



State Comptroller of Israel | Local Government Audit | 2021

Follow-Up Audit

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# **Local Authorities Handling of Unused Buildings – Follow-Up Audit**





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### Background

Within the jurisdiction of many local authorities, numerous unused properties can be found. Such properties may have, in the past, accommodated as residences, commercial buildings or industrial structures. Some have not been in use for a very long time and are abandoned and neglected and constitute an environmental, health, safety and social hazard. To create an incentive to use these buildings, as part of the effort to cope with the housing shortage and in order to prevent these structures becoming a nuisance and danger to the public, the municipal ordinances<sup>1</sup> and local authority ordinances<sup>2</sup> were amended, and the laws for levying property taxes on a derelict or uninhabitable structure were updated, so the structures, which were permanently exempt from property taxes, having undergone repair, will be required to pay property taxes for a defined period.

### Key figures

**276,261**  
**Sqm**

The total area of buildings classified as unfit for use within the jurisdiction of the city of Haifa in January 2021.

**961**

Buildings classified as unfit for use within the jurisdiction of the city of Haifa in January 2021.

**39**

Buildings classified as unfit for use within the jurisdiction of the city of Afula in January 2021.

**17**

Buildings classified as unfit within the jurisdiction of the Matte Asher regional council in January 2021.

<sup>1</sup> Municipal Ordinance [new text].

<sup>2</sup> Local Authority Ordinance (A) 1950 and Local Authority Ordinance (Regional Councils) 1958.



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## Audit actions



In 2016 the Office of the State Comptroller published a report in the matter of local authorities handling of unused buildings<sup>3</sup> (the previous audit). In February 2021, the Office of the State Comptroller examined the actions of the local authorities and the Ministry of Interior to rectify the main deficiencies that were raised in the previous audit regarding levying of property tax on unused structures and for handling unused structures that become a safety and environmental hazard. In the present report, the findings of the follow-up on the rectification of the main deficiencies noted in the previous audit are presented. The follow-up was conducted in the cities of Haifa and Afula and in the Matte Asher regional council.

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## Key findings



**Ministry of Interior Preparedness for the amendment taking effect** – In the previous audit, it emerged that the Ministry of Interior did not instruct the municipalities to prepare for collecting property tax on unfit structures in accordance with the amendment to the municipal ordinance that took effect on 1 January 2015, and did not check if they were ready to implement the amendment and especially if they were set up to collect the property tax. The follow-up audit found that the Ministry of Interior had not prepared for the amendment taking effect as part of the council ordinances as of 1 January 2021, did not check the preparedness of local and regional councils for implementing the amendment and their property tax collection arrangements, and did not formulate a program for monitoring the implementation of the amendment instructions to the teams including through the checks conducted by the external auditors appointed by the Ministry.



**Multi-year plan to reduce the number of unfit buildings** – The present audit found that the local authorities that were examined have 1017 unfit buildings covering a total of 276,261 sqm. Despite this, there is no multi-year plan for reducing the number of unfit buildings and their use, a plan that would help decrease the phenomenon that has many economic and environmental implications, and that they do not make a distinction between unfit structures situated on land under the management of the Israel Land Authority and land owned by other bodies.



**Classifying structures as unfit for use** – In the previous audit, it was shown that no guidelines for defining a structure as unfit were issued and the decision about the matter

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<sup>3</sup> See State Comptroller, Audit Report on the Local Authorities (2016), the chapter "Local authorities handling of unfit buildings", pages 407–462.



was left to local authorities, which interpreted term in various ways. The follow-up audit found that the Ministry of Interior did not publish guidelines or framework principles on the subject.



**Maintaining a database of all the unfit structures** – In the previous audit, it was noted that the city of Afula did not have a database that included all the structures within its jurisdiction that had been given an exemption on the basis of being unfit and the date when such an exemption had been issued. The follow-up audit found that the city of Afula's database of unfit structures does not record when these structures were classified as unfit. It was further found that details of the structures exempt from property tax in the city's general database were not updated and details were missing, and that for more than half of these structures no address appeared, which impinged on the oversight, control and execution of actions required by law.



**Submission of applications for an exemption from property tax on unfit structures** – In the previous audit, it was shown that the city of Afula and the Matte Asher regional council classified properties as unfit for use and granted them an exemption from payment of property tax without receiving the applications for this in writing as required. The follow-up audit found that in the city of Afula this failure had not been rectified: for four of ten structures that were checked, no application in writing was submitted; in the Matte Asher regional council, this shortcoming had been mostly rectified: for seven structures that the council had classified as unfit at the conclusion of the previous audit, the application regarding one structure had not been found and the council permits applications for classifying a structure as unfit to be submitted online.



**Assessing property taxes according to amendment section 330 of the municipal ordinance** – In the previous audit, it was noted that the city of Afula did not levy taxes on properties classified as unfit, as required by the ordinance. The follow-up audit found that the municipality continued to levy a reduced tax on properties even though the five years stipulated in the ordinance had passed and notwithstanding that a notification by the owner had not been submitted regarding the properties remaining in an unfit condition. The municipality began rectifying the deficiencies during the follow-up audit.



**Handling of unfit properties that constitute environmental and safety risks** – In the previous audit, it was shown that the city of Afula contained properties defined as unfit and that constituted environmental and safety risks, but the information about them had not been given to the engineering administration responsible for dealing with these structures, and the latter were unaware of them and had not checked them. The follow-up audit found that the revenue collection bureau had not passed on to the engineering administration the information about the properties that it had found to be unfit for its handling of and follow-up.



### **Applying the amendment to the municipal ordinance on local and regional councils**

– In the previous audit, it was shown that the regulations established in the amendment to the ordinance, which were intended to significantly limit the exemption from property tax on unfit structures, were not applied to the local and regional councils. The follow-up audit found that in June 2020 the Minister of Interior signed the ordinances applying all these regulations to the local and regional authorities.

**Assessing property taxes according to amendment section 330 of the municipal ordinance** – In the previous audit, it was shown that the city of Haifa did not assess property tax on several structures. The follow-up audit found that the city of Haifa continually monitors the properties within its jurisdiction, to ensure that unfit structures within its jurisdiction are taxed according to the ordinance.

**Monitoring and control of unfit structures** – In the previous audit, it was noted that the city of Haifa was not conducting oversight of the properties within its jurisdiction at the frequency fixed in the municipal regulations and some of them had not been inspected for many years. The follow-up audit found that the municipality customarily maps the properties that have not been inspected and prepares a work program for the purposes of conducting an inspection each year in at least 10% of the structures classified as unfit.

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## **Key recommendations**



It is recommended that the local and regional councils map the unfit structures within their jurisdictions and thus implement the amendment to the local council ordinances that came into effect in January 2021.



It is recommended that the Ministry of Interior check the readiness of the local and regional councils for assessing property tax on unfit structures in accordance with the legislative amendment, instruct them on the subject and also collect data from the local authorities regarding the scope of properties within their jurisdictions classified as unfit.



It is recommended that the Ministry of Interior prepare a multi-year plan and instruct the local authorities to reduce the number of unfit buildings within their jurisdictions and repair them.



It is recommended that the local authorities, in cooperation with the engineering bodies in the respective authority, discuss at intervals the possibility of creating incentives for reducing the number of unfit buildings within their jurisdiction, and include, as part of their property surveys, instructions and follow-up regarding these structures, and formulate a plan to reduce the number of unfit buildings within the jurisdiction of the respective local authority.



It is recommended that in light of the unique ownership structure of the Israel Land Authority, the Ministry of Interior instruct the local authorities to distinguish between property administered by the Israel Land Authority and property owned by other entities or people, and act in coordination with the Israel Land Authority regarding everything related to the properties it manages, in order to include in the multi-year plan additional tools that can help them incentivize making use of the buildings and reducing the number of unfit structures.



It is recommended that the Ministry of Interior set guidelines for defining a structure as unfit, and examine the need for publishing instructions regarding giving exemptions when ownership changes hands, in light of the different interpretations that the local authorities give to the definition of an unfit structure, and their arrangements when ownership changes hands.



The city of Afula should update its database and fill in the missing information; classify unfit structures and give them exemptions from property taxes after the proper application is submitted; complete the handling of the property taxation of unfit structures as laid out in its regulations; and look after unfit structures as laid out in its regulations. The city of Afula should act to organize the transfer of information about unfit structures from the revenue collection bureau to the engineering administration in order to improve the city's ability to handle the unfit structures that may endanger the public.



The Matte Asher regional council should establish a procedure for classifying unfit structures; ensure that it has a complete and updated database of all the unfit structures within its jurisdiction; classify unfit structures and give them a property tax exemption after the proper application is submitted; and make supervision of these structures part of its regulations.



## Local authorities handling of unused buildings – The main findings of the follow-up audit




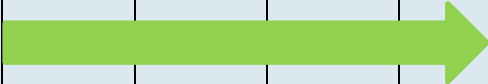

Audit section	Audited body	Deficiency found in the previous audit	Degree of rectification of the deficiency as seen by the follow-up audit			
			Not rectified	rectified to a small degree	rectified to a large degree	Rectified completely
Application of the rectified to the municipal ordinance to the local and regional councils	Ministry of Interior	The regulations that were established by the rectification to the municipal ordinance were not applied to the local and regional councils.				
Ministry of Interior preparedness for the rectification to the municipal ordinance to take effect	Ministry of Interior	The Ministry of Interior did not issue instructions to prepare for collection of property taxes & did not check the preparedness of the local authorities & their arrangements for collecting the tax.				





Audit section	Audited body	Deficiency found in the previous audit	Degree of rectification of the deficiency as seen by the follow-up audit			
			Not rectified	rectified to a small degree	rectified to a large degree	Rectified completely
Classifying structures as unfit	Ministry of Interior	Guidelines for classifying structures as unfit were not established & the matter remains open to the local authorities to interpret it as they see fit.				
Changing the ownership of an unfit structure	Ministry of Interior	The Ministry of Interior did not eliminate the ambiguity & did not establish regulations for the local authorities to follow when ownership of an unfit structure changes.				
Management of the databases of unfit structures	City of Afula	The city did not have a database of the unfit structure that were given an exemption from property tax & the date when they received this exemption.				
	Matte Asher regional council	The database of unfit structures that were given an exemption did not include all the structures in the local authority's jurisdiction.				



Audit section	Audited body	Deficiency found in the previous audit	Degree of rectification of the deficiency as seen by the follow-up audit			
			Not rectified	rectified to a small degree	rectified to a large degree	Rectified completely
Submission of applications for exemptions from property tax for unfit structures	City of Haifa	The city did not act in accordance with the ordinance & procedure that were established & applications as required were not found for some structures; the city did not require, when ownership of the property changed hands, that the new owner submit an application for re-classifying the structure as unfit.				
	City of Afula	The applications in writing by the owners of some structures could not be found.				
	Matte Asher regional council	The applications in writing by the owners of some structures could not be found.				
Charging property tax according to the rectification to the municipal ordinance	City of Haifa	The city did not levy property tax upon the dates fixed by the ordinance.				
	City of Afula	The city did not levy property tax upon the dates fixed by the ordinance.				



Audit section	Audited body	Deficiency found in the previous audit	Degree of rectification of the deficiency as seen by the follow-up audit			
			Not rectified	rectified to a small degree	rectified to a large degree	Rectified completely
Monitoring and control over unfit structures	City of Haifa	The city did not act in accordance with the city ordinance & did not inspect the structures as often as set out in the ordinance.				
	City of Afula	The city did not act in accordance with the city regulations – did not inspect the structures as often as set out in the ordinance & no documentation was found regarding physical inspection of the structures.				
	Matte Asher regional council	The regional council did not establish ordinance for inspecting unfit structures.				



Audit section	Audited body	Deficiency found in the previous audit	Degree of rectification of the deficiency as seen by the follow-up audit			
			Not rectified	rectified to a small degree	rectified to a large degree	Rectified completely
Collecting property tax for unfit structures previously used as a place of worship	City of Haifa	The city did not inspect the places of worship & did not levy property tax after these places were no longer being used as places of worship.				
Handling of unfit structures that are a safety & environ-mental hazard	City of Haifa	No information was transferred between the revenue collection bureau & the body responsible for enforcing payment & no regulations were established for transfer of this information.				
	City of Afula	No information was transferred between the revenue collection bureau & the body responsible for enforcing payment & no regulations were established for transfer of this information.				



Audit section	Audited body	Deficiency found in the previous audit	Degree of rectification of the deficiency as seen by the follow-up audit			
			Not rectified	rectified to a small degree	rectified to a large degree	Rectified completely
	Matte Asher regional council	No information was transferred between the revenue collection bureau & the body responsible for enforcing payment & no regulations were established for transfer of this information.				

## Summary

Unfit properties can often become serious environmental, health, safety and social hazards. Such structures are a financial burden on local authorities and they impact negatively on the development of urban space and efficient use of land resources. In the previous audit, many deficiencies related to handling by local authorities of unfit structures were detailed, including classifying structures as unfit, levying property tax and inspecting and monitoring their condition. The follow-up report shows that the city of Haifa rectified most of the deficiencies listed in the previous audit; the Matte Asher regional council rectified the deficiencies to a great degree; and the city of Afula only partially rectified the deficiencies described in the previous audit. Nevertheless, as of the date of the audit, within the local authorities that were checked – Haifa, Afula and Matte Asher – there are 961, 39, and 17 (respectively) unfit structures. The local authorities and the Ministry of Interior must act to rectify the deficiencies described in this report. Implementation of the directives established by the amendment to the municipal ordinance and the amendment to the council ordinances can potentially incentivize the use of such structures and prevent their turning into a hazard and danger to the public. It is further recommended that the Ministry of Interior and all the local authorities formulate a multi-year plan for reducing the number of unfit buildings in their jurisdictions and making such structures usable. Joint action by all the factors involved in handling unfit structures in the local authorities should minimize the phenomenon and prevent injury to the general public, while collecting property tax in accordance with the regulations.

