



State Comptroller of Israel | Annual Report 71C | 2021

Israel Land Authority

Registration of Real Estate Rights for Property Managed by the Israel Land Authority – Follow-up Audit



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Background

One of the roles of the Israel Land Authority ("the ILA ") is to advance the registration of rights to properties under its management in the land registry. Failure to register property rights could compromise a property buyer's proprietary right, restrict the property's marketability and even cause the sale price to drop, compared to similar properties with duly registered rights. The registration of rights has become even more imperative in wake of the May 2009 government decision to proceed with its reform of the ILA. One of the key objectives of this reform is to minimize friction between leaseholders and the ILA by granting ownership rights to leaseholders, and a precondition to this is registration of the rights with the Land Registry.



Key figures

**approximately
318,000**

Properties managed by the ILA are not registered with the Land Registry as of June 2020, compared to approximately 330,000 in October 2014.

**approximately
489,000**

Properties managed by the ILA are deemed leased properties as of June 2020.

**approximately
72%**

Of the housing units included in detailed plans under the ILA's responsibility and approved in the years 2016–2018 do not yet have registered parcellation.

**approximately
36%**

Of the housing units included in detailed plans under the Ministry of Construction and Housing's responsibility and approved in the years 2016–2018 do not yet have prepared plans for registration purposes.

**approximately
NIS 111 million**

The ILA's expenditure in the years 2016–2018 for ownership and registration operations and for promoting the registration of condominium buildings.

**approximately
244,000**

The number of properties whose leaseholders were granted ownership rights by the ILA in the years 2016–2019.

Audit actions







In 2015, the Office of the State Comptroller published a report entitled "Registration of Rights to Real Property Managed by the Israel Land Authority"¹ ("the Previous Report") subsequent to an audit of this subject performed by it ("the Previous Audit"). From March to August 2020, the Office of the State Comptroller audited the ILA's actions to rectify the main deficiencies reported in the Previous Report ("the Follow-Up Audit"). The Follow-up Audit was performed in the ILA and in the Ministry of Construction and Housing. Supplementary audits were performed in the Planning Administration in the Ministry of Interior and in the Ministry of Justice.

¹ State Comptroller, Annual Report 65C (2015), "Registration of Rights to Real Estate Managed by the Israel Land Authority," pp. 473-502.



Key findings

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The ILA's registration of parcellation shortly after detailed plans are approved – The Previous Report stated that the ILA failed to take action to ensure the registration of parcellation immediately after the planning institutions approve detailed plans, as prescribed in its procedures. The Follow-up Audit found that the deficiency reported in the Previous Report has been slightly rectified – parcellation has not yet been registered for approximately 42%, approximately 84% and approximately 89% of the housing units planned by the ILA in the years 2016–2018, respectively, despite the fact that between two and four years have gone by since the plans were approved by the planning institutions.
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The ILA's supervision and monitoring of parcellation – The Previous Report stated that the ILA is not performing effective supervision and monitoring of third-party registrations of parcellation, which adversely impacts the entire process of rights registration. The Follow-up Audit found that the deficiency reported in the Previous Report has been slightly rectified. The examination of 103 plans prepared by developers and approved in the years 2016–2018 found that the ILA's Planning Department did not monitor the milestones concerning the preparation of plans for registration and recordkeeping purposes in relation to 32 of them (approximately 31%) and, in any case, the ILA did not document the completion of milestones in its planning management system.
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Enforcement of the registration of real property rights – The Previous Report stated that, despite the fact that the ILA has an effective enforcement measure to ensure that rights are registered – the filing of complaints with the Registrar of Contractors against contractors that breached their obligation to register the rights – the ILA has not filed a single complaint with the Registrar of Contractors since 2007. The Follow-up Audit found that the deficiency reported in the Previous Report has been slightly rectified. In 2014, the ILA filed complaints against four contracting companies for handling by the Registrar of Contractors but, in practice, since 2016, there has been no cooperation between the ILA and the Registrar in this regard.
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Implementation of the recommendations regarding application of the Registration of Public Housing Projects Law (Temporary Order) of 1964 – The Previous Report stated as the Ministry of Interior had not set up subcommittees for the registration of public housing projects as it was required to which prevented the completion of registration for approximately 50,000 housing units constructed pursuant to Ministry of Construction and Housing plans. The Follow-up Audit found that the



deficiency reported in the Previous Report has not been rectified. In fact, only partial progress has been made in the registration of housing units, while the parcellation of approximately 24,000 out of the 50,000 housing units constructed pursuant to Ministry of Construction and Housing plans has still not been registered. The parcellation for the other 26,000 housing units has been registered, but these housing units have not been registered as condominium buildings, which means that neither the rights of the residents occupying the condominium buildings have been registered.



Formulation and mode of implementation of a work plan for registering rights

– The Previous Report stated that the ILA's reports about the achievements of its five-year plans also included the registration of rights to housing units that it had marketed while the plans were in effect, and that therefore, they did not accurately reflect the degree of achievement of the plans' targets, which was lower than that reported. The Follow-up Audit found that the deficiency reported in the Previous Report concerning the processes of formulating and implementing the work plan for registering rights was slightly rectified. The ILA still has no information about the number of housing units at each stage of the registration process; therefore, it formulates its work plan without performing the essential basic stage of assessing the status of the unregistered housing units. In any case, the ILA does not analyze the data in order to understand their implications. Furthermore, its annual work plan contains no details of the individual plans that are planned to include registration of parcellation. Consequently, it is impossible to know whether the performance data of this work plan also include housing units for which registration is not planned during that year, and it is possible that the actual performance, which totaled approximately 56,000 housing units in 2019, does not reliably reflect the achievement of the target of that work year.



Formulation of a strategic plan for implementing the ILA reform – The Previous Report stated that if rights are not registered then it is impossible to register ownership. As a result, the tension between the ILA and leaseholders was not alleviated and implementation of the reform was impeded. In view of the above, the Previous Report recommended that the ILA's management should formulate a strategic plan for completing the registration of rights to housing units constructed on land under its management, and for ensuring the timely registration of rights to housing units to be constructed on land marketed by it in the future. The Follow-up Audit found that the deficiency reported in the Previous Report was slightly rectified: the Ownership and Registration Department presented a strategic plan to the ILA's management, but the document presented contained no quantitative targets, timetables, references to resources or priorities.



Implementation of the ILA reform – the granting of ownership – The Previous Report stated that, in October 2014, the ILA could have granted ownership of approximately 654,000 properties to their leaseholders pursuant to the reform. The Follow-up Audit found that the number of properties over which ownership was not



granted was reduced to approximately 489,000 properties by June 2020 – i.e., approximately a 25% reduction. However, as stated, the rights to approximately 318,000 of these properties have still not been registered.



The ILA's organization and management of the registration of real property rights – The Follow-up Audit found that, in relation to registrations of parcellation and in relation to registrations of condominium buildings, the ILA has achieved most of its targets and even recorded some over performance. In relation to the registration of residents' rights in condominium buildings, in the years 2016–2019, the ILA achieved approximately 90% of this target.

Identification of obstacles impeding the registration process – The Previous Audit stated that the ILA had failed to identify the obstacles impeding all stages of the registration process and therefore, could not devise measures to remove them. The Follow-up Audit found that this deficiency has largely been rectified and that the ILA has taken various measures to identify and remove obstacles.

Key recommendations



It is recommended that the ILA gather the data about the process of registering the parcellation of housing units planned to be constructed on Israeli land, continue analyzing the obstacles impeding the registration process, and formulate an action plan for removing the obstacles.



It is recommended that the ILA formulate a work plan for all stages of the rights registration process. This plan should be based on a situation assessment based on facts and information, on analyses to gain an understanding of their implications and on a re-examination of the ILA's handling of this process.



It is recommended that the ILA, in collaboration with the Registrar of Contractors, consider ways to renew and improve cooperation between them, which should lead to optimal handling of instances when contracting companies commit *prima facie* breaches of their obligation to register the rights of condominium residents. It is also recommended that the ILA consider employing additional measures available to it, such as requiring developers to issue performance guarantees of their obligation to register rights.



It is recommended that the ILA's management formulate a strategic plan defining all measures that must be taken to complete the registration of rights to housing units constructed on land under its management, and ensure the timely registration of the rights to housing units to be built on land marketed by it in the future. It is recommended



that the Israel Land Council hold a discussion to review its future policy in light of the ILA management's proposed plan, in order to implement the government resolution to reclassify real property rights from leasehold to ownership status.



Considering the accelerated marketing of real property in recent years with the objective of moderating the rise in housing prices and considering the importance of registering parcellation, it is recommended that the Israel Land Council review its policy regarding the marketing of real property whose parcellation has not yet been completed or, alternatively, consider other ways to complete the registration of parcellation before the real property is marketed.

Extent that the main deficiencies reported in the previous report have been rectified

Registration of Rights to Real Property Managed by the Israel Land Authority – Main Findings of the Follow-up Audit					
Audit section	Deficiency/ recommendation in the Previous Audit Report	Extent that the deficiency has been rectified according to the Follow-up Audit			
		Not rectified	Slightly/ partially rectified	Largely rectified	Fully rectified
Assimilation of the parcellation registration process in the ILA's planning process	The ILA is not taking action to ensure that it has plans for registration purposes in its possession that would enable the parcellation to be registered before detailed plans are approved				
	The ILA is not closely monitoring the completion of the registration of parcellation.				



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Assimilation of the parcellation registration process in the Ministry of Construction and Housing's planning process	The Ministry of Construction and Housing does not have reliable and complete information about the stages of preparing parcellation and registering parcellation in detailed plans promoted by it.				
The ILA's organization and management of the registration of real property rights	The reports of the execution of two five-year work plans for eliminating the delays in rights registrations accumulated over the years included reports of the registration of housing units that the ILA had marketed during the years that the plans were in effect and therefore, the reports did not accurately reflect the degree of achievement of the plans' targets. Furthermore, the ILA had not analyzed the reasons for its failure in registering housing units included in plans.				
	The ILA failed to identify the obstacles impeding all stages of the registration process.				



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ILA’s enforcement of the registration of real property rights	From 2007 to 2014, the ILA did not file a single complaint with the Registrar of Contractors and, in fact, cooperation between the two bodies was discontinued.				
Implementation of the ILA reform	The rights to approximately 330,000 properties on Israeli land have not been registered.				
Implementation of the recommendations regarding application of the Registration of Public Housing Projects Law	In violation of the provisions of the Planning and Building Law of 1965, the Ministry of Interior did not form subcommittees for registering public housing projects.				

Summary

Registration of property rights in the land registry is very important – registration protects the property-buyer's proprietary rights and enables the State to manage an orderly central registry of all types of real property rights in Israel. Notwithstanding the importance of registration, the ILA drags on the registration processes for a long time, and the Previous Audit found that the rights to approximately 330,000 properties are not registered at all in the land registry.

The Follow-up Audit found that no significant change has yet occurred in this regard. Although the ILA did take action to register the rights to more than 150,000 properties since 2014, due to obstacles, the duration of the registration processes and the addition of new properties,



the number of properties with unregistered rights in August 2020 is still high – approximately 318,000. Therefore, the recommendation is still that the ILA – which has a statutory responsibility to make progress in this regard – should allocate resources according to a data-based work plan that defines quantitative targets and performance timetables in order to eliminate the backlog of rights registrations for properties constructed in the past. Concurrently, it is appropriate that the ILA should consider employing additional measures to increase enforcement in this regard, such as requiring developers to issue performance guarantees of their obligation to register rights and examining ways to cooperate with the Registrar of Contractors.



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Chapter 4

Local Government

