

## PUBLIC REAL ESTATE MANAGEMENT AND THE PLANNER'S ROLE

This paper views the possible role for planners in an emerging field: management of publicly owned real estate. The research demonstrates that expertise among current public real estate managers lags behind the private sector, resulting in a nonlevel playing field that may lead to a shortfall in meeting policy objectives. This study uses both published literature on real estate management practice and a survey of 30 municipal and regional public property managers to document the expertise gap. Results show that while municipalities and regional agencies conduct activities similar to their private sector counterparts, such as leasing and joint development, they often lack the decision framework to evaluate them financially. An opportunity exists for planners to step into a leadership role in public property management. In order to accomplish this, planning education should include more training in real estate accounting, data base management, market analysis, and finance.

Ever since local zoning and development process review procedures were established, the public sector has been a silent partner in real estate development, as a regulatory body. Many public bodies also own substantial amounts of real property. Recently, governments have increasingly entered real estate development directly as investment partners, loan guarantors, or developers using government-owned lands. A familiar argument for this activity, the public capital hypothesis, has been that government can use real estate as a tool to stimulate economic development in the community (Tatom 1991). In some instances, the motivation has also been to generate cash income for the community.

By far the most visible public real estate activity has been joint development. Although studies evaluating the financial returns to public agencies from these deals have reported results that appear disappointing (Frieden and Sagalyn 1984; Lassar 1990, 3; Malloy 1991; Chesler, Masura and Kotin 1991), a more valid assessment would include an ex ante analysis of what the results should be (Sawicki 1989).

However, if the lackluster financial results are attributable to the poor negotiating skills of those making the deals, that could be an argument for better-trained planners (Babcock 1990, 39). This paper seeks to place the highly visible joint development projects as one type among others in the much broader context of overall management of public real property, and to focus on the planner's role in everyday real-estate activities.

The study provides quantitative evidence of the extent to which public real estate management practice now lags behind the private sector, an expertise gap that 1) may indicate suboptimal management of publicly owned real estate in general, and 2) puts the public sector at a disadvantage when dealing with developers in joint projects. This gap means that overall management of public property often falls short of results in meeting policy objectives. Planners could play a larger role in public real estate management, but cannot effectively manage properties themselves or engage in successful joint development without more formal training in real estate finance (Peiser 1990, 501). This paper argues for establishment of a specialized field of planning practice that focuses on the skills and policy issues related to managing public development (Frieden 1990a, 427) and public real estate in general.

The methodology here is a direct topic-by-topic comparison of property management activity in the private sector with that in the public sector. The evidence for the private sector comes from five recently published surveys of real estate management practices among non-real-estate firms in the United States (Gale and Case 1989; Pittman and Parker 1989; Redman and Tanner 1989, 1991; Veale 1989). This literature on corporate real estate management surveys organization of the real estate management function, performance evaluation, inventory and information management, rules for decisions on property acquisition and disposition, role and effectiveness of the real estate executive,

and real estate activities. The consensus is that corporate real estate assets are generally undermanaged (*Simons* 1993). Real estate management is seen to be an emerging discipline. A review of the literature provided specific questions to use in this comparative study.

I then designed an appropriate survey instrument and conducted personal interviews with 30 self-identified public property managers in greater Cleveland, Ohio (23 municipalities and 7 regional agencies). The communities surveyed had 1990 populations ranging from 10,000 to 507,000. A list of the communities and regional agencies surveyed is included in the Appendix?

The main analytical indicator is the knowledge and/or expertise gap between private firms and government entities—an indicator for an imbalance that generally gives private parties an advantage over public officials in dealing with public real estate issues. This deficiency may reduce the effectiveness and raise the costs of pursuing policy objectives. Among public agencies, also, the extent of the expertise gap may be used as a comparative measure. The expertise gap is useful both as a measure of the overall deficiency and to pinpoint where the shortfalls are. Topic by topic, mitigation through planning education can then be considered.

Results from this research quantify and reinforce the prevailing notion that private corporations are more sophisticated real estate managers than are government entities. Intragovernmental comparison reveals that regional agencies are generally more expert than municipalities. Furthermore, the municipalities and regional agencies surveyed engage in many of the same real estate activities that larger non-real-estate corporations do, but often without formal financial analysis tools. The implication is that public property managers may need more education in real estate practices. This need represents an opportunity for planners with experience and interest in evaluating development deals *ex ante*, who could readily be trained to undertake more general real-estate management responsibilities.

The paper examines four substantive areas of real-estate management expertise. In Tables one through four, findings from the private sector literature on each topic are presented under the private corporate heading and compared with findings from the 30 interviews with government managers. The topics are:

- \* organization of real estate within the private or public entity;
- \* real estate information management and accounting practices;
- \* presence of explicitly stated objectives, decision rules, and written policies; and
- \* real estate development activities.

The first three areas identify the background and context for effective real estate management. Note that public-private development is a subset of the fourth category.

The results of the research are summarized, and conclusions about the extent of the expertise gap are presented.[2] The experience of planners in real property management is compared with their potential role as leaders in the field. The paper concludes with specific policy recommendations for planning education.

### **Organization of Real Estate within the Private and Public Entities**

Two of the private sector surveys provide data on the organization of the real estate function within the corporate entity (Gale and Case 1989; Veale 1989). The findings show perceived effectiveness to be positively associated with a centralized, profit-oriented real estate department that is well integrated

into the overall corporate structure. Ideally, the corporate real estate department head should report directly to the chief executive officer. An increase in the ratio of real estate staff to the value of property under management should improve the organization's efficiency (Pittman and Parker 1989). Table 1 compares the results of private and public data on organization of real estate within the corporate entity. Private corporate managers appear to have more control of their property than do public managers.

Whereas 84-86 percent of the private corporations studied had a separate real estate unit, only 9 percent of the Cuyahoga County municipalities surveyed and 14 percent of the regional agencies broke out real estate as a separate division or department. Typically, as in Greater Cleveland, the property function is divided among two or more departments, including housing management, programs. The leading municipal role is taken by public works/service (61 percent), city planning (13 percent), or finance (9 percent). Property maintenance decisions are nearly always made by professional staff (91 percent). However, fewer than one-third of all acquisition and disposition decisions are made only by professional staff, notably the public works director or planning director. Elected officials are the primary decision makers for major property transactions in more than 70 percent of the suburban communities surveyed. Frequently, these officials make acquisition decisions before consulting staff.

Whereas in the private sector it appears that the head of the real estate division or department has centralized control over corporate real estate assets, the public agencies surveyed reveal a more decentralized approach. Only 57 percent of both municipal and regional real estate decision makers had control over property management in all departments and functions. Hence, institutional barriers in the form of functional fiefdoms created by decentralized property decision-making in numerous departments, each with its own real estate needs, may contribute to under-management of municipal and regional real estate assets.

### **Real Estate Information Management and Accounting Practices**

This section assesses the quality of the information maintained about real estate holdings, including the presence of a property inventory, state of a computerized management information system, and selected accounting practices. (See Table 2.) These factors are important, because having a baseline command of public property performance should improve its management. Again, private managers fare better. They have higher quality data about real estate assets than public managers have. The firms' information also is oriented more toward evaluating property performance than toward responding to external demands (e.g., risk management).

The vast majority of private firms (74-90percent, depending on which source is cited) have real estate inventories, compared with 57 percent of Cuyahoga municipalities. The municipal inventories are typically noncentralized, and are required for the buildings' insurance records. Few municipalities have proactively compiled a comprehensive inventory. A total of 86 percent of the regional agencies surveyed had inventories, and 43 percent were computerized. Computerized property management information systems are relatively uncommon in the private sector (26-50percent, depending on the survey), and even less common among cities in the Cleveland area (13 percent). Therefore, most municipal property managers do not have ready access to the key information that is the basis of efficient corporate real estate management (Pittman and Parker 1989). The lack of information is a major problem that would have to be solved in order to upgrade municipal property management. These findings are consistent with a case study of three southern United States cities, where the property inventories are typically partly computerized: none of the three cities has an MIS system (Cowart 1990). Denver, on the other hand, has a stand-alone department for property asset management that has a well developed information system (Utter 1989).

Financial analysis of property performance depends on certain pieces of information, notably property value, costs and revenue. While about half of the private firms and regional agencies surveyed track properties individually, only 30 percent of the municipalities do so. Sixty percent of the municipalities do track cash revenue property by property, usually for park and recreation functions. Accounting that uses the less precise functional class approach is more common among the municipalities (64 percent) and regional agencies (71 percent).

Another major factor in property performance, market value, is tracked by 44-76 percent of the private firms surveyed. Twenty-six percent of the municipalities were able to place a current value on their holdings. Data were usually best for recent acquisitions and joint-development properties. Fourteen percent of the regional agencies could value all their property, and 7 percent could value part of it.

The lack of current market data is a major concern for public property managers, and impedes their effectiveness. This information shortfall can partly be explained by limited access to reasonably priced market information. Private firms pay property taxes, so the county tax assessor regularly values their properties. Because nearly all municipally owned property is tax-exempt, their market values are usually not assessed by the tax authorities, and municipal real estate managers are thus deprived of a valuable piece of market information. If the managers knew a property's market value, calculating financial performance would be much easier?

A related difficulty is that certain regional agencies (e.g., sewer and water) hold much of their property in non-fee-simple ownership such as easements and leases, whose value is much harder to assess.

### **Formal Objectives, Decision Rules, and Written Policies**

The objectives of private and public agencies are diverse, so their approaches to real estate practice differ. However, the differing practices and objectives do not explain why the private sector should consistently do better in monitoring performance and achieving its objectives.

The objective of private firms in dealing with their real estate is profit, to maximize the leveraged after-tax rate of return based upon financial and imputed flows. The real estate managers are ultimately responsible to the shareholders. Properties held for internal use may be evaluated for services delivered as a factor of production, using a cost-minimizing framework. The effectiveness of corporate real estate managers in achieving their objectives is enhanced by the presence of a strategic business plan (Pittman and Parker 1989).

The public sector's objectives are far more complex. The public sector is nonprofit, and recognizes not only efficiency, but also equitable distribution of resources as important objectives. Compared with private real estate, very few of the properties held in the public sector produce cash revenue: Another major public objective is to produce a social return for the constituency; these benefits do not appear on the public budget.[4]

Despite the difficulty in measuring social return, 65 percent of the municipalities and 86 percent of the regional agencies surveyed consider social return in decisions about real estate. Of those that do incorporate social benefits, 30 percent of the municipalities and 80 percent of the regional agencies do so because of perceived benefits to neighborhood development, job creation, or property tax base. Among municipalities, other important factors are political benefits (24 percent) and recreational use (24 percent). Social returns are often handled in a nonquantitative manner, however. No government agency surveyed has a firm, quantifiable value for social rate of return.

Table 3 shows the results of survey data on questions about formalized objectives, written policies, and decision rules. Private property managers substantially outperform their public counterparts in this area. Well over half of the corporate real estate managers (58-88percent) use formal decision rules such as a

discount rate. However, only 19 percent of the municipal managers and 14 percent of the regional managers use a discount rate in making property decisions.<sup>s</sup> The most common choice for the discount rate is the interest rate paid in the agency's latest bond offering.

With respect to a formal plan for property management or development, 54 percent of the private sector managers had one in place, compared with 17 percent of Cleveland area cities and 43 percent of regional agencies. Public development plans often took the form of a slum-and-blight study or a property acquisition plan for a major infrastructure improvement (e.g., airport runway expansion). Many municipal property managers appear to be left out of the process of making acquisition and disposition decisions: elected officials make key property decisions, often without consulting professional staff (city council-83 percent; mayors-70 percent).[6]

An important factor in the evaluation of ongoing return is explicitly accounting for imputed benefits from real estate as a factor of production in the form of internal rent. Accounting for internal rent is the practice among two-thirds of the corporations surveyed, but very uncommon among municipal (14 percent) and regional (29 percent) property managers, despite the fact that most publicly held properties are held for the use of the public agency and are not expected to generate revenue. Formally taking internal rents into account is a necessary ingredient of ongoing property evaluation. While about two-thirds of the private managers surveyed systematically evaluate properties to determine if they are underutilized, only 52 percent of the municipal property managers and 57 percent of the regional managers do so.

### **Real Estate Development Activities**

All the entities surveyed held real estate for their own use. This section considers other ancillary activities through which property may be used to further corporate, municipal, or agency goals; such activities include leasing property, sale-leaseback, property exchanges, and joint development with other corporate or public entities. For municipalities, another likely activity is parcel assembly, or land banking, for economic development, housing, or other public purposes.[7] Table 4 shows comparative results for selected development activities. In this arena, the gap between private and public practices is smaller than for any other aspect of property management evaluated in this study.

Leasing of property or land is undertaken by a large portion of corporate real estate departments (41-91percent, depending on which study is cited). The activity reported among the Cleveland municipalities is similar: 48-57 percent are engaged in leasing activities. Eighty-six percent of the regional agencies are so engaged. This high level of leasing without consideration of internal rent or rigorous analysis of market conditions is a practice in need of substantial improvement. Sale-leasebacks are common among the corporations (39-49percent), but are scarcely utilized by the public sector managers: only 9-14 percent reported this activity. Property exchanges are similar among all three groups (29-39percent).

The response on joint development was affirmative for 24-31 percent of the private firms, 35 percent of the cities and 29 percent of the regional agencies. Despite the potential for substantial public budgetary and economic benefits from joint development, there is little additional information available on either the process or the results of joint development. This mis-match could be a major disadvantage for public managers. They do not appear to have a level of information comparable to the private sector's, about either the performance of their own properties or financial analysis of the developers with whom they must negotiate. A developer interested in public-private activities is likely to be at least as skilled as a private-sector property manager (i.e., would score very highly on the expertise scale). Thus "a level playing field" requires that public property decision makers acquire more real estate skills.[8]

## Summarizing the Public-Sector Deficit

### **Quantifying The Expertise Gap**

This section compares overall expertise between private and public agencies. Despite the fact that Cleveland-area public agencies have started to get a grip on their problems with public real estate, the private-public gap in expertise is still considerable. Table 5 summarizes the comparison of overall results between private corporations and public agencies. An intra-public analysis compares the regional and municipal sides of the public sector. Each percentile score from pertinent items in Tables 1-4 is ranked ordinally on a 1-3 scale, with 3 being highest. Results are calculated for Organization of the real estate function (3 items), Information systems (4 items), Formal plans and rules (5 items) and Activities (4 items).

As expected, private real estate managers appear to have the highest level of expertise in all four broad categories, with individual ranked scores of 2.5 to 3 and an overall score of 2.7. Public agencies are well below this level, with overall scores of 1.4 to 2.0. This expertise gap is wide.

Within the public sector, regional agencies score higher, with individual scores of 1.7 to 2.5 (2.0 overall). The strongest area for regional agencies appears to be in information management. Municipalities rank lower, with all scores below 2 and an average of 1.4. The highest area for municipalities is in real estate activities. This further underscores the mismatch between the relatively low scores on financial and information management expertise for the cities and the moderately high level of real estate activities.[9]

Municipalities (at 1.3) are moderately behind regional agencies (1.7) in degree of control over real estate, given the organizational structure of the agencies. The deepest deficiency appears to be in information management (1.0 score for municipalities vs. 2.5 for regional agencies). Municipalities (1.3) also are behind regional agencies (1.9) in preparing formal plans and employing decision rules.

### **Why Is There An Expertise Gap?**

The expertise gap is attributable to several factors. Some are related to the objectives and structure of government, and are difficult to change. Other factors, such as deficiencies in organization, accounting techniques, and skill development, are subject to policy intervention.

Government-owned property in the United States appears to be treated as a public good, as it is in Sweden (Lundstrom 1991). This viewpoint could partially explain the failure to use a discount rate, and is reinforced by the difficulty of measuring return, especially off-budget social returns.

The public sector's decision process is complicated by the constant reelection pressures on elected officials. Real estate may sometimes be used to provide short-term social returns popular with voters, which is not always consistent with long-term cost minimization for municipal property.

The lack of discounted cash flow analysis and use of a discount rate may be partially attributable to the short-term perspective that officials concerned with reelection prefer. In their decisions, they may not consider long-term benefits, which would accrue to the community only over many years. Both of these limitations point to the need to remove elected officials from the basic decisions about property management, and to have qualified staff with a longer-term perspective make those decisions.

Another pitfall is the tendency of public decision makers to exhibit the bureaucratic behavior of maximizing budget, rather than providing services efficiently (Niskanen 1975)[10] The outcomes of such behavior appear inefficient to outsiders, but do achieve the objectives of those in charge.

One area for improvement in public real estate management is the level of education in general, and of

real estate education in particular. Educational levels of the property decision makers surveyed appear to be fairly low. The most common education level among the primary municipal real estate respondents is a bachelor's degree, and only 26 percent of the municipal property managers have graduate degrees. By comparison, 57 percent of the property managers in regional agencies have master's degrees. Note that for regional and municipal property managers, the level of educational attainment is positively correlated with higher scores on the expertise scale in Table 5. In the next section, I argue that properly trained planners could make a difference in property management.

### **Role of the Planner in Property Management**

Planners could foster the effective use of publicly owned property in achieving public goals and objectives. In many cases, planners are instrumental in formulating public policy; use of public property is an implementation strategy for those policies.

The analysis in Table 6 compares property management functions with, and without, planners in a leading role, for both municipal and regional agencies. The use of selected state-of-the-art property management practices is compared. The findings indicate that planners perform better than nonplanners in most, but not all areas. The lack of conclusive results could be attributed to the wide breadth of the planning field, to urban vs. regional emphasis in planning programs, and to the individual training of the persons in charge of decisions about real estate.

Surprisingly, the planner-directed real estate activities compare poorly with those of the other municipalities in the percentage having formal real estate management plans. On the other hand, the planners for both regional and municipal governments are more aware of the value of imputed rents and of systematically evaluating underutilized property than are the nonplanners. Municipal planners actively engaged in redevelopment are more likely to use a discount rate. However, the regional planners surveyed are unfamiliar with this concept. Planners are more likely than nonplanners to have centralized property inventories.

The results suggest that, when they are in charge, planners perform better than nonplanners do. However, caution should be used in interpreting this finding, because many of the nonplanner municipal departments are in smaller communities. Furthermore, although municipal planners who manage real estate are doing at least as well as the nonplanners who do so, they could still benefit from more training to bring them up to the level of expertise of regional planners who manage property. Regional planners appear to outperform the municipal planners, except in the use of a discount rate.

In the emerging field of public property management, no particular department or discipline appears to have assumed overall control of the real estate function; it has remained decentralized. Hence an opportunity exists for planners to play a leading role from the standpoint of organizational structure. A long-term goal for planners should be to bring public property management into their portfolio of responsibilities.

However, planners' right to assume this responsibility would be gained at the expense of potential decision makers in other, related professions. A systematic analysis of the qualifications of these other professions is outside the scope of this paper; but it can be noted that planners appear to perform better than nonplanners (in this research, public works and finance directors) when given the chance to lead public real estate management. The planners surveyed here also have more formal education than do the public works directors, many of whom have come up through the ranks during a decade or more of service. Planners with graduate degrees in planning these days usually have broad exposure to GIS, information management, and economic geography, as well as to non-quantitative social goals and objectives: these concepts are not usually studied in detail by managers with finance backgrounds. Thus, planners seem to have an appropriately broad core of knowledge that could readily be extended

by adding real estate market and finance skills.

## Conclusion

Real property management, in addition to public-private joint development, is a growing field in the private sector. In the interest of increased governmental efficiency and reduced financial risk, the trend is likely to be extended to the public sector as well. Placing public deal-making in the broader context of a well developed public property management system is likely both to reduce the costs and to increase revenue for municipal and regional agencies. However, the expertise of public property managers, especially for municipalities, appears to lag substantially behind that of their private sector counterparts.

### **Implications for Planning Education**

Opportunities for planners to take leading roles in public property management could appear in several ways. The planning department could assume property management as an added function; a separate department of property management could be set up, headed by a planner; or planners could work for municipal or regional property managers as specialists.

Theoretically, planners should be well suited for these tasks. Planning education is varied and multi-disciplinary; it already encompasses many of the required tasks, especially those having to do with ex ante analysis of development projects (Sawicki 1989). We need to train planners explicitly to manage public property on the local government level. A reasonable approach would be to retain the present emphasis on skills, while expanding the finance component of planning education (Frieden 1990b, 53).

Deficiencies in information management and formulation of real estate plans and decision rules could soon be remediated through improved planning education. Tables 2 and 3 show where the specific gaps in planning education appear to be, and are recalled here to guide educational priorities.

Planners should learn how to compile a computerized property inventory and develop a property-by-property management information system for public holdings. The inventory should include both physical and financial characteristics, especially market values updated regularly; it should be suitable for intertemporal and intercategorical analysis on a portfolio basis. GIS would be a suitable extension to this program.

To boost proficiency in matters pertaining to policies and decision rules, planners should become familiar with key financial concepts: the discount rate, discounted cash flow analysis, analysis of development risk and deal structuring, and the concepts of opportunity cost and imputed rent. Collection and maintenance of current market data should be understood as an important component in evaluating ongoing leases and underutilized properties. To effectively consider overall return to the municipality, methods of measuring social benefits (cost/benefit analysis, fiscal impact analysis) would be welcome (Sawicki 1989). If planners acquire these skills, they can provide the in-house expertise needed for effective public performance in joint development and leasing.

There are fewer planning departments now than in the mid-1980s (APA 1990). Healthy growth in our field requires planners in new areas of skill. The emerging field of public real estate management could be one.

## APPENDIX Communities And Regional Agencies Surveyed

Community	1990 Population	1991 Budget[*] (millions)
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Bay Village	17,000	\$8
Beachwood	10,677	12
Bedford Heights	12,131	18
Berea	19,051	26
Brecksville	11,818	7
Brook Park	22,865	40
Cleveland	507,000	360
Cleveland Heights	54,052	25
East Cleveland	33,096	10
Euclid	54,875	25
Fairview Park	18,028	6
Garfield Heights	31,739	25
Lakewood	59,718	74
Lyndhurst	15,982	14
North Royalton	23,000	4
Parma Heights	21,448	7
Rocky River	20,410	10
Shaker Heights	30,831	24
Solon	18,548	20
South Euclid	23,866	13
Strongsville	35,308	19
Warrensville Heights	15,745	12
Westlake	27,018	14

	1991	1990
Regional Agencies	Service Area Population	Operating Budget (millions)
Board of Mental Retardation Cleveland-Cuyahoga County	1,412,140	\$ 100
Port Authority	1,412,140	3
Cleveland Division of Water	1,500,000	145
Cleveland Department of Port Control (airports)	1,830,000	32
Cleveland Metroparks System	1,500,000	45
Greater Cleve. Regional Transit Authority	1,900,000	222
Northeast Ohio Regional Sewer District	1,400,000	100

Source: U.S. Department of Commerce, Bureau of the Census

\* Or most recent year available

### **AUTHOR'S NOTE**

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## NOTES

1. Because most communities did not have a single person in charge of real estate assets, two persons were usually queried. Total interview time was about two hours. The survey included questions on types of services provided, organization of the property management, and education of real estate decision makers, real estate inventory, accounting procedures, financial decision rules, and development activity. Demographic data were added after the interviews were completed. Many of the 54 questions on the survey were designed to allow direct comparison with responses of corporate real estate executives from the survey literature (Gale and Case 1989; Pittman and Parker 1989; Redman and Tanner 1989; Veale 1989).
2. One shortcoming of this paper's comparative approach is the different nature of the groups being compared. The corporate entities are mostly large companies, while most of the communities surveyed in greater Cleveland are suburbs with much smaller budgets. Most of the regional agencies and the City of Cleveland generally have relatively large service areas and budgets. The broad range of city size and of regional agency functions implies that the study area of this research may be representative of other metropolitan areas in the United States.
3. Although in some jurisdictions outside Cuyahoga County, property tax valuations often do not reflect current market value, they still are useful because they may provide an indication of property trends. Property tax valuations represent an improvement over no property valuation data.
4. For example, social returns may include providing affordable housing to low-income residents. Another common social goal is economic development through creation of jobs in the local economy. Both these activities may provide a return on public monies that is intangible and difficult to quantify.
5. As a comparison, these last figures are lower than Swedish public managers, 16-35 percent of whom used a discount rate (Lundstrom 1991). None of the three southern cities made formal use of present value analysis in their real estate decisions (Coward 1990).
6. There is anecdotal evidence that the property practices under the city manager form of government are more professional than those under the strong mayor form. For example, both of the communities with professional managers responded affirmatively to the key discount rate question, compared with only 14 percent of the communities with strong mayors.
7. Not all of the suburban communities in this survey have special-purpose redevelopment agencies. For central cities and larger suburbs, the real estate activity of such agencies should be distinguished from development of land held by the city for internal use or revenue generation.

8. Some notable contributions to plugging the expertise gap include a "how-to" book for public managers that details the steps required to manage the joint development of surplus public real estate (Roberts and Basile 1990). The International City Management Association has provided a short outline on how to establish a real estate asset management system (ICMA 1989). Another source discusses joint real estate development for metropolitan transit agencies (National Council for Urban Economic Development 1989).
9. The activity level for municipalities and regional agencies is understated, because the questions on land banking and parcel assembly were not included. (They were not asked of private corporations.) Assuming that private corporations do not land bank, including these data would change the real estate activity scores to 2.2 for private corporations and 2.0 for both public agencies.
10. This research provides anecdotal evidence that municipal managers are acting in a bureaucratic manner, increasing the number of properties under their control. For example, in 1990, the communities surveyed acquired about twice as many properties as they disposed of.

### **TABLE 1 Organization of real estate within the corporate entity**

Legend for Chart:

- A - Category
- B - Private Corporations
- C - Cuyahoga Co. Municipalities
- D - Regional Agencies

A	B	C	D
Is there a separate or centralized real estate unit or department or division?	84-86%	9%	14%
Is it organized as:			
a profit center?	22-38%[*]	14%	14%
a cost center?	47-93%[*]	55%	43%
both?	25%[*]	22%	0%
Percent manager's time allocated to real estate	100%	28%[**]	30%
How real estate time allocated (%):			
managing personnel:	14%	39%	21%
managing property:	12%	28%	11%
transactions:	40%	16%	33%

### **TABLE 2 Real estate information management and accounting practices**

Legend for Chart:

- A - Category
- B - Private Corporations
- C - Cuyahoga Co. Municipalities

D - Regional Agencies

A	B	C	D
Number in Category	30 and 284	23	7
Do you have a centralized property inventory/ (% yes)	74-90%	57%	86%
Is the inventory computerized/ MIS> (% yes)	26-50%[*]	13%	43%
Do you know the market value of your real estate? (% yes)	44%-76%	26%	14%[*]
Do you evaluate/account for real estate property by property?	51-63%	30%	57%

**TABLE 3 Formalized objectives, written policies and decision rules**

Legend for Chart:

- A - Category
- B - Private Corporations
- C - Cuyahoga Co. Municipalities
- D - Regional Agencies

A	B	C	D
Number in Category	30, 92 and 284	23	7
Have a discount rate or hurdle rate of return? (% yes)	58[*]-88%	19%	14%
Have a written Real Estate Plan/ Management Plan/Policy/Development Plan? (% yes)	25-54%	17%	43%
Systematically evaluate under-utilized properties? (% yes)	60-74%	52%	57%
Include imputed/internal rents? (% yes)	67-68%	14%	29%
Include social return? (% yes)	n.a.	6.5%	86%
Use a portfolio approach for monitoring real estate over time? (% yes)	54%-64%	4%	0%

Sources: Gale and Case 1989; Redman and Tanner 1989; Veale 1989; author

\* the most popular technique used: represents minimum %

**TABLE 4 Real estate development activities**

Legend for Chart:

- A - Category
- B - Private Corporations
- C - Cuyahoga Co. Municipalities
- D - Regional Agencies

A	B	C	D
Number in Category	30, 92 and 218	23	7
Have you engaged in the following activities (% yes):			
Leasing property or land to or from others?	41-91%	48-57%	86%
Sale-leasebacks?	39-49%	9%	14%
Property exchanges?	39%	30%	29%
Joint development?[*]	24-31%	35%	29%
Parcel assembly/land banking?	n.a.	39-57%	14-43%

Source: Gale and Case 1989; Redman and Tanner 1989; 1991, author

\* for private firms, this may be with other private or public partners. For public agencies, public-private joint ventures are most common.

### **TABLE 5 Summary of results of this research, by broad question areas**

Legend for Chart:

- A - Category
- B - Private Corporations
- C - Cuyahoga County Cities
- D - Cuyahoga Regional Agencies

A	B	C	D
Number in category	Varies	23	7
Organizational structure (3)	3.0	1.3	1.7
Information management (4)	2.5	1.0	2.5
Formal plans and decision rules (5)	2.9	1.3	1.9
Real estate activities (4)	2.7	1.4	2.0

Source: author

Note: Each percentile score from pertinent items contained in Tables 2-5 is ranked ordinal, for each row, on a 1-3 scale with 1 being lowest and 3 highest. The number of items in each area appears in parentheses. The ranking for each broad area and the overall figures represent the unweighted averages of the ordinal rankings.

### **TABLE 6. Comparison of planner's role in selected real-estate - related activities, by type of government entity**

Legend for Chart:

- A - Municipalities - Cities with Nonplanners in a Leading Role
- B - Municipalities - Cities with Planners in a Leading Role
- C - Regional Agencies - Agencies with Nonplanners in a Leading Role
- D - Regional Agencies - Agencies with Planners in a Leading Role

	A	B	C	D
Number in Category	17	6	4	3
Have you engaged in the following activities? (% yes):				
Have a written real estate or development plan?	24%	0%	50%	33%
Have a centralized property inventory?	53%	67%	75%	100%
Have a discount rate?	12%	33%	50%	0%
Consider imputed rents?	12%	17%	25%	33%
Systematically evaluate Underutilized properties?	47%	66%	25%	100%

Source: author

Note: Only 16 of the 23 cities surveyed had Planning as a function. Results include those with planners in leading roles or as co-leader.

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