



State Comptroller and Ombudsman
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Ministry of Construction and
Housing

Purchase and Sale of Public Housing Apartments

Abstract

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Background

The State aid system in the housing sector is a key component of the protective safety net that the State deploys for weaker populations within society. The system includes public housing apartments that the State rents out indefinitely to eligible persons for a subsidized rent. The Ministry of Construction and Housing is responsible for managing the stock of public housing, including the purchase and sale of apartments to tenants by virtue of the Public Housing (Acquisition Rights) Law, 1998 (hereinafter - the Law), primarily through Amidar, the National Housing Corporation in Israel Ltd. For a few decades, the amount of public housing apartments has been shrinking, mainly because the State has sold more apartments to tenants than it purchased. At the same time, the number of eligible people waiting for a public apartment has increased as has the waiting time for apartments.

Key figures

53,000

Apartments in the Public Housing Database in 2019 compared to about 60,000 apartments, about 5 years earlier, in 2014

42,000

Tenants are entitled by law to purchase the public apartment in which they live (2019)

NIS 3.2 billion

The value of the discounts granted by the State to tenants who purchased their apartments under the Law from 2014 until the end of 2019 (approximately 10,000 apartments were purchased)

NIS 3.4 billion

The cost of the 2,600 apartments purchased for public housing from 2014 to 2019


3,700

Eligible persons waiting for public housing in 2019







31 months

The average amount of time the tenants who moved into public housing in 2019 waited for a public apartment

Audit Actions

 From February to August 2019, the State Comptroller's Office examined aspects of the purchase of public housing apartments as well as sale to tenants in accordance with the law, actions taken by the Ministry of Construction to get the most out of the existing stock of public housing, and the implementation of decisions and actions taken to increase the stock of public housing. The examinations were conducted at the Ministry of Construction and Amidar. Supplementary examinations were carried out in the Ministry of Finance: in the Accountant General's Office and the National Housing Authority, the Israel Lands Authority, and the Ministry of Immigration and Absorption.

The Situation Reflected in the Audit Findings







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-  The Ministry does not purchase apartments in localities where there is presently no public housing, including cities whose socio-economic index is low, such as Modi'in Illit, Umm al-Fahm and Rahat. This prevents the needy population in these localities from being able to exercise their eligibility for public housing in their city of residence, as eligible persons are able to do if they live in localities with public housing.
 -  In 2018, a government decision established an inter-ministerial team headed by the Director General of the Ministry of Construction and including representatives of the Ministry of Finance, the Israel Lands Authority and other government bodies, in order to recommend an action plan to increase the stock of public housing.. In the end, the team did not make a recommendation to the Government as required, due to disagreement among its members.
 -  Although the State has made decisions aimed at expanding the stock of public housing, such as: allocating apartments in "Buyer's Price" tenders, allocating part of the proceeds that will be received from initiating urban renewal for the purpose of purchasing apartments and using abandoned apartments under State administration - the addition of apartments expected to be added to the housing stock in the coming years - about 200 apartments - is small compared to existing housing stock (about 0.4%) and is expected to meet the needs of only 4.5% of those waiting for public housing.
 -  Although about a third of tenants who enter public housing each year (an average of about 600) are new immigrants, the letters sent by the Ministry to tenants informing them of the right to purchase their apartment, are written in Hebrew only.
 -  Most tenants did not exercise their right to purchase the apartment (about 42,000 tenants were eligible in 2019, but during the period between 2014 - 2019 only about 10,000 apartments were purchased); despite this, as of the end of the audit, the Ministry of Construction had not examined the reasons for this.



In recent years, the Ministry of Construction has begun to work more strongly in several ways to realize the potential inherent in its stock of public housing for the benefit of those eligible, including the evacuation of public bodies which had rented the apartments for various needs and the transfer of housing for the benefit of eligible tenants.

At Amidar, several actions were taken in the process of selling the apartments to tenants, regarding the determination of the value of the apartments and the level of the discounts, and were found to have been carried out as required and in accordance with the ministry's guidelines regarding this issue.

Main Audit Recommendations

-  It is recommended that the Ministry of Construction examine the possibility of purchasing public apartments even in localities that currently do not have public housing, so that those eligible in these communities can live in a public apartment in the locality in which they reside, especially in communities with low socio-economic clusters where minority and ultra-Orthodox populations live. It is proposed that the ministry also consider providing immediate solutions to those eligible to reduce their hardship until they are offered a suitable apartment in their place of residence.
-  It is recommended that the Ministry of Construction renew the staff work with the relevant government bodies to formulate a national action plan for those in need of housing assistance. Inter alia, it is recommended to strategically check the aspects raised by the professionals on this issue, for example the economic efficiency of holding public housing versus alternatives, such as increasing rental assistance, as well as examining the opinions of the professionals about reducing the number of apartments.
-  The Ministry of Construction should periodically review the mix of housing purchases, while maintaining the proper balance between the needs of the eligible, the necessary dispersion of the public housing and the costs of the purchased apartments.
-  It is recommended to consider measures that will allow the maximum allocation of public apartments in the upcoming "Buyer's Price" tenders, in order to reduce the gaps on the one hand and to maintain the economic viability of the projects on the other.
-  It is recommended that the Ministry of Construction consider expanding the initiation of urban renewal projects that it currently promotes only in assets under Amidar management, as well as assets managed by other housing companies, based inter alia on considerations of feasibility and economic efficiency.
-  The Ministry of Construction must continue to advance the steps it is taking to realize the potential of the apartments, such as selling apartments that are vacant in the free market and using the proceeds to buy apartments for public housing. It is also worthwhile for the Ministry to examine in depth the possibility of moving tenants into a smaller apartment, which is adapted to the number of persons in the families entitled to the apartment.



The Ministry must act to make the information available to tenants regarding their eligibility to purchase the apartments, including through advising them in their language and strengthening the interface with them. The Ministry should check whether bureaucratic barriers to eligibility exist and if barriers do exist, should work to remove them.

Summary

Between 2014 - 2019, the government took steps to increase the stock of public housing apartments. However, the expected increase in housing in the coming years is not going to meet existing needs. As a result, there is a growing need for the Ministry of Construction to complete the inter-ministerial team's work to formulate a broader and more diverse response for those eligible for public housing and work to implement the decisions on the matter.

The number of public apartments purchased by the Ministry of Construction And the number of apartments it sold to tenants, 2014 - 2019



According to the Ministry of Construction's data, adapted by the State Comptroller's Office.