

BELGRADE UNIVERSITY ENDOWMENTS LEASE MANAGEMENT

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ABSTRACT

This paper briefly presents some open issues on the Endowments of the University of Belgrade and discusses real estate lease management of rentable endowments. The University of Belgrade (UB) is a state university - reputable as the oldest and the largest modern university in Serbia. The UB was one of several the richest universities in Europe between the two world wars. In the fifties of the last century, all the UB property was nationalized. Only 13 endowments and foundations have been returned so far. The UB property contains ownership right of endowments and gains incomes from the lease. Some of the UB endowments can be leased strictly commercially and that offers possibilities for the income increase. The competent management of the UB endowments demands comprehensive recording, centralized system reporting, analysis of lease income and spending.

KEYWORDS _ *Belgrade University, Endowments, Real Estate, Lease, Management*

Introduction

University is an institution that is rightly considered one of the greatest contributions of Europeans to the world's cultural heritage. In addition to personnel autonomy, the university should also have *financial autonomy*. But funding is a common difficulty for state universities, both in the countries of the region and in Europe as a whole. The state university management important task is to raise income and to lower spending.

In order to improve its financial situation and ensure financial autonomy, the University of Belgrade needs to update and modernize the available *real estate* of its endowments. Real estate located in the center of Belgrade is easy to lease under commercial terms favorable to the owner.

The transition of Serbia to capitalism made real estate *evaluation* relevant. In Serbia, the area of real estate is regulated by several laws and bylaws. Legislation, for example, determines the cadastre, planning and construction, real estate transactions, taxes (Furundžić, 2012). Availability and accuracy of data significantly affect the assessment.

University Of Belgrade (UB)

The *University of Belgrade* (UB) is a state university - reputable as the oldest and largest modern university in Serbia (Djokić, 2022; UB, 2023). The UB genesis is presented in *Table 1*. The forerunners of UB (1905) are Dositoy's Great School (1808), Lyceum (1938), and Great School (1863). The history of UB (1808-2023) today lasts 215 years.

Table 1: Belgrade University Genesis

Year	Name in Serbian [in Cyrillic Alphabet]	Name in English
1808	Велика школа Доситеја Обрадовића (основна у Београду)	Dositoy's Great School
1838	Лицеј (основан у Крагујевцу, пресељен у Београд 1841)	Lyceum
1863	Велика школа (изгласан Закон о устројству Велике школе)	Great School
1905	Универзитет у Београду (изгласан Закон о Универзитету)	University of Belgrade

The *Mansion of Miša Anastasijević* (*Figure 1*), built in 1863, is among the most memorable buildings in Belgrade. Captain Miša, one of the richest Serbs of that time, gave his mansion as a gift to his mother country for educational purposes. The Belgrade Great School was moved into the Captain Miša's Mansion in 1863. These days, the seat of the University of Belgrade is headquartered within its premises. The Captain Miša's Mansion is the Rectorate building.

The University of Belgrade represented the most important academic institution of the Kingdom of Yugoslavia, the centre of scientific, educational and cultural life. The UB high reputation was created by famous professors. On the eve of the World War II, over 500 teachers worked there and about 10.000 students studied (UB, 2023).

After the World War II, the University of Belgrade developed into a remarkable regional and international educational institution (Djokić, 2022). Today, the UB has around 2.500 teachers (1.000 professors, 700 associate professors, 800 assistant professors), 2.400 assistants and 90.000 students (UB, 2023). The UB helped create universities in Novi Sad, Niš, Priština, Kragujevac, Titograd (Podgorica).

The University of Belgrade is *ranked* in the influential and widely observed university ranking lists in the world and has the highest ranking in the region. The UB has agreements with circa 50 countries in the world promoting academic and student mobility (Djokić, 2022).

The University of Belgrade consists of 31 *Faculties*, 11 *Institutes* and 1 *University library*. The faculties are organized in 4 groups (social sciences and humanities, medical sciences, sciences and mathematics, technology and engineering sciences) (Statut UB, 2023). The institutes are focused on the fundamental and applied research. The University Library “Svetozar Markovic” is the oldest and the biggest university library in Serbia and has collection of 15 million objects.

The University of Belgrade organizationally is divided in 3 parts: *Rector’s collegium* (Rector, 4 Vice rectors, Secretary – general), *University centres*, *Rectorate support services*.

The UB has its own coat of arms, flag, seal; rector’s insignia, rector’s gown, ceremonial garment for promotion. The coat of arms (Figure 2) has the shape of a shield, it is painted in Serbia’s national colours (red, blue, white), above the river and tower is an open book. The seal (Figure 3) has drawing of the Captain Miša’s Mansion (Figure 1) with coat of arms above. The rector’s insignia (Figure 4) has medal with engraved key years of UB history (Table 1).



Figure 1: Miša Anastasijević Mansion – Rectorate of UB (Source: Marinković)



Figure 2: Coat of arms – UB



Figure 3: Seal – UB



Figure 4: Rector's insignia – UB (Source: UB, 2023)

ENDOWMENTS

The institution of *endowment* is deeply rooted in human nature and endowments history is that of the history of civilization. Almost every culture records the humane deeds of individuals who donated their material goods (properties, buildings, valuables, financial resources) for the benefit of future generations (Djokić, 2022).

Endowments have a long *tradition* among Serbs. They appear in medieval Serbia before the era of Nemanjić. Endowments can be reliably traced from Stefan Nemanja (1113-1199) and the construction of Studenica (1183-1196). There is no Serbian ruler who did not leave behind large endowments. The examples of the rulers were followed by church dignitaries and nobles. Temples, buildings, hospitals, bridges were built.

The Turkish occupation stopped the construction of endowments in Serbia. Rich Serbs built endowments *abroad* in the cities where they live, for example in: Timișoara, Pest, Szentendre, Trieste (Temišvar, Pešta, Sentandreja, Trst).

In resurrected Serbia endowments experienced full *momentum*, especially in the period 1840-1940. Once again, the heads of state set an example, starting with princes Miloš Obrenović and Aleksandar Karađorđević, all the way to prince-regent Pavle Karađorđević. The state leaders are followed by industrialists, big merchants, real estate owners, politicians, bishops, officers, professors. Granting financial support to the University was a matter of prestige and virtue (Djokić, 2022).

In addition to buildings, a lot has been invested in national education and culture, in hospitals, funds to help talented children, and in the national economy. Most of the main endowments are located in Belgrade, as the capital of Serbia and then of Yugoslavia.

It is estimated that the property of NIKOLA SPASIĆ (1838-1916), which was left to the Serbian people (shares of various banks and stock companies, three large buildings in Knez Mihailova Street, the City Hospital in Belgrade, and others), was worth as much as the Nobel Foundation. That's why Nikola Spasić was called the "Serbian Nobel" (UB, 2023).

The University of Belgrade (UB), thanks to benefactors, was one of the three richest in Europe between the two world wars. The UB received resources from more than 80 endowments and foundations (UB, 1934). Uneducated LUKA ČELOVIĆ (1854-1929), born in Hercegovina, became wealthy and owned quart in Savamala with "Hotel Bristol" and "Belgrade Cooperative". This Trebinjac is the biggest benefactor of UB, unsurpassed to this day. The fund of *Luka Čelović – Trebinjac* was worth as much as half the sum of all other endowments (Djokić, 2022). During the Second World War, numerous buildings owned by the University of Belgrade were demolished, and the money funds were extinguished.

After the Second World War, mutual funds, bonds, and securities collapsed, but *real estate* and *collections* were largely preserved. Unlike financial assets, real estates are not lost. What was not destroyed in war was taken away in peace. Under the pressure of the new ruling ideology, endowment almost completely died out. Many endowments have been rendered meaningless by changing their purpose and usurping space. In the fifties of the last century, all the UB property (residential buildings and construction land) was *nationalized*. Left without property and income, the endowments of UB disappeared.



Figure 5: Active endowments – UB (Source: Marinković & Furundžić)

Law on restitution (ZVOIO, 2020), approved in 2011, provides compensation or the return of property confiscated by authorities following the World War II. This Law regulates the conditions, manner and procedure to return the confiscated property and how to compensate for expropriated property.

In contrast to the Serbian Orthodox Church, the restitution of the University of Belgrade property takes place in a reduced manner. For example, the Miša Anastasijević Mansion (Figure 1), which is used by the Rectorate, is not yet owned by the University of Belgrade. From more than 80 endowments and foundations before the Second World War (UB, 1934), only 13 endowments and foundations (Marinković, 2023, p.31) have been returned so far.

Law on endowments and foundations (ZZF, 2018), approved in 2010, regulates endowments and foundations as *non-profit* and *non-governmental* organizations, serving the society. An *endowment* is a legal entity without members and with certain property (assets, rights, funds) On the other hand, a *foundation* is a legal entity without members and property.

Returned endowments of the University of Belgrade with real estate can be divided into *inactive* (under litigation, or permanently lost) and *active*. The University of Belgrade active endowments in the centre of Belgrade are presented in Figure 5.

ĐOKA VLAJKOVIĆ (1831-1883) is one of the greatest Serbian donors and therefore deserves a few remarks here. He was born in Belgrade and educated there at the Lyceum. As a Serbian cadet, young Đoka was sent to the Military School in Russia in 1845. He showed his great skill and courage in battles in Serbia and Russia. Đoka Vljaković lost his leg in the Battle of Sevastopol. He retired as infantry colonel of both the Serbian and the Russian army. Đoka Vljaković left funds from which two

buildings were built (1931-1932) in the street that bears his name. After decades of interruption and change of purpose, the *Đoka Vlačković Endowment* resumed work in 1995 and its revenues are used by the University of Belgrade for awarding young researchers and specialization of students.

REAL ESTATE LEASE

Property can be divided in several ways (e. g. immovable-movable, private-public, tangible-intangible). Term *immovable property*, or *real estate*, is often used in legal transactions. *Immovable property* (land, building) is the property which is attached to the ground. Contrary to that, *movable property* (possession) does not include land or buildings. Real estate registered in the *cadastre* enables a mortgage and a loan.

Real estate *lease* is a contractual arrangement between the *owner* (lessor) of an asset and the *tenant* (lessee). The owner provides real estate for use by the tenant and both parties agree to the terms of the lease. There are many types of the lease agreement, from long and detailed to short and concise.

As illustration, *articles titles* of one short contract are listed below. In the lease agreement (place and date), the contractors (owner and tenant) agreed following. Subject of lease (apartment, address). Lease period. Rent, tax, utilities. Use of the apartment. Handover of the apartment. Apartment maintenance. Termination and extension of the contract. Deposit. Case of dispute, copies of the contract.

Real estate *appraisal* is the process of developing an opinion of market value for real estate (residential, commercial, industrial). The valuation process moves from the identification of the problem through to the report of defined value (Al, 2022). Real estate valuation is done through *three main approaches*. They are the *cost-based approach*, *comparison approach*, and *income capitalization*. Appraisers use either one of these processes or a combination of all three to come to a conclusion regarding the property's current value. Using weighted linear relation, real estate *value* can be determined on the base of market, production and investment values (Furundžić, 2012).

The *location* of a property is one of the most critical factors in real estate. Location can determine a property's value, demand, and future growth potential. Properties located in desirable areas will often have a higher value. Accessibility, appearance, and facilities of a neighbourhood are important. The real estate location can impact its value in the future.

The *University of Belgrade property* is not yet regulated. The change of government after the WWII resulted in subtraction of endowments property. The wills of benefactors were cancelled so. The new state administration did not spare the UB. The law of *expropriation* marked the beginning of confiscation and takeover of all assets and funds of the endowments. The confiscated property was transferred into state property, or into social property.

During half century after expropriation, the greatest part of *funds and endowments* of the UB was exhausted and in fact made invalid. Some of the endowments were placed under direct control of the state without any reimbursement. Apartments belonging to the endowments were assigned gratis to privileged individuals. Commercial spaces were leased but rent is freely spent without purpose. Some nationalized apartments were sold to private customers.

The University of Belgrade has been attempting to return its confiscated property. At the end of the last century, the UB regained the *right to manage* its endowments and funds, although only with 13 of them. Four new foundations have been established. Unfortunately, the UB endowments lose irreversibly their assets through redemption of apartments that once had been integral part of buildings (Marinković, 2023).

MANAGEMENT

Management of the *University of Belgrade endowments* is not a simple and easy employment. There is no aggregate information on the UB endowments entire property. The lack of harmonized reporting forms on the UB endowments precludes insight into the actual cash flows. Modern management is crucial for implementing innovations in the UB system.

Property status of the UB endowments *real estate* is complex, because the UB does not have exclusive ownership right. According to Roman law, and today also, ownership (*dominium*) is the exclusive right to use (*usus*), to profit from (*fructus*), and to dispose of (*abusus*) a particular thing. Property is perpetual, absolute and exclusive.

High education activities are increasingly complex and extensive, while the administration structure is unchanged. Management through *bureaucratic procedures* between administrative bodies and academic community cannot respond to modern requirements in accordance with technological, commercial, and information reality. Knowledge of the management field not only aids in creation financial, organizational and personnel decisions, but also helps strategic development.

For successful management of the UB endowments, it is beneficial to know academic community and have successful *experience* in projects, companies, and public sector. To improve the financial system, it is necessary to get acquainted with the organizational structures, methods and procedures of the UB system, faculties and institutes.

At the UB there is a problem of *administrative inertia* of the system, and it is often not easy to define who is responsible for the outcome of an activity. An application of control rules from laws without rationalizing the decision-making process is not useful. Most important tasks determine procedure and speed. Certain specific goals define the work that needs to be realized with complete administrative support.

Information technology (IT) is the use of any computers, storage and networking to create, process, store, secure and exchange electronic data. Development of the new IT of the UB helps that the ideas of faculties and institutes are realized in practice. Modern IT networks provide communication between teachers and students. The new IT system ensures interactive monitoring of the UB property. Work from the office changes into work on line.

Modern IT networks communication enables creation of platform for inter-university cooperation and social networks. *Student networks* bring direct marketing and automatically increase exposure of the UB to foreign students.

In the coming period, it is important to look at ways and possibilities of commercial activation of the BU property. The most important task is continuous engagement on *return* of seized the UB endowments. Through system of financial and other *controls*, the real estates of the UB endowments will run in a correct, economical, and efficient way.

In order to implement this, it is necessary to execute two activities. First, to finish comprehensive *cataloguing* of assets at the disposal of the UB endowments, i. e. transparent records of real estate (land and buildings) and possessions. Second, to examine *fees* collected from the UB endowments property usage. After these two activities are done, it is possible to centralize and unify the reporting on the UB endowments.

CONCLUSIONS

The endowments of the University of Belgrade provide an opportunity to improve its financial condition. Some of the UB endowments can be leased strictly *commercially* and that offers possibilities for the income increase.

The fight for the *return* of confiscated property must not stop. Available endowments should be arranged to operate *commercially*. The affairs of the endowments should be *conducted* in a modern, economical and efficient manner.

In order to achieve this, it is necessary to implement three actions. First, comprehensive *recording* of the property at the disposal of the UB endowments. Second, to centralize and unify the method of *reporting* to the UB endowments board. Three, examine *fees* collected from the use of the property.

The competent management of the UB endowments demands comprehensive recording, centralized system of reporting, and analysis of lease income and spending.

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