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Local Development and Sale of Municipal Real Estate

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Abstract

Local development is associated with investments, the implementation of which requires significant financial resources. Revenues are the primary source of these funds, but also own income or non-returnable funds from abroad. Thus, those local self-governments (LGU) will develop, which actively and effectively participate in the real estate market, as well as those that will have the possibility to incur liabilities. The indicated conditions are closely related to the construction of an individual debt limit of LGU. In the study, attention was focused on the effects of changing the LGU debt limitation to the economy of municipal real estate in Poland — probably unintended by the legislature. Its purpose is to indicate that the new approach to LGU debt limitation: (1) encourages local government to sell municipal real estate and forced the analysis of the structure of municipal real estate in the aspect of having real estate, and (2) causes changes in the structure of municipal real estate and ways of using it. The statistical data from 2010–2016 are the background and confirmation of the theses and issues presented in the study. The considerations and figures presented in the study show that: (1) return revenues are primarily the source of financing local development, although in recent years a significant change is visible in this area, (2) the new LGU debt rule forces LGU to undertake actions aimed at selling property, (3) sales of municipal real estate is conditioned both by the potential buyer and the seller, (4) both the pool and the structure of municipal real estate is changing, which gives grounds to believe that in the face of many restrictions, it has a chance to become optimal in given conditions and time, and (5) the optimal structure of municipal real estate from the point of view of territorial self-government missions, the number and type of tasks performed by individual LGU, as well as their situation and financial conditions is different in each LGU, and it is difficult to assign a target status.

Keywords: limit of liabilities, sale of municipal real estate, optimization of the quantity and structure of local government real estate

JEL: H74, H76, O18, R51, R53

Introduction

Development, including local development, is associated with investments, i.e. the modernization of the existing and the creation of a new substance of tangible municipal property, primarily formed by real estate. Investments usually require financing with a considerable pool of funds. Own revenues (including those from the sale of municipal assets), non-returnable funds from abroad, as well as income (in particular refunds on credits, loans or issuance of securities) can be the source of these funds. Taking the above into account, it can be stated that local self-government units (LGU) will develop, which: (1) actively and effectively participate in the real estate market, and/or (2) will have the possibility of incurring liabilities.

The indicated conditions are closely related to the construction of an individual LGU debt limit. However, this study — due to its limited scope — will not analyze the factors, circumstances and activities of local government authorities enabling LGU to obtain a positive financial result, including operating surplus. The attention will be focused on — in the author's opinion, the effects unintentionally changed by the legislature — the effects of changing the method of limiting the debt of

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LGU to the economy of municipal real estate in Poland. In her opinion, the change in the method of limiting the indebtedness of LGU in Poland has become an important contribution to optimizing the structure of communal real estate from the point of view of the territorial self-government mission, which is meeting the needs of the members of a given local government community. Therefore, the aim of the study is to indicate that the new approach to LGU debt limitation: (1) encourages self-government authorities to sell municipal properties and forces them to analyze the structure of municipal real estate in the aspect of having it, and (2) causes changes in the structure of municipal real estate and methods of its use. Statistical data from 2010–2016 are the background and the confirmation of theses and issues presented in the study, comprising: the amount of investment expenditures borne by the municipalities and the sources of their financing, effects on the financial management of municipalities resulting from the change in the method of limiting LGU, as well as resulting from the changes in the structure of municipal real estate.

1 Sources of financing LGU development in the Public Finance Act

In accordance with art. 211 par. 1 of the Public Finance Act,[1] the budget of a local government unit is an annual plan of income (D), expenses (W), revenues (P), and expenditures (R). These quantities must be determined in such a way for the following rule to be true:

$$D + P = W + R. \tag{1}$$

Both the income of each LGU and its expenses (art. 212 par. 1 points 1 and 2 of the Act of Public Finances) consist of two values (current and property), the sum of which is, respectively, the total income and expenses, which can be recorded respectively:

$$D = Db + Dm \qquad \text{and} \qquad W = Wb + Wm, \tag{2}$$

where:
Db — current income,
Dm — property income,
Wb — current expenses,
Wm — property expenses.

Revenues of local government units may be both non-returnable (Pb), and returnable (Pz). Both sizes are not homogenous. Local government practice shows that the source of non-returnable revenues include: (1) the budget surpluses from previous years (Nb), and (2) free funds (Ws) — i.e., cash surpluses on the current account of the local government budget, resulting from settlements of securities issued, credits and loans from previous years (art. 217 par. 2 point 6 of the Public Finance Act). The returnable revenues include: (1) the incomes from credits, (2) loans, and (3) issuance of bonds. Expenditures concern the repayment of loans and credits and the purchase of issues securities.

The legislature, in addition to indicating the sources of financing the total expenses and expenditures in the LGU budget, has also defined the rules for financing current expenses. And so, art. 242 of the Public Finance Act shows that these expenses may be financed appropriately:

$$Wb \rightarrow Db + Nb + Ws. \tag{3}$$

Taking the above into consideration, earlier considerations and provisions of art. 217 par. 2 of the Public Finance Act, it can be stated that the property expenses of LGU can be financed respectively:

$$Wm \rightarrow Dm + P, \tag{4}$$

where Wm consists of (1) subsidies and funds allocated for investments, (2) income from the sales of property (Sm), and (3) income from the transformation of the right for perpetual usufruct into ownership.

1. See: Obwieszczenie Marszałka Sejmu Rzeczypospolitej Polskiej z dnia 13 października 2017 r. w sprawie ogłoszenia jednolitego tekstu ustawy o finansach publicznych. DzU z 2017 r. poz. 2077.

The considerations lead to the statement that the investments will be made (read: will develop) those from the LGU, which — from the point of view of the thesis — will accumulate sufficient funds, respectively: from the sale of assets, non-returnable and returnable revenues. Taking into account the data presented in figure 1, it can be stated that there were such units in the analyzed period.

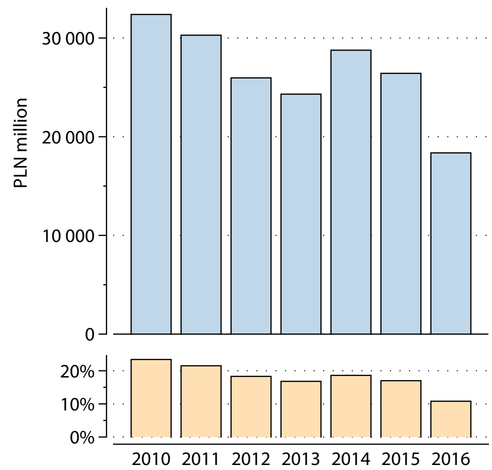

Fig. 1. Investment expenses (upper chart) and their share in total expenses (bottom chart) in municipalities in Poland in 2010–2016

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017

In 2010–2016, investment expenses were incurred in municipalities in Poland with various strength. Until 2014, a clear declining tendency was visible (annual decrease, in total over PLN 8 billion), followed by an increase in 2014 (by over PLN 4,4 billion compared to the previous year) and another drop, this time to slightly over PLN 18,3 billion.[2] The scale of these expenses in relation to total expenses in municipalities is presented by percentage data included in the chart (in 2010 it was 23,4%, and in 2016 — 10,8%). The presented trends reflect the actions of the municipal authorities, undertaken to meet the requirements of the new approach to limit the debt of LGU at the beginning of 2014.

New solutions regarding the individual debt limit of LGU became effective in Poland at the beginning of 2014, however, they have already been included in the Public Finance Act of 2009. This postponement during the validity of the analyzed provisions was justified. The structure of this limit — as will be discussed later — is based on historical data, which size is shaped individually in each LGU. Therefore, the years 2011–2013 were those, the implementation of which perceived through the prism of LGU budgets was to decide on their ability to contract in 2014, 2015 and 2016. However, the year 2010 has already been treated in a preparatory manner, that is, the first in which the rule on shaping the size in the so-called current budget was to apply (Db, Wb), recorded in art. 242 of the Public Finance Act. The sources of financing the indicated property expenses also indicate the preparation of LGU to new debt rules (fig. 2).

In 2010–2016, the share of return revenues in financing the investment expenses was gradually decreasing in municipalities in Poland (with the exception of 2013). In 2010, their share exceeded 55% of all sources of financing, while in 2016 it was just over 23%. An important source of financing of these expenses, although with varying intensity, were the non-returnable funds from abroad. Their lowest share in financing investment expenses in the discussed period can be noted in 2016 (slightly over 16% of total funding sources). The income from the sale of assets in 2010–2014 accounted for only 1% of the total financing sources in all communes, after which they dropped to the level of 0,7% and 0,8%, respectively. However, in terms of amount, these were not small quantities (fig. 3).

2. [In the journal European practice of number notation is followed — for example, 36 333,33 (European style) = 36 333.33 (Canadian style) = 36,333.33 (US and British style). — Ed.]

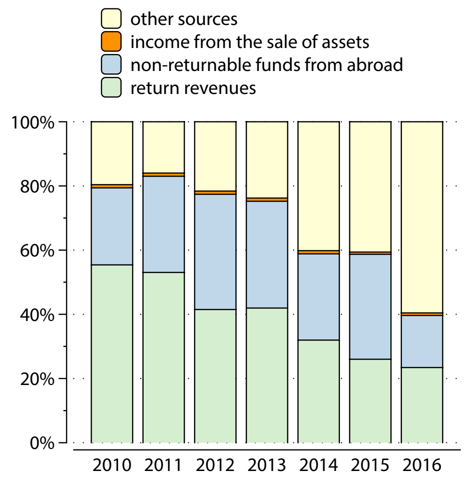

Fig. 2. Sources of financing the investment expenses in municipalities in Poland in 2010–2016

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017

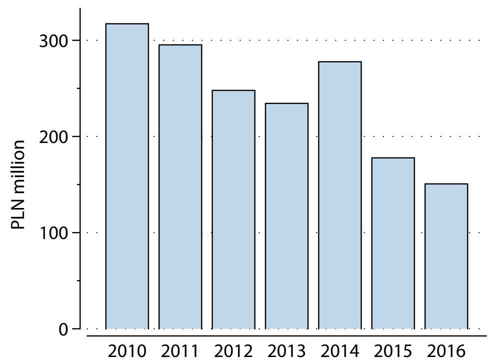

Fig. 3. Income from the sale of assets in municipalities in Poland in 2010–2016

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017

In 2010–2011, "other sources" of financing investment expenses in municipalities did not exceed 20%. From 2012, their share in sources of financing investment expenses began to grow rapidly, so that in 2016 they constituted almost 60% of the total pool of funds financing this direction of municipal expenses. These other sources of financing of the investment expenses of the municipalities were primarily the budget surpluses and free funds obtained in the previous years, which is confirmed by the numerical data presented in the study. The sources of financing municipal investments in the last studied years clearly differed from the concept of the intergenerational solidarity and the principle, according to which, each generation participates in the costs of public investments adequately to the benefits achieved in this respect.[3]

2 The impact of the new approach to the reduction of LGU debt on the financial economy of municipalities

The individual limit of LGU debt was determined by the legislature in art. 243 on the public finances and is calculated according to the following formula:

$$\left(\frac{R+O}{D}\right)_n \leq \frac{1}{3}\left(\frac{Db_{n-1}+Sm_{n-1}-Wb_{n-1}}{D_{n-1}}+\frac{Db_{n-2}+Sm_{n-2}-Wb_{n-2}}{D_{n-2}}+\frac{Db_{n-3}+Sm_{n-3}-Wb_{n-3}}{D_{n-3}}\right). \tag{5}$$

3. More on this subject in (Kotlińska, forthcoming).

Its interpretation comes down to the statement that in a given budget year, the given LGU may incur liabilities in such amount, which servicing — i.e., funds spent on its repayment (R) and settlement of interest (O), including those relating to liabilities already contracted, in relations to the income of a given year, will be lower or at most equal to the ratio of the average, from the last three years preceding this year — operating surplus of this LGU, increased by the income from the sale of municipal assets to total revenues in individual years.

Local government authorities approached the preceding year seriously, when the individual debt limit began to apply in Poland. They made efforts to increase the pool of available current income (Db) (some refrained from the tax and fee authority widely used so far, others reached for the previously unused facultative sources of income due to them), and on the other hand, in order to reduce current expenses (Wb) (they rationalized expenses, gave up those they could) (Kotlińska 2016b, 204–205). The actions taken were effective and in 2010–2016 enabled the municipalities to obtain the operating surplus level growing year by year (fig. 4). In 2010, its total value in all municipalities amounted to nearly PLN 7,2 billion, while already in 2016 it reached the level of over PLN 16,5 billion, which, considering the multitude of unmet social needs and the standards provided in most of them, seems to be a "phenomenon."

In the analyzed years, self-government authorities, in particular municipalities, also undertook activities aimed at selling municipal assets (in particular, land and housing properties). The income obtained on this account was not statistically spectacular on the scale of the whole country, as previously presented, however, in individual LGU they were often a significant financial booster, allowing them to meet the obligation rule in the next three years. Their share in the total incomes

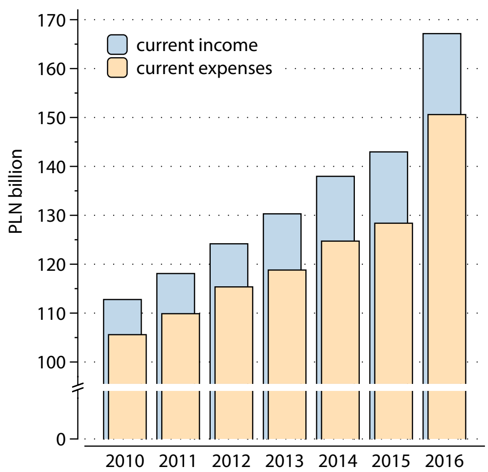

Fig. 4. The amounts in operational budgets of municipalities and the result of these budgets in Poland in 2010–2016

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017

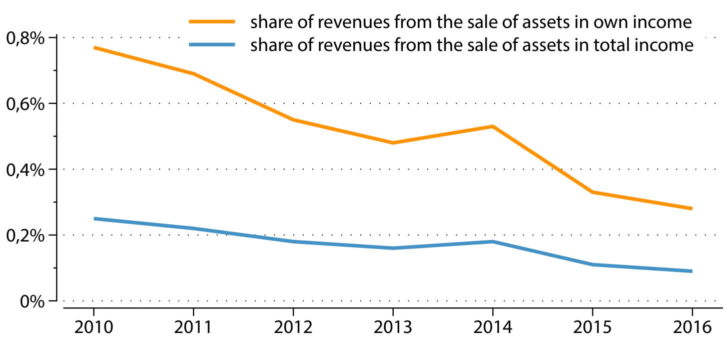

Fig. 5. The income from the sale of municipal assets in municipal budgets in Poland in 2010–2016 (as percentage of total revenue and percentage of own income — where own income is understood in a narrow perspective, without income from shares in state taxes)

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017 of municipalities and their own incomes, in spite of the quantitative increase, with the exception of 2014, however, showed a decreasing tendency (fig. 5). What is essential obtained incomes from the sale of real estate were different depending on the type of municipality (urban-rural, urban, rural) and its location (Kotlińska 2017b, 143–148). The amounts of these revenues were clearly different from those originally planned,[4] which if we look at the offer of such real estate — did not bother and does not stop local government authorities from soliciting them all the time.

3 Determinants of the sale of municipal property

The income from the sale of municipal property is the effect of previously made decisions and actions. Obtaining this income, including the desired amount, is not guaranteed, even if the sales procedure is properly carried out, i.e. the part of assets designated for sale will be selected, an estimated cost will be prepared for it with the current valuation, a tender will be announced, etc. Let the rationality of decisions regarding the sale of just this particular part of the municipal property remain a separate issue for now.

The sale of communal property will take place when one basic condition is met, which is the contact under given conditions and at a given time of the willingness and opportunity, on the one hand, of its acquisition as a private entity, and on the other — its sale by a local government unit. The indicated "willingness and opportunity" are, however, subject to many factors. The private entity when purchasing a given municipal property will be determined by the factors indicated in figure 6. While the fact that the private entity has got its own financial means necessary to purchase, it is not crucial among them for the development and future income of the municipality that owns the privatized real estate, but how it will use the purchased real estate (to satisfy individual housing needs, to start or develop the already conducted business). There are many factors determining the sale of municipal real estate by local government authorities, since they can be considered from various points of view, allowing us to notice the difficulties associated with "entering" the municipal real estate market, its wide-ranging consequences, and the problems with which its owner, of LGU, may struggle.

Municipalities at the moment of reactivation of territorial self-government in Poland, and counties and voivodships as a result of the creation of its additional levels, were equipped with municipal (self-government) property in relation to certain tangible assets — previously part of public property. Real estate that forms the core of this property constitutes a set of infrastructure elements in municipalities that:

- remain in the possession of various entities, both from the public and private sectors, including in various forms, which is closely related to the possibility and speed of "introducing them" to the real estate market,
- when sold, they do not necessarily mean the privatization of services that were previously provided in them,
- are used to satisfy collective and individual needs of members of the local government community, which means that not all of them are strictly related to the mission of territorial self-government and will determine that LGU may be perceived differently from the point of view of the tasks (e.g., as unnecessary),
- require the owner to incur significant expenditures (this applies in particular to buildings and communal premises), and when sold can improve the current financial conditions of a given LGU, as well as affect the possibility of incurring liabilities in the next three years, and
- have different attractiveness, both in the eyes of the owner and the potential buyer, which results not only from their location and technical condition, but also from potential alternative uses.

The LGU assets from the very beginning remained in varying degrees of availability of local government authorities. Its share was part of the municipal (later community and provincial) real estate resources, but importantly, a significant pool was put into perpetual usufruct (applicable to land) or brought to municipal enterprises, and then companies in the form of apportionments (lands, con-

4. More on this subject, for example in (Kotlińska 2016a).

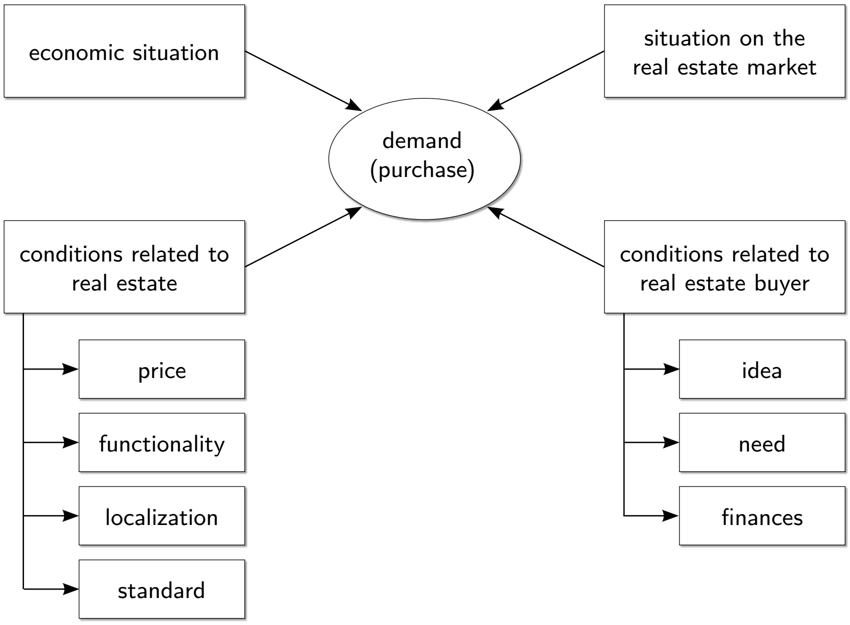

Fig. 6. Factors determining the demand for municipal real estate on the part of private entities
Source: Own study based on Kucharska-Stasiak (2000, 50–62), and Bryx (2009, Part III, Chapter 11.6)

structions, buildings). In relation to these properties, local government authorities were deprived of the possibility of selling it in the tender procedure from the very beginning.[5] Importantly, the sales speed and the procedure were not at all different and simpler in relations to real estate remaining in the resources, in particular in the municipal property resources. A large amount of municipal property is used by individuals who meet their individual housing needs. For some of them, although related to meeting collective needs, one cannot find a better or equally good alternative use. Therefore, some are unnecessary and others necessary for the implementation of territorial self-government missions. Most of them require permanent costs, and any potential income from them will never be able to finance the existing needs in this respect (Kotlińska 2006). All this means that in the existing reality it is necessary for local authorities to make decisions aimed at optimizing the structure of municipal real estate. Activities in this field are not easy, but they are necessary. The structure of municipal property should be consistent with the development strategy of a given area, the concept of task implementation and organizational and financial capabilities of the owner of this property. However, importantly, this structure will not always be optimal. It requires constant monitoring and response in the form of the necessity to make a number of decisions in the field of municipal property management.

Striving to optimize the structure of local government assets from the point of view of the scope of tasks and the standard of services provided in local government units results and will result in active participation of municipalities on the real estate market not only as sellers, but also as buyers of real estate (not only through their repurchase in connection with the implementation of — e.g., road investments). It should be remembered that this structure will change, although it seems that the direction of these changes should be one. Municipal real estate should be those that serve the mission of territorial self-government — i.e., collective satisfaction of needs, as well as satisfying individual needs that are reported by people with low income (regarding social housing). This structure should in principle include communal lands under roads, public utility institutions, as well as social housing. The presence of other properties in them may raise objections and controversies, but they cannot be ruled out. Each LGU is basically different and standardizations in this area are rather not recommended.

5. The non-recourse procedure was and is applicable, and the priority of acquisition — not at the market price — goes to the perpetual user, or user.

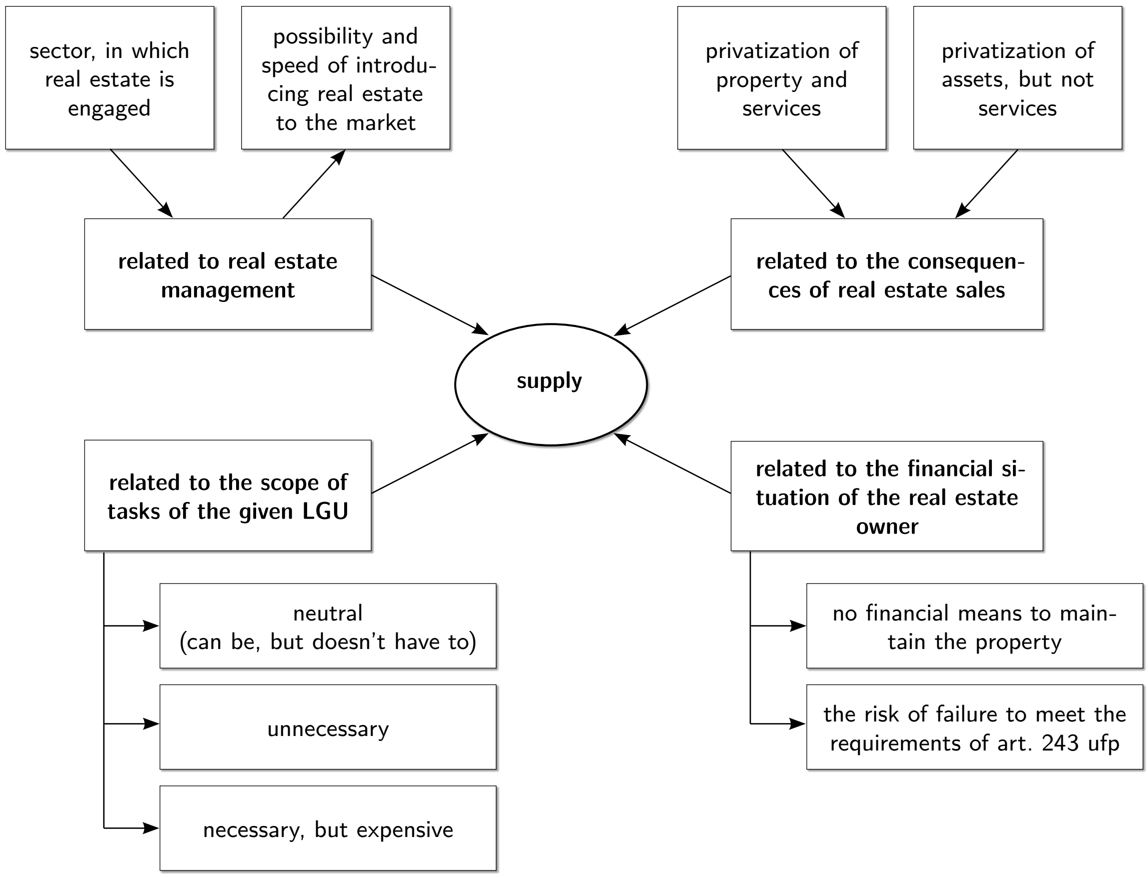

Fig. 7. Determinants of sale of municipal real estate

Source: Own study based on Kałkowski (2001, 72, 252), Filipiak et al. (2005, 322)

4 Optimization of the structure of municipal real estate — a quantitative dimension

In Poland, the structure of communal real estate is changing, both those in the assets and those outside them, and although this has basically been the case since the reactivation of territorial self-government in Poland, it has started growing in power for some time. This happened from the moment when the property issues of many municipal properties were regulated and the disproportion between the amount of funds at the disposal of municipalities and their demand for them, caused by the number and type of tasks assigned, was evident with increasing force. Since 2010, this reason, resulting in a wide offer for the sale of municipal real estate on the market, has become the necessity to create the possibility for them to incur liabilities to finance investments in subsequent years.

In the face of the existing new circumstances, the analysis of municipal real estate in terms of sustainability in the unit, alternative uses, generated expenses, income to be earned, or the speed of privatization became necessary to a greater extent than before. Decisions regarding the sale of municipal real estate — especially in the face of earlier depletion of these resources — became more and more difficult, and therefore more though-out. Importantly, in many municipalities the economy of this real estate and its structure began to "harmonize" with the concept of development included in the strategy. However, the implementation of this concept requires constant search by local authorities for the optimal — in given conditions and time — structure of municipal real estate, shaped by rational decisions made regarding the privatization of municipal real estate, changing their purpose or use. According to the author of this study, the effects of these decisions can be seen based on the presented figures.

In the years 2009–2016 (unfortunately, there is no statistical data for 2010, 2012 and 2014), the number of municipal flats dropped (fig. 8), with the largest decrease by 2015. This decrease was related to the sale of these apartments (fig. 9), as well as their return to former owners or their heirs (fig. 10). In the period from 2009 to 2016, the majority of municipal flats were sold in the period before the new debt rules of LGU began to apply in Poland (i.e., in the so-called preparatory period). The income obtained by municipalities in this respect (in particular, big cities), as it can be expected, was not high, due to the use of a non-tender procedure for their sale (the current tenants became the owners). However, the benefit for the municipalities was not to obtain the income, as the lack of necessity to incur expenses for these properties in the future (these properties generated low, very low incomes, and generated high expenditures). In addition, some of these premises have long ceased to perform their function because people with low incomes did not live

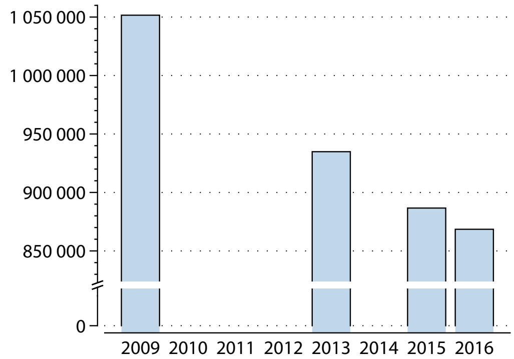

Fig. 8. The number of municipal flats in Poland in the selected years

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017

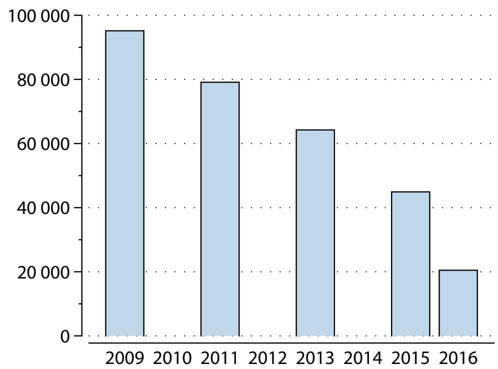

Fig. 9. The number of municipal flats sold in Poland the selected years

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017.

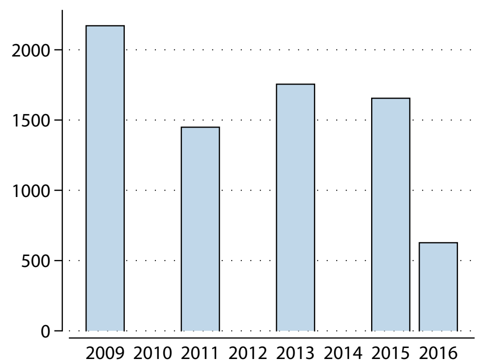

Fig. 10. The number of municipal flats returned to former owners or their heirs in the selected years in Poland

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017 in them. Renting these flats to them has therefore become immaterial. It is worth noting that the number of social housing units in municipalities in Poland increased (fig. 11). In 2009 (no data for 2010) there were nearly 61,5 thousand units, while in 2016 their number exceeded 94,6 thousand. New municipal flats (fig. 12) were also built — especially in urban and rural municipalities — with an average area of 42 m^2. Most of them were created in 2010–2014.

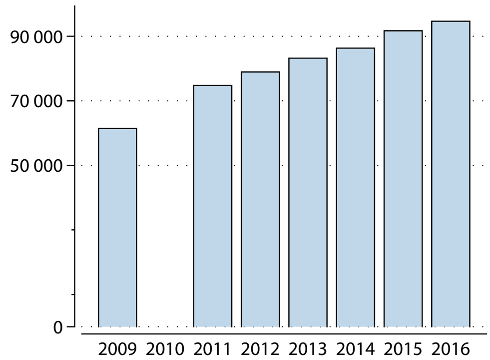

Fig. 11. The number of social premises in municipalities in Poland in 2009 and 2011–2016

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017.

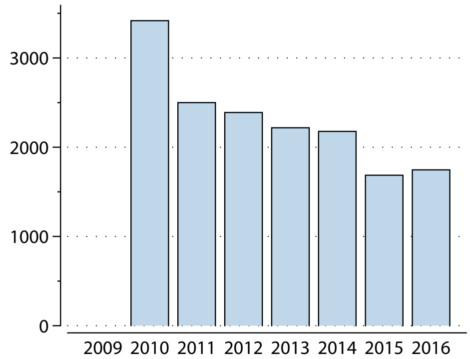

Fig. 12. The number of new municipal flats for use in Poland in 2010–2016

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017

In the analyzed period — despite many sales transactions, especially in rural and urban-rural municipalities — the area of municipal lands in Poland was increasing (fig. 13). This was mainly related to the purchase of private plots for road investments or the construction of new water supply and sewage networks. In 2010–2016, the area of this land increased by over 75 thousand ha, while in the municipal resources the area of these lands increased by slightly over 39 thousand ha, which may be the evidence that the municipal lands on which the water and sewage investments were carried out, together with these buildings, were erected in the form of apportionments from municipal companies.

Municipal land is used by public and private sector entities. The former use municipal property, including land in the form of permanent management. The latter — in the case of municipal lands — usually use them on the perpetual usufruct rights. In 2010–2016, the area of municipal lands transferred to permanent management of the organizational units dropped by 800 ha, and by slightly over 7 thousand ha the one transferred to perpetual usufruct, including 3,36 thousand ha to natural persons (fig. 14). This data points to changes both in the scope of organizational units of municipalities (transformations of self-government budgetary entities into municipal companies, liquidation of some of them), caused by a different approach to the manner of providing some public services, as well as regulation of property matters by some private entities (numerous transformation of the perpetual usufruct law to the right of ownership).

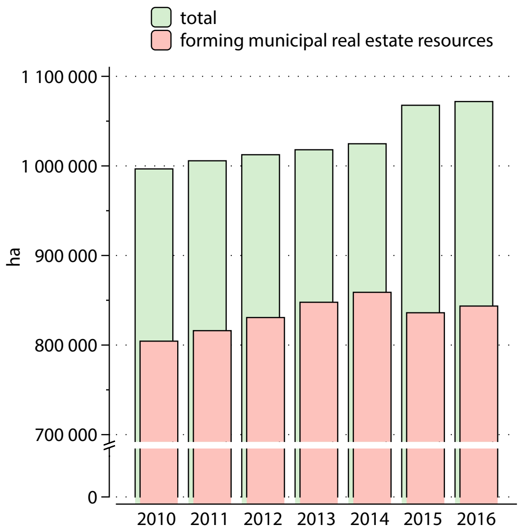

Fig. 13. Municipal lands in Poland in 2010–2016

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017.

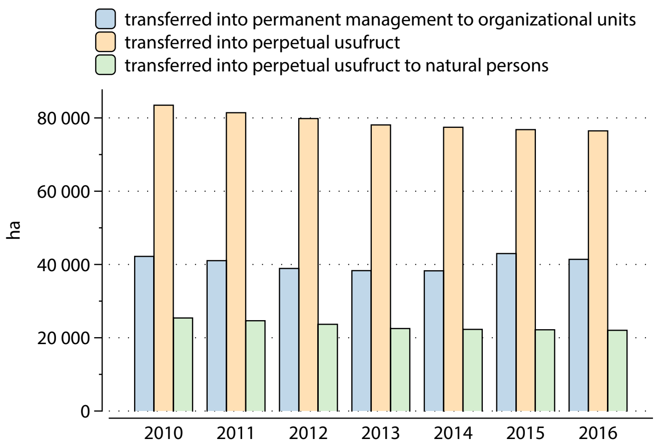

Fig. 14. Municipal lands transferred to perpetual usufruct or permanent management in Poland in 2010–2016

Source: Own study based on data published by Central Statistical office of Poland at the Local Data Bank website (https://bdl.stat.gov.pl/BDL/), as on 22 December 2017

Note: 2015 and 2016 — according to the data of the Central Office of Geodesy and Cartography

The presented data on changes in the area of municipal lands prove that although their total area has increased, in the end, only a part of them increased the municipal property resources. These resources were downgraded for those used so far by local government organizational units. The part of those lands, which remained outside the municipal property resources and met the individual needs of both natural and legal persons, ceased to be municipal.

Conclusion

Local government real estate is the second, after the state-owned real estate, kind of public real estate, which we can encounter in a given area. Among these — due to the scope of tasks and the order of creation within the self-government structures — the municipal real estate belonging to municipalities, including towns with county rights, are the most numerous. These properties (lands, buildings, structures) are used by various entities (not only public) in numerous ways, in order to meet the collective and individual needs.

Real estate, like all self-government properties (both material and financial) was to enable municipalities, and later counties and voivodships, the implementation of tasks. Observation of the local government practice since 1990, however, allows us to state that in many of them there is a paradox in relation to material property. Although the scope of their implemented tasks is increasing, the set of real estate is decreasing, both remaining in self-government property and outside it, or its structure is changing. Interestingly, at the level of municipalities, it was the increase in the scope of the implemented tasks that often forced the local authorities to: (1) transfer real estate to public entities, (2) dispose of some properties in order to reduce expenses, and (3) cooperate with other LGU in this scope.[6] The sales of local government real estate did not concern those the ownership of which would only involve incurring costs. Those local government properties have been sold that generate systematic income in the form of rents or perpetual usufruct charges. However, since 2010 not only the desire to reduce maintenance expenses to keep the other local government properties guided the decisions made by local government authorities on the sale of real estate. This was due to the rules of the new approach to the limitation of LGU commitments in Poland.

According to art. 243 of the Public Finance Act of 2009, income from the sale of property, including real estate not only in a given year, "improve" the budget result of a given LGU. They also have a huge influence (increase) on their ability to incur liabilities in three consecutive years, that is, on the scale of investment activities undertaken in these units. Therefore, it is not surprising that property management has gained momentum in LGU for some time and has become an urgently observed and analyzed sphere of activity. This can be proved not only — especially in larger local government units — by the organizational structure of municipal offices, in which the important role is occupied by the property management division, subordinate to the deputy president (mayor),[7] but also the increasing substantive value of information created in LGU on the state of local government's property and, indeed, the multi-annual programs being created.

Decisions made in the field of local government real estate management, especially those concerning their sale, are crucial, however, not only for the economy as such, but for the LGU finances. They are reflected in the annual budgets of LGU, in their long-term financial forecasts and have an impact on the investment possibilities of these entities. Considering the conditions of conducting LGU financial management described in the paper, introducing local government real estate into the real estate market, as well as the fact that both the real estate pool and their structure change in individual LGU, one can hope that decisions made in the field of local government real estate, including those regarding their sale (and the potential purchase of new ones) aim to create their optimal pool and structure in these entities. Importantly, it is optimal from the point of view of the territorial self-government mission. The optimal number and structure of local government will be different in each LGU, if only in relation to their situation and financial condition. It will also never have a target status.

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6. More on this subject in (Kotlińska 2017a).
7. More on this subject in (Kotlińska 2015).

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