization of municipal real estate management by Van den Beemt.

Added value of corporate real estate management

The results of this study are based on a questionnaire, that was held from 2008 until 2016. Both trends and status quo of Dutch MREM were investigated yearly. As part of this questionnaire, municipalities were asked to provide well-argued examples of best case practices. Respondents specifically mentioned the way in which these front runners organized their real estate management. Therefore, these targeted municipalities were invited to open up. They were asked to describe their organization by means of three main topics of corporate real estate management (CREM): organization structure, operations (implementation and results) and direction (strategy and plans) (Hoendervanger, van der Voordt, & Wijnja, 2012). A cross-case analysis with a variable-oriented approach was applied (Miles, Huberman, & Saldaña, 2014)

Results of this study show that municipalities aim to align real estate, policies, and needs of citizens/tenants in order to effectively and efficiently manage their real estate portfolio. They want to achieve this by organization design. However, there are some difficulties in designing their organizations. First, there is role ambiguity. There is a large variety in the tasks that real estate professionals perform. There is clear role description. Second, organizational structures are unclear and there seems to be no one size fits all solution for organizing MREM. So, here too the varieties are substantial. However, the best case practices show consistency with respect to factors: communication, cooperation, culture, and support from top management. Short lines of communication and good cooperation between departments allows MREM to act consistently and to be flexible and creative. Moreover, a good organization culture and support from both management and the board (Mayor and Councillors) also play an important role in many of the success stories. Hence, it was concluded that learning capacity and an enabling organizational culture are essential in developing MREM.

An important insight from this study was that municipalities make strategic and organizational changes aiming for better results in both the real estate portfolio itself as well as improving the municipal organization. Moreover, the way in which MREM can learn and benefit from CREM to further professionalize is mainly about the perspective on real estate and consequently how to manage this.

Valuation of municipal real estate

This study's results came from 44 files that contain real estate data for executing the Dutch Real Estate Assessment Act (DREA). This act regulates that nearly all real estate in the Netherlands will be appraised by the local government (municipality) each year. The assessed (DREA) value is used for taxes and other official purposes like budgeting and considerations for disposal. After applying several selection criteria, 365 municipal real estate transactions were studied.

It appeared that the sum of the assessed value represents 40.8 percent of the sum of the transaction prices. Practically, this means that 59.2 percent of the price paid on the market was added by market forces. This does not only hold for the sum: it also appears that on an object level too, the market assigns a greater value to the object than the assessed value. Hence, this study showed that the annual DREA valuation offers no valuation foundation to determine the market value of municipal real estate.

The main insight from this study is that important decisions like budgeting and disposal have to be based on values that might not be congruent with the real-life market situation. This study aimed at researching the relationship between assessed values and transaction prices of municipal real estate

sold. Based on this study, it could be concluded that this relationship is not very strong. Findings also seem to imply that municipalities lack an organizational principle, allowing them to assess the value of their real estate validly.

Public management and good governance

For this study, two public management approaches were operationalized to be studied: seven New Public Management (NPM) standards and five Good Governance (GG) principles. Surveys were sent to real estate professionals of all 304 Polish municipalities belonging to all metropolitan areas in Poland (response rate: 38%) and all 380 Dutch municipalities (response rate: 22%) to assess the level of implementation of the principles of GG and NPM in real estate management practices. Both data were combined; with this one uniform dataset statistical analyses were made.

The analyses showed that the concepts of NPM and GG were only partially applied: as a collection of instruments instead of as a whole. So, most municipalities only choose some parts of the concepts and apply it to their MREM. Results show that GG standards in Polish MREM are used a little more broadly than in The Netherlands. Results also suggest that concept compliance was more frequent in larger municipalities. However, this was only statistically significant for Poland.

The main insight from this study is that, although in 1991 already NPM was *'[...]over the past 15 years [is] one of the most striking international trends in public administration'* (Hood, 1991), it is still not fully implemented in Dutch MREM. Purpose of this research was to present the role of NPM and GG in Polish and Dutch MREM. This role cannot be described on the overall NPM and GG level; only on their different indicators.

DISCUSSION

The aim of this paper is to show what needs to be done in light of the professionalization of MREM and organizational design. A profession is a self-regulated occupational group that has a body of knowledge and recognized role in serving society professions are self-regulated, accountable, and under continual scrutiny and development. They are guided by a code of ethical conduct that is the foundation for practice decisions and actions. Membership of the profession requires completion of an appropriate (commonly degree-based) intensive educational program (Higgs, McAllister, & Whiteford, 2009). Based on our current concise analysis there are some open ends that are interesting for future research.

The first study (van den Beemt & Veuger, 2016) concludes on role ambiguity, but does not elaborate on that. From organization design theories it is known that this means there is a lack of the necessary information available to a given organizational position (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964). Tasks or authority are not clearly defined (Jones, 2007). Moreover, there seems to be a lack of standardization in role descriptions; one of the design parameters of organization structure. A considerable number of empirical studies on role stress shows that high levels of role ambiguity has a negative effect on both the individual and the organization (Nicholson Jr. & Goh, 1983; Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964). Knowing the scope of the position makes it easier to take responsibility for actions and interact with each other (Jones, 2007). However, since it was concluded that organization interventions affect MREM, role ambiguity should be subject to further research on studying the professionalization of MREM. This also holds for the second open end of that study: unclear organization structures and the implication that there seems to be no standard structure for MREM. Organization structure affects managerial decision behavior in various ways (Blankenship & Miles, 1968) and it can help with developing the coordination abilities at MREM that support strategy (Jones, 2007).

The second study (van den Beemt & Veuger, 2017) shows that decision making happens based on information that might not be very accurate. Since data-driven decisions tend to be better decisions (McAfee, Brynjolfsson, Davenport, Patil, & Barton, 2012) this could be subject for further research. Again, could this be standardized, and done more validly? In this context, be reminded that decision making relates to organizational structure because it is the structure on which decision-makers rely and on which the allocation of information and resources is based. Organizational structure can be seen as

an instrument to improve its learning ability to adjust to new situations and to enhance decision making (Jones, 2007).

The third and last study (Marona & van den Beemt, 2018) shows that the implementation of NPM can be refined and improved. Since NPM is a crucial driving force for efficient and effective public asset management (Lu, 2011), this would be worth qualitative, deeper grounded research in order to identify possibilities for enhancing MREM, to make it more efficient and effective.

CONCLUSION

In conclusion, based on the above studies organization design seems to be an interesting parameter yet not further researched. And the development of this property may of vital importance for municipalities. In line with Jones (2007) we argue:

“The consequence of poor organizational design or lack of attention to organizational design is the decline of the organization” (Jones, 2007).

In general, MREM could be significantly better organized creating higher value of its real estate for society. The finding that organizational design is an interesting yet underexposed parameter contributes to an awareness at real estate professionals. A better organization of MREM will not only increase professionalism, but also create higher value for local authorities and society. In this context, the variety of approaches in different municipal practices is extremely large; a clear coordinating mechanism like standardization seems to be lacking. However, this needs further study. Possibilities for future research have also been identified. Ultimately, new research and more best case practices can advance the management of real estate at local governments. Further research on organizational design in MREM, by any means, can be regarded as a building block in the professionalization of MREM. By doing so, this will help local authorities to optimize the support of their real estate for an effective implementation of local policies.

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Deltapremie

The 'Deltapremie' or Delta Prize is a new leading research prize in the Netherlands focusing on practice-oriented research by professors. The prize is developed for professors who have managed to repeatedly make a special difference with the social impact of their research over the years. It shows where practice and research can come together in an innovative way. Practice-oriented research has acquired a solid place in Dutch society. Almost 700 professors and more than 3,000 teacher-researchers are currently involved. The starting point of the research is always to find solutions for practice-based problems, also by partnering with practice. In this way, practice-oriented research provides applicable solutions to societal challenges.



An independent selection committee selected the winners. The committee consisted of six experts from Erasmus University Rotterdam, Innofest, Delft University of Technology, Netherlands Study Centre for Technology Trends, and the Association of Netherlands Municipalities. In the report the selection committee tributes Mark Mobach and his research group for the impact that they have on the crossroads of various domains from public transport to mental health. Mobach: "We see the prize as enormous encouragement to continue our research into space and organisation in healthcare, education, offices, and cities together with our partners. We extend our research to areas where there are perhaps fewer financial possibilities, such as research with the arts and frailty."

Research focus area

With his research group, Prof. Mobach wants to contribute to the best buildings for people and organisations. He does so by devising better space and services in a multidisciplinary setting together with students, lecturer-researchers, Ph.D.-students, and postdocs. Better spaces and services for education, offices, and even cities that stimulate healthy behaviour, better healthcare buildings that reduce stress, but also prisons and stations that better meet the needs of society.