



Report of the State Comptroller of Israel | May 2022

Amidar, The Israeli National Public  
Housing Company Ltd.

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# **Maintenance of Apartments Belonging to Amidar, the Israeli National Public Housing Company Ltd.**





## Maintenance of Apartments Belonging to Amidar, the Israeli National Public Housing Company Ltd.

### Background

Amidar, the Israeli National Public Housing Company Ltd., is a government company as defined in the Government Companies Law, 1975, and fully controlled by the State. Its main activity is managing, renting, and selling about 38,000 public housing apartments, almost completely are occupied by tenants from the low socio-economic populations in the State of Israel. Amidar acts according to management agreements signed with the Ministry of Construction and Housing, responsible for public housing and supervising its management. According to the agreement, Amidar has committed to manage the apartment array, house the tenants, and handle them under the rules and directives of the Ministry of Construction and Housing. The agreement prescribed, among other things, the services and their quality levels that Amidar must provide.

Amidar manages the public housing via 15 service centers spread over three districts (North, Central, and South). The responsibility for maintenance and repair works is divided between the Service Department, operating the national telephone service hotline receiving tenants' calls, and day-to-day repair and maintenance in the public housing apartments, and the Engineering Department at Amidar, which is professionally responsible for engineering and construction, via contractors and supervising projects which are not day-to-day maintenance and repairs.



## Key figures

**about NIS  
197 million**

the public housing management fee paid by the Ministry of Construction to Amidar in 2020

**about  
38,000  
apartments**

public housing apartments managed by Amidar (out of about 50,000 – all public housing apartments)

**about  
75%**

of the public housing apartments managed by Amidar were built over 40 years ago

**NIS 22.5  
million**

the annual average sum Amidar spent (not including VAT) from 2018 to 2020 on breakdown maintenance<sup>1</sup> in the apartments and buildings following hotline calls

**54,973**

hotline service calls for treating breakdown maintenance opened at the service center and handled in 2020

**1,757  
apartments**

which Amidar renovated in 2020 – 640 apartments underwent a deep renovation, and 1,117 apartments were renovated before the occupancy

**about  
13%**

of the apartments occupied in 2020 within a longer time than required (60 business days from the date of the previous tenants' departure until the completion of the renovation and occupancy by the new tenant)

**about NIS  
177  
million**

were paid to contractors for renovation and maintenance works in 2020. 56% of the payments were paid to about 20% of the contractors (21 out of 101 contractors)

<sup>1</sup> Day-to-day maintenance works such as repairs to exposed or concealed water pipes, sanitary plumbing (opening blockages in the sewage lines) and electrical repairs.



## Audit actions


- From March to September 2021, the Office of the State Comptroller examined the maintenance of Amidar's public housing apartments. Including the management of the public housing's maintenance process, the implementation of the management agreement, the Ministry of Construction and Housing's control over the public housing's maintenance, and the engagements with maintenance contractors. The examination was conducted at Amidar and the Ministry of Construction and Housing.


## Key findings


- Budgeting the public housing's maintenance** – in 2017–2019 the basic authorization to commit budget determined at the beginning of each year (about NIS 86 million during the three years together), was lower (at rates of 320%–490%) than the budget allocated until the end of the year (about NIS 444 million during the three years together), since additions were made to the basic budget every year following applications by the Ministry of Construction. The execution data in 2018–2019 was about 125 and NIS 156 million a year respectively that are about 30% and 40% of the need estimated by Amidar for proper maintenance of the public housing apartments – a total of about NIS 400 million per annum.
- Breakdown maintenance** – out of the 755 cases of safety defects that Amidar reported during 2020, in 146 (about 19%), the repair time exceeded 48 hours – the duration determined in the Service-Level Agreement (SLA). In about 15% of the apartments where works were performed (4,005 apartments), about 10% of all Amidar apartments, ten and more calls were opened and the breakdown maintenance works expenditure was about 38% of the total on breakdown maintenance in all the apartments, about an average of NIS 6,500 per apartment over three years. I.e., a considerable part of the breakdown maintenance budget is used for day-to-day maintenance of a few apartments.
- Extensive renovation** – the number of apartments where extensive renovation was carried out decreased in 2018–2020, lower than Amidar's estimation (2,000), and was an average of 970 apartments. About 92% of the apartments underwent extensive renovation in 2018–2020, and the expenditure was lower than about NIS 55,000 per apartment estimated by Amidar for proper day-to-day maintenance. About 35% of the expenditure was lower than NIS 10,000 per apartment. 59% of the tenants whose apartments underwent extensive renovation in 2018–2019 (1,290 tenants) called the





service hotline in 2020, within one-two year from the completion of the renovation, to report maintenance defects, and their call was dealt with, and 19% (409 tenants) called four or more times. It should be noted that these rates are higher than the rates of calls to the hotline among all the tenants in such a year – 47% and 13%, respectively; i.e., tenants whose apartments had undergone extensive renovation made more calls to the hotline.

 **Apartments unfit for habitation** – by November 2021, Amidar classified 44 of the apartments under its management as unfit for habitation. According to Amidar, all the apartments were slated for renovation but had not yet been carried out, mainly due to budgetary constraints. The fact that apartments are unfit for habitation is inconsistent with the State's obligation to ensure a proper standard of public housing apartments and its obligation to preserve its assets.

 **Dangerous structures** – according to Amidar's data, by the audit completion date in September 2021, 35 buildings were classified as hazardous, with 417 apartments, 138 of which were public housing apartments under its management. An examination of 23 buildings classified as hazardous by the local authority (not yet renovated to remove the dangerous hazard) found that seven of them have been awaiting renovation for up to one year; six have been awaiting for one year to two; six have been awaiting from two years to five, and four others have been awaiting for over six years.

 **Re-occupancy of apartments** – by the audit completion date in September 2021, there are 5,700 households eligible for public housing by the Ministry of Construction and Housing. Approximately 26% of the apartments intended for re-occupancy (291 apartments) were inhabited after six months, and about 39% of the apartments managed by Amidar designed for occupancy have been standing vacant for more than 300 days. The Ministry of Construction and Housing did not have control over Amidar's compliance with the service level for apartment's re-occupancy, it did not examine the reasons for the re-occupancy delays beyond the time prescribed in the service appendix, and it did not fine Amidar for exceeding it.

 **Control over maintenance works and renovations** – the rate of controls made by the engineering inspectors was approximately 2%, significantly smaller than the required rate of 5%. Likewise, substantial inconsistencies were found between the grades the district engineering inspectors awarded the schedules works times (an average of 94 points out of 100) and the actual state of affairs, and also in comparison to the grade given during the controls for contractors where the maintenance hotline had awarded them with low grades in the annual evaluation. The inconsistencies raise doubts about the quality and effectiveness of Amidar's internal control over the performance of the hotline works.

 **The Ministry of Construction and Housing's supervision and control over the management agreement** – the Ministry of Construction and Housing did not examine



nor conclude the control findings to understand the reasons for the deviations to minimize and rectify them. Likewise, the Ministry did not appoint inspectors to examine the properties and their standard of maintenance and did not conduct any inspections of the properties.



**The engagement procedures for the performance of works** – Amidar's Tenders Committee did not publish a call to receive bids from all the tender suppliers as required, even though the orders were over NIS 200,000. Likewise, considerable gaps were found in the distribution of works among the selected contractors. In 2020, 101 renovation contractors were paid NIS 177 million and NIS 100 million (approximately 56%) were paid to 21 (about 20%). The Maintenance and Tenders Department did not report to the Tenders Committee about the distribution of the works among the contractors in the years examined (2018–2020). The Tenders Committee, for its part, did not demand to receive the particulars of the distribution of the works, and it did not discuss this; consequently, the reasons for the gaps in the distribution of works among the various renovation contractors were not examined.



**Time standards for performance of repairs** – Amidar determined time standards for the repairs' performance in the apartments that are more stringent than the standard defined for these repairs in the management agreement.

**Service forum** – Amidar operates an internal service forum comprising members of the management and senior staff from the Service and Engineering Departments to discuss the company's service to tenants, such as the activity of the telephone customer's service hotline, the maintenance hotline, the apartment's occupation dates and the company's compliance with the schedules for the maintenance works.

**Conducting feedbacks after "circle visits"** – Amidar conducted the required number of feedbacks following circle visits<sup>2</sup> (10% – twice as many as needed).

## Key recommendations



It is recommended that the Ministry of Construction and Housing and the Ministry of Finance jointly examine the maintenance needs regarding the specifications prescribed in the Public Housing Law and the number of apartments and their condition and adopt an appropriate budget.



It is recommended that Amidar examines cases on an individual basis where there is a large number of calls to the service hotline and consider whether a comprehensive

<sup>2</sup> An annual visit by an Amidar representative for examining the condition of the property.



solution is required in their matter, for example – whether a more extensive renovation should be performed.



Amidar should repair safety defects within the time prescribed in the management agreement.



Given the multiplicity of calls from tenants after an extensive renovation had been carried out in their apartment, it is recommended that Amidar map out and examine why these tenants continued to call the hotline to repair defects and minimize them.



The Ministry of Construction and Housing should formulate a budgeted outline to deal with all the dangerous buildings immediately. Within this framework, it is also recommended considering the feasibility of the renovation of a structure to eliminate the safety dangers as opposed to alternatives such as selling or demolition and reconstruction, including as part of urban renewal, without reducing the stock of public housing.



The Ministry of Construction and Housing must exercise control over the re-occupancy process and ensure that the apartment is inhabited within the period prescribed in the service appendix, considering the long current waiting list (approximately 5,700 households). If the apartments cannot be inhabited due to a lack of demand or where renovation is not feasible, it should consider selling them.



The Ministry of Construction and Housing should ascertain that it performs all its controls over Amidar, and it is recommended to use the control results to improve Amidar's work.

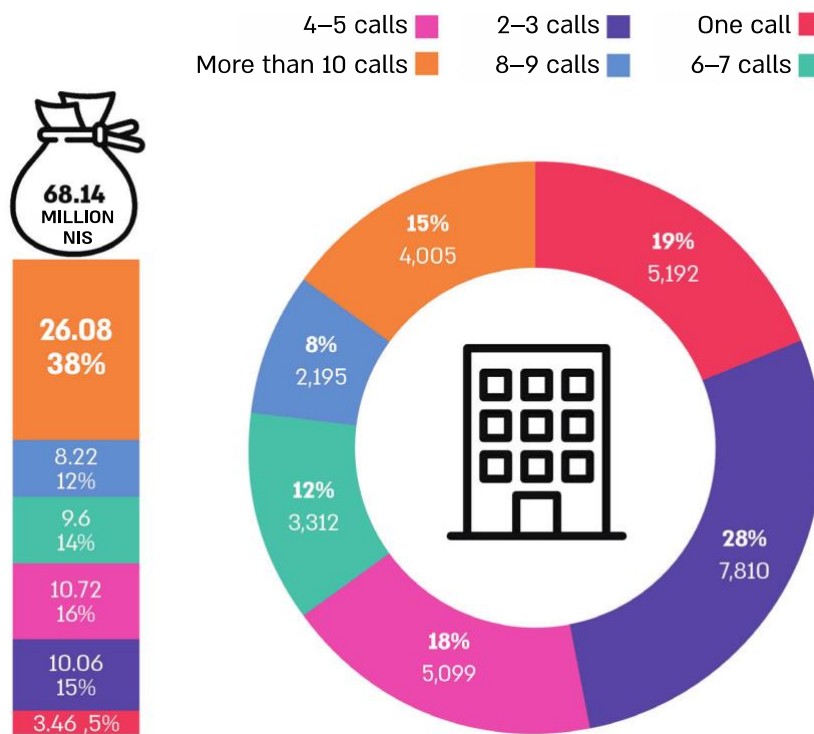


Amidar's Tenders Committee should discuss the current data regarding the distribution of works to contractors, examine the reasons for the gaps and strive toward an equal distribution. It is recommended that Amidar examine methods of encouraging additional contractors to submit bids in its tenders.





**The number of apartments where breakdown maintenance was carried out, according to the number of calls to the service hotline and according to the financial expenditure (in NIS millions), 2018–2020**



According to Amidar's data, processed by the Office of the State Comptroller.



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## Summary

Amidar manages most public housing apartments (approximately 38,000 out of roughly 50,000). About 75% of them were built over 40 years ago and are occupied by tenants from a low socio-economic class in Israel. Amidar's management agreement with the Ministry of Construction and Housing regulates the apartments array, including its responsibility for their maintenance to ensure the rights and obligations of an eligible tenant under the Tenants' Rights in Public Housing Law, 1998, and its regulations.

As part of its apartment maintenance, Amidar uses external contractors to carry out day-to-day maintenance works, extensive renovation, and renovations before re-occupancy. The audit raised that in 2018–2020 Amidar had performed many actions, including maintenance works and the repair of defects in approximately 27,600 apartments and the renovation of about 6,800 apartments. However, Amidar's treatment needs improvement. The Ministry of Construction and Housing and Amidar should rectify the deficiencies noted in the audit to maintain a proper standard of public housing apartments.