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State Comptroller and Ombudsman  
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Ministry of Construction and  
Housing

# **Aspects of the Government's Subsidized Housing Program “Mechir Lamishtaken”**

Abstract



## Ministry of Construction and Housing

# Aspects of the Government's Subsidized Housing Program "Mechir Lamishtaken"

## Background

In 2015, the government decided to implement the Mechir Lamishtaken (lit. price for a resident) subsidized housing program to tackle the housing crisis and assist young couples and singles who do not own any housing to purchase an apartment at reduced cost. The program determined that, for tenders in the program, bidders (developers and contractors) would compete for the lowest price per square meter of an apartment, and that the Israel Lands Authority and the Ministry of Construction and Housing would market all the land included in this program. According to the program, couples and singles over the age of 35 years who do not own any housing would be able to purchase an apartment. Were apartments to remain without demand by first-time buyers, they could be marketed to second-time buyers. If the number of people eligible to purchase an apartment in a project were to be greater than the number of apartments offered for sale, priority would be determined by a lottery.

## Key figures

**128,100**

the number of household registered for the program as of August 2018

**64,000**

housing units for which contractors have been selected from the date the program began until December 2018

**60,700**

housing units raffled since the program began, as of December 2018

**NIS 5.9 billion**

cost of the program to state coffers as of September 2018

**44%**

of 11,780 housing units that had received construction permits as of May 2018 were large apartments (5 or more rooms)

**14%**

of 11,780 housing units that had received construction permits as of May 2018 were small apartments (3-3.5 rooms)

**5,900**

housing units (of 20,170 units investigated) that as of September 2018 had yet to receive a construction permit even though the date of handing the land over to winning developers to commence construction had passed

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## Scope

 From February to September 2018, the State Comptroller's Office examined several aspects of implementation of the Mechir Lamishtaken program. The issues examined included the manner of submitting suggested decisions on the program, land planning, land marketing, the process for issuing building permits, and the handling of applications submitted by eligible applicants. The audit was carried out at the Ministry of Housing and Construction, the Israel Lands Authority (ILA), and the National Housing Headquarters at the Ministry of Finance. Supplemental examinations were carried out at the Netanya, Modiin-Maccabim-Reut, Ofakim, and Kiryat Bialik municipalities.

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## Key Findings

-  The National Housing Headquarters, the Ministry of Housing, and the ILA did not map the complex of needs of those eligible for the program, including high-demand residential areas and the types of apartments needed. In some districts, there was no correlation between the volume of marketing and the areas of residence of those who were eligible for the program. This is liable to impair the program's effectiveness, the purpose of which is to enable the purchase of an apartment for residential purposes, and also, from the perspective of the national economy, the effectiveness of resource allocation.
-  Even though most eligible applicants are young households, many of the housing units marketed by ILA and the Ministry of Housing were large apartments (44% had 5 or more rooms) and some of the apartments had gardens or large balconies, which drove up the price.
-  An examination of 20,170 housing units (for which, in September 2018, data was available about the date of the developer's winning bid and the date the building permit was received) showed that, with regard to 5,900 of those units, building permits had yet to be received at the time the land was supposed to be handed over to the developers to begin construction. It is already obvious that delays in the completion of construction can be expected. A delay in the timetable is also expected with regard to 8,600 housing units for which building permits were only received after the date on which construction was supposed to have begun.
-  The Ministry of Housing's handling of applications by the public did not meet the standards set by the Ministry itself.



- ❗ Despite the importance and broad scope of the program, as of the date of the audit's completion, the National Housing Headquarters and the Ministry of Housing had yet to conduct an orderly procedure to measure and assess the program to see if it is achieving its goals.



The government decision to take action and invest resources to tackle the housing crisis and assist young couples and singles who do not own any housing to purchase an apartment was an initiative that was important and necessary in view of the ongoing crisis.

The ILA and the Ministry of Housing conducted a procedure to analyze failed marketing tenders and learn lessons to improve marketing and reduce failures.

The Housing Headquarters, the Ministry of Housing, and the ILA corrected some of the failures that arose during the implementation of the program and reduced the scale of construction of large apartments. Furthermore, they have embarked on research that will serve as the basis for decision making affecting the program.

## Key recommendations

- 💡 It behooves the Ministry of Housing, which is coordinating the handling of eligible applicants, to examine the possibility of contacting all those who have yet to win (via the lottery) an apartment or lottery winners who have renounced their eligibility in order to learn as much as possible about their needs, preferences, and capabilities, and map them. This mapping would allow more informed decision making not only with regard to marketing of land, but also with regard to planning projects and the type of apartments to be offered.
- 💡 It behooves the Ministry of Housing, ILA, and Housing Headquarters to examine the suitability of the existing program to the needs of the program's target population prior to marketing. In particular, they should examine if there is sufficient inventory of small apartments. If necessary, changes should be made to the program to adapt it to needs.
- 💡 With regard to projects where the number of small apartments is lowest and the plans therein are unchangeable, it would be appropriate to consider the possibility of marketing the large apartments in a different format, such as regular marketing on the free market.
- 💡 The Ministry of Housing and the Housing Headquarters must consider ways to find

solutions to delays in the receipt of building permits in addition to those taken to date.

- 💡 The Ministry of Housing must deal with the applications of applicants eligible for the program within a reasonable time and provide them with a satisfactory level of service, as well as ensure that monitoring companies meet the level of service defined and supervise this on an ongoing basis.

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## Summary

Mehir Lamishtaken is the state's flagship program to resolve the housing crisis. To implement the program and afford those who do not own any housing to purchase an apartment at a reduced price, the state has invested significant resources and substantially subsidized the cost of state-owned land. The Housing Headquarters, the Ministry of Housing, and the ILA must work to shorten the timetable to prevent delays in the apartment production chain aimed at advancing handover of apartments to those eligible to the extent possible.

### Mehir Lamishtaken in central Israel



#### Description of image:

The picture shows two nine-story buildings. There are landscaped public areas in front of the buildings and more buildings behind them.