

The Role of Local Authorities in Managing Municipal Property

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Abstract—Municipal property is one of the components of local administration’s economic basis, and is an important factor of the sustainable socio-economic development of the city. The municipal property management activity is characterized by utter social orientation. The issues facing the municipal entity are referred, generally, to issues of local importance. Municipal property is an integral part of municipal property. In the context of a constant search for sources to supply local funds, given the role and importance of municipal property in the development of municipal entities, municipal authorities need to search for new innovative methods and forms of managing it. The absence of these measures leads to the fact that the condition of most objects of municipal property is unsatisfactory, because of randomness in solving the tasks – creation of the necessary infrastructure, the development of the road network and transport services, urban construction and improvement, attraction of investments and innovations in the development of municipal property, etc. The lack of attention of local authorities to these problems causes social conflicts. Therefore, management of municipal property in the real estate market is an urgent task, both for the local administration of an individual municipal entity and for members of the local community. Nowadays, there is a need to change the role of municipal authorities in the system of municipal property management, where they should act not only as owners, but also as regulators of other forms of ownership, using innovative methods for solving socio-economic problems.

Keywords—municipal property, Residential Properties, development trends, mortgage market, construction cost, Irkutsk

I. INTRODUCTION

In the authors’ work [1] it is concluded that “the Russian Federation subjects has no unity in the approaches to the allocation of an authority in the administration responsible for the management of municipal property. Therefore, the status of such a body and the status of an official appointed to supervise this direction of work, in many regions differ quite significantly. Moreover, even in determining the direction of activity there are significant differences: in one case, it is the property management body, in the other, the proprietorship management body, in the third, the property management and disposal authority, etc.” [2].

In most municipalities, the body responsible for managing municipal property is called the Municipal Property Management Committee (MPMC). MPMC provides for the

privatization of municipal real estate, executes other powers to management and disposal of municipal property, and also administrates municipal property in close cooperation with sectoral administration committees, district administrations and organizations that implement some specific functions of municipal property management.

Under modern conditions, local authorities have an objective interest in the socio-economic development of the municipal territory. To do this, they provide favorable conditions for the effective turnover of municipal real estate objects of all forms of ownership on the territory playing a dual role [3], which emphasizes the peculiarity of the municipal property management system (Fig. 1).

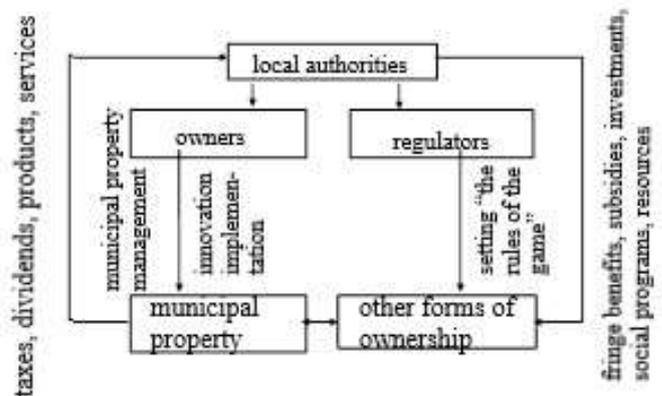


Fig. 1. The dual role of local authorities

As it is seen from Fig. 1, nowadays the role of the “owner” means the municipal entity activity in managing their municipal property, and consists of a set of actions on innovations’ introduction into the mechanisms for managing municipal property objects, in order to get the maximum socio-cultural and financial economic results. For this, the municipal entity has a strong internal motive [4]: incomes from involving municipal property in economic circulation are the only “non-inflationary” source of the municipal budget funding.

The role of the “regulator” [5] is aimed at the regulation by the municipal entity the activities of economic actors in the territory of the municipal entity through the establishment of

“game rules” for them. These rules consist of the provision by the municipal entity of the legal and economic conditions for the rational different real estate objects economic, the formation of uniform and mandatory norms, rules, procedures and standards of professional activity in the municipal entity [6].

II. FEATURES OF MUNICIPAL HOUSING FUND MANAGEMENT

Let us examine the features of the municipal housing stock management in order to objectively assess these functions implementation’s effectiveness, accomplished by local governments of Irkutsk.

Organizational features of municipal housing stock management are stipulated by the variety of ownership’s forms in typical multi-storey buildings of Irkutsk. This situation requires from the municipal entity to coordinate the interests of different owners and search for new schemes for managing municipal housing stock.

In addition to non-residential premises, the housing stock is of paramount importance; its effective management is among the priorities that are being solved by the municipal entity [7].

Depending on the purpose, the municipal housing stock of Irkutsk can be divided into four management groups: social housing stock; individual housing; commercial housing; specialized housing.

The Irkutsk authorities, managing the municipal housing stock, pursue the following objectives: the preservation and restoration of the municipal housing stock, the reduction of costs for its maintenance, and the obtaining of social and commercial effect from providing the city residents with municipal premises.

Commercial use of municipal housing stock involves the transfer of housing (mainly new buildings) under commercial rental, lease, lease-purchase, purchase and sale, including installment payments, as well as the creation of “municipal apartment buildings” [8].

Social use of housing: provision of housing rights for citizens in general, provision of housing under social rental contracts, consideration of those in need of better housing, implementation of housing programs, provision of housing subsidies, organization of resettlement from dilapidated housing stock to be demolished, renovated or overhauled, etc. [9].

III. ANALYSIS OF THE PROBLEMS OF THE REAL ESTATE MARKET OF IRKUTSK

Consider the current situation in the primary real estate market of Irkutsk.

The construction of new homes is very slow. In general, annually on average more than 300 thousand square meters of living space are commissioned. The primary housing market in Irkutsk accounts for approximately 10% of sales. It should be noted that in the primary market, there is some movement in the direction of the mass consumer – a segment of small housing, more accessible to the consumer, began to form. There are

proposals for the construction of small apartments ranging from 23 square meters. We believe that such small housing in Irkutsk municipal authorities can be used in the resettlement of dilapidated and emergency housing stock.

Irkutsk feature is the lack of institutional investors capable of investing a significant portion of the investment portfolio in development projects, and local construction’ companies take advantage of it. Builders often have insufficient funds to initiate building up a large site and thus achieve economies of scale, so they maintain prices at a high level, creating an artificial boom and gaining maximum revenue from hotspot construction, focusing on wealthy buyers. The lack of potential buyers’ ideas about luxury housing and business class housing works them favor. Consumers of Irkutsk have developed two samples of housing: standard in 5 and 9 floor houses, in some cases as much as possible improved, and new, which should be better than the standard. Many construction companies, focusing on business-class consumers and the elite level, do not single out any particular characteristics of the object, except for the prestigious location and inconspicuous, minor details – the characteristics of the house (for example, a German elevator or a plastic pipeline, double-glazed windows on the windows). Meanwhile, there a few apartments, which are really conform the level of elite class, in Irkutsk.

In the secondary real estate market of Irkutsk, the cost of housing depends on many factors: infrastructure, level of refurbishment, location. A feature of the secondary housing market of Irkutsk is raising cost. The most expensive apartments in brick houses are becoming more expensive – the demand for them is ahead of supply.

The residential real estate market in Irkutsk is distinguished by the fact that the housing sales occurs mainly not because a person leaves the city. The main operations with residential real estate are the exchange and separation. Another feature is that compared to Moscow and St. Petersburg, where small-sized one-room and two-room apartments are the fastest in prices decline, in Irkutsk prices in this sector of the real estate market are constantly increasing.

The secondary market of Irkutsk is more developed and extensive; it has more offers, so it occupies 90% of the market. And this trend is typical for all regions of Russia. With a population of Irkutsk of 623.7 thousand people, the average housing provision is about 20 square meters per person, which is compared with other cities in Russia is not the lowest. However, in Western European countries [10], this figure reaches 36-40 square meters, and in Canada and the United States [11] – about 70 square meters.

The specialists of Irkutsk administration and city Duma deputies have worked a development strategy for the city [12]. The strategy foresees that the Irkutsk population will be 620 thousand people by 2020. Annual housing construction is projected at 330 thousand square meters, the average housing supply per person – 24 square meters.

Administration of the urban planning system, an extremely bureaucratized “non-transparent” process of providing land for construction, bribery, a bureaucratic monopoly that seized the housing construction market is the reason for the high cost of

housing in Irkutsk. Another reason is that construction companies erect buildings without taking into account the wishes of potential buyers, and as a result, there is an imbalance of supply and demand. There is also a reluctance of construction companies to cooperate with marketers (for the purpose of identifying consumer preferences) and with real estate companies.

Many city dwellers need better housing and living conditions, but Irkutsk is not ready for mass housing construction. Necessary measures to increase housing input. The need for housing in Irkutsk is 5.6 million square meters. Therefore, it is necessary to increase the volume of housing construction with a limited cost per square meter. There is a need for a developed sites construction, provided with engineering networks. Only large-scale construction will reduce prices and ensure affordable housing for the Irkutsk population.

Slum dwelling and dangerous structures are associated with the constant threat to the health and life of their residents. It is a powerful destabilizing factor for Irkutsk on the basis of the growing social insecurity of the population. The technical condition of the municipal Irkutsk housing stock has significantly deteriorated. The dilapidation process cannot be stopped, therefore, if not accelerate housing construction, the share of Slum dwelling and dangerous structures will grow.

Irkutsk, like many other Russian cities, is characterized by the presence of mass-type houses in the housing stock structure, the so-called Khrushchev houses. There are about 380 houses of serial No. 335 and its modifications in Irkutsk, now almost every sixth citizen lives in them. Meanwhile, a significant part of the serial No. 335 houses due to their moral and physical deterioration requires regulatory renovation measures. Four possible types of measures can be distinguished to update the old buildings: capital repairs, modernization, reconstruction, demolition. In this case, the first two do not provide an increase in the seismic stability of houses and, as a consequence, the safety of residents during earthquakes. Therefore, in the conditions of Irkutsk, only demolition or reconstruction can really be considered as possible alternatives for model houses of the 335th series. However, in our opinion, the city of Irkutsk "Khrushchev" facelift is meaningless. They must be demolished, as Moscow has long done, because in most cases it is cheaper to build a new house than to restore an old one. In our opinion, in order to prevent budget funds wasteful spending, the city should sell freed up sites on a tender basis, attracting businessmen who are ready to build something with their own funds.

In Irkutsk, unoccupied sites that do not require additional costs for the demolition of old housing and the repair of outdated communications are given to low-rise buildings nowadays.

The municipal housing stock improvement remains low, up to 10% of urban and about 90% of housing in rural areas remains uncomfortable up until now. Overhaul volumes, although they have been increasing in recent years, still remain insufficient.

It is necessary to solve the problem of engineering communications. The city's engineering networks need to be repaired and replaced as soon as possible. In recent years, new networks almost have not been built in Irkutsk. Therefore, in all areas of the city need lay new communications and increase the capacity of existing networks.

The situation with housing in Irkutsk needs to be regulated and controlled by the authorities. With the existing prices for housing in Irkutsk, not everyone can afford the purchase of housing. One of the ways to solve this problem for the city could be mortgage lending. The Government of the Russian Federation and the President of one of the priorities for the coming years have identified the development of the real estate market through mortgage lending. According to specialists, today, the population has a lot of money on hand, up to two annual budgets of the Irkutsk Region. This money could help Irkutsk solve the problem of the development of the real estate market. But it is necessary to understand that the sudden release of large financial resources to the real estate market will inevitably lead to an increase in housing prices. The rationale for this is simple: effective demand will begin to exceed at a faster rate than supply. Spain experienced a similar situation, when after easing the procedure for obtaining a loan, abrupt real estate buying began. The economic laws remain: for ten years, housing has risen in price tenfold. The emergence of a similar situation is possible in Russia, as evidenced by the example of Ufa. On indicators of loans issued number, this city occupies almost the first place in Russia. And as a result, this "mass character" turned into a record increase in housing prices by more than 40%. Therefore, we believe that the Irkutsk authorities should have a balanced policy towards housing construction and the issuance of soft loans. The development of credit and financial mechanisms in the city will undoubtedly affect the growth in demand for housing, and as a result will provoke a rise in prices.

In our opinion, one of the main priorities of the activities within the framework of the national project "Affordable and Comfortable Housing" in Irkutsk should be a program for the construction of social housing rent. The essence of social housing is very simple: the municipal entity builds houses where all of apartments are rented out to families with low incomes who are not able to buy housing. The municipal entity guarantees the social housing tenants the right to move or change the city, district or house at any time. Thus, municipal governments will have a social housing market. But this market should not be spontaneous, but controlled by self-government bodies. Such houses should be built in all progressive cities of the region; it will help solve the housing problem of the majority of the population of both Irkutsk and the Irkutsk region. According to forecasts of Moscow scientists (concerned about the demographic situation in the country), in the next 30-50 years there will be houses left by residents who have moved from cities to be demolished. Therefore, the emergence of social housing is a more pleasant prospect than the demolition of these houses.

As an example, we can cite the experience of Germany, where the hiring market is very well developed [13]. For example, in Leipzig there was an acute shortage of housing 10 years ago, now there are 50 thousand new apartments in the city.

Therefore, we believe that the experience of the eastern lands of Germany [14] on the modernization of the housing stock and the conduct of communal reform is largely applicable in Russia, and in particular in Irkutsk.

Another example is the experience of the Moscow municipal authorities in introducing social mortgage lending. Muscovites waiting for an apartment can buy it 2-2.5 times lower than their market value and at a preferential interest rate.

Irkutsk, despite its age, is not the oldest city, but it is developing more slowly and weaker than many other cities. There are many cities with a similar Irkutsk economic structure in Siberia, but the housing construction situation is different everywhere. For example, the high-class municipal management of the authorities of Chita allowed building more luxury housing than in Irkutsk and Ulan-Ude combined.

We believe that Irkutsk municipal government need to resolve issues with the allocation of land and laying of communications. It is the only way to develop local market for the construction of low-cost housing. These two problems are fundamental to the saturation of the Irkutsk real estate market accessible to the majority of those, who need an apartment.

Irkutsk is facing a shortage of modern building materials, which brings housing construction low rates and housing high cost. Therefore, we believe that the municipal authorities of Irkutsk need to create conditions for updating equipment at existing enterprises producing construction materials, to develop their own production of new environmentally friendly building materials, because the use of imported building materials increase the cost of buildings construction on more than 30%. It results in the whole chain of inferiority: the architects are planning their "offspring", looking at the possibilities of the Irkutsk construction complex and its traditional materials and construction technology. The whole world is building in a monolithic way – in Irkutsk it is just starting to be introduced. The initial limitedness of the projects results in a particular result – all housing complexes are built up with the notorious 135th series, which has nothing to do with the architecture, it is a conveyor of unified stampings.

Irkutsk has almost no construction work. The growth of housing construction, increasing the availability of housing for the population of Irkutsk are necessary conditions for the realization of the potential development of the city. Irkutsk real estate developers are ready to increase the volume of housing construction by 1.5 - 2 times due to the construction of entire neighborhoods under the condition of active participation of the city administration in a comprehensive solution of problems related to site preparation, development of engineering networks and demolition of slum dwelling and dangerous structures and residents resettlement from these houses.

The demolition of one square meter of slum dwelling and dangerous wooden structures in Irkutsk made by companies is twofold costly, than by administration of Irkutsk. The resettlement of residents from slum dwelling per hectare of land for construction costs the company very expensive, because some owners call the price of their real estate higher than the market. In addition, construction companies have to take over the privatization of certain houses and other expenses. Costs can

be around 20% or more. These costs are included in the investment cost, including in addition to the cost of construction, infrastructure burden (can exceed 40% of the investment value), the cost of acquiring land, the cost of obtaining and executing technical conditions, management costs, etc. Representatives of construction companies believe that the administration of Irkutsk should be engaged in the resettlement of tenants.

From our point of view, it is advisable for the Irkutsk authorities to select a number of major construction companies, to help them in receiving of targeted loans for the construction of low-cost housing. Hence, the change in the cost of housing in Irkutsk will improve the city's infrastructure, and the ruins of the "industrial zone" will cease to be a jumble and will acquire a new look and content, the housing complexes will get the necessary for the life of the population.

IV. CONCLUSION

One of the major problems in the housing sector is the discrepancy between the prime and market costs of housing. In connection with the dissatisfaction of housing needs, a number of acute and important problems arise: fertility, family, labor mobility, health of the nation and many others, and just finally, such an important social problem as psychological mood, self-esteem, optimism in society. Although federal targeted programs are being developed and implemented in the Russian Federation, housing still is not becoming more affordable.

All this proves that the study of the real estate market development specificities plays a key role both in the life of every person and in the economy of the municipal entity, and this is of particular relevance now. In this regard, the role of local authorities in solving problems in the real estate market of the city of Irkutsk increasing steadily.

The unmet population's need for housing is accompanied by a low level of income and a constant increase in the cost of construction and housing prices. At the same time, the volume of housing construction at the moment does not even cover the existing effective demand of the population.

The main factors hindering the construction of residential real estate and affecting the growth in the cost of housing in Irkutsk are: limitations to land resources; high loan rates; administrative barriers; corruption relationships between executive authorities and developers; housing lending institutions and savings schemes underdevelopment; deficit and high cost of engineering infrastructure development.

The local Irkutsk authorities in order to improve the situation with the municipal housing stock management in the real estate market should take the following actions.

- Exclude from the cost per square meter costs for the construction of external networks and site preparation. The city and federal budgets, including at the expense of funds, attracted additional credit resources, as well as the placement of municipal bond loans should funding these costs.

- In order to reduce the constructional costs, it is necessary to build in the Irkutsk region a sufficient number of high-tech

plants for the production of building materials and structures using the richest local raw materials.

- To organize training in construction specialties [15], taking into account the knowledge of modern innovative technologies on the basis of Irkutsk regional educational institutions [16].

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