



State Comptroller of Israel | Local Government
Audit Report | 2023

Planning, Building, and Infrastructure

Management of Real Estate Property by Local Authorities



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Background

The local authorities in Israel hold real estate property (property, land, or assets) to realize public goals and provide services to the public. Sometimes, they also have income-generating properties, i.e., properties that the authority rents out and receives rent for. Real estate property is among the most important and expensive of the local authorities' assets and is a limited resource that is sometimes in short supply. As public trustees, the local authorities should manage these assets carefully, according to the public's needs and principles of efficiency, savings, and good governance. Hence, it is essential to have an effective asset management mechanism ensuring the integrity of the assets and intelligent use thereof. This is all the more important given the government's estimates of the expected increase in the population and the need to provide services to more residents, increasing the number of assets to manage.



Key Figures

293 square kilometers

the cumulative local authorities' land for public and community needs. According to the government's estimates, by 2040, adding about 70 square kilometers for these needs will be necessary

23%
(60)

the local authorities' rate that have income-generating assets. In 2019, the rent in respect thereof was NIS 140 million, about 0.4% of the total Own Income

88%
(579)

of the local authorities' applications to the Minister of Interior for the approval of proprietary actions in real estate in 2018–2021 for real estate rentals and allocations

2,560

real estate property cases in the **Jerusalem** Municipality's Land Registry that do not appear in the Municipality's Registries of Rights. About 6,800 cases in the Municipal Registries are not listed in the Land Registry

7

of the examined eight municipalities did not prepare property management work plans for 2019–2020

7

of the examined eight municipalities have about 3,600 real estate properties with buildings on them (built-up properties), with no property's supervisors

70%
(291)

the expropriation rate procedures in **Jerusalem** that began in 2000–2021 were not completed. About a fifth of them started over 17 years ago

25
years

the average time between the approval date of a plan designating land for expropriation and its beginning procedures in **Be'er Ya'akov** and **Rehovot** in eight cases that began in 2019–2021



Audit Actions

 From June to December 2022, the State Comptroller's Office examined the management of real estate property in the **Be'er Ya'akov, Bat Yam, Tirat Carmel, Yavneh, Jerusalem, Kafr Qasim, Modi'in-Maccabim-Re'ut (Modi'in)** and **Rehovot** municipalities. Completion examinations were carried out at the Ministry of Interior and the Ministry of Justice.

The audit included the asset management mechanism, the management of information on the assets, their supervision and the maintaining of their integrity and safety, the integration of economic considerations in their management, the planning of public needs (preparation of programs), the monitoring of expropriation procedures and the transparency of information on the local authority's assets to the public.

Key Findings



 **Regulation of the Property Management Mechanism in the Local Authorities** – the local authorities in Israel hold real estate property of about 293 square kilometers. The Ministry of Interior did not formulate or publish a property management doctrine or guidelines and principles for the desired mode of management of the properties in the local authorities to optimize the management and did not establish guidelines for the desired management mechanisms, except for the job description of the Property Unit Manager in a local authority.

 **Appointing a Property Registrar and keeping Land Rights Registries** – the number of built-up properties in the examined eight municipalities is about 6,500. The **Bat Yam, Jerusalem, Modi'in, and Rehovot** municipalities have appointed a property registrar, and the **Be'er Ya'akov, Tirat Carmel, Yavneh, and Kafr Qasim** municipalities have not appointed a property registrar. It was also found that the **Be'er Ya'akov, Bat Yam, Yavneh, Jerusalem, Modi'in, and Rehovot** municipalities have a land rights registry, and the **Kafr Qasim** and **Tirat Carmel** municipalities do not.

 **The Information Update of in the Land Rights Registries of the Examined Municipalities** – the **Be'er Ya'akov, Modi'in, Yavne, and Rehovot** municipalities only survey the properties, and the **Jerusalem** Municipality only survey the built-up properties. However, the **Modi'in** Municipality conducted a survey about nine years ago, the **Yavne** Municipality about 13 years ago, and the **Rehovot** Municipality about 14 years ago; The **Be'er Ya'akov** and **Jerusalem** municipalities surveyed in the past five



years. The **Bat Yam**, **Tirat Carmel**, and **Kafr Qasim** municipalities are preparing a property survey in various stages. Moreover, in the **Bat Yam**, **Jerusalem**, **Modi'in**, and **Rehovot** municipalities that were examined in this regard, discrepancies were found between the registration of the properties in the Land Registry and between the entries in the Land Rights Registry; In the **Jerusalem** Municipality, out of 9,654 plots registered in the Land Registry under the municipality's name, 2,560 plots were found that are not registered in the Municipality's Land Rights Registry. In the **Modi'in** Municipality, out of 1,679 plots registered in the Land Registry under the municipality's name, 1,409 plots not registered in the Municipality's Land Rights Registry were found. Discrepancies may result in legal difficulties in protecting the municipality's rights in its assets and challenges in managing the assets and monitoring them.

 **Supervision of the Assets Condition and Their Integrity** – initiated inspection visits ensure the appropriate use of the assets and assist in the supervision of the fulfillment of the obligations towards the local authority stipulated in the contracts entered into by the authority for the transfer of rights in the assets to parties outside the local authority. The visits enable the collection of basic and updated information on the property's condition. It was raised that in the **Jerusalem** Municipality, one manager and three dedicated inspectors work in the Property Supervision Department. At the same time, there are no inspectors in the **Be'er Ya'akov**, **Bat Yam**, **Tirat Carmel**, **Yavneh**, **Kafr Qasim**, **Modi'in**, and **Rehovot** municipalities. It was also found that the **Be'er Ya'akov**, **Bat Yam**, **Tirat Carmel**, **Yavneh**, **Kafr Qasim**, and **Modi'in** municipalities did not conduct inspection visits of the properties' condition. The **Rehovot** Municipality did not conduct visits consistently: in 2019, it did not conduct visits at all; in 2020, it conducted 116 visits; and in 2021, it conducted eight visits, while it has 1,333 built-up properties. In 2019–2021, the **Jerusalem** Municipality visited 4,570 properties out of 8,724 active properties in the system – about a third of which are built-up properties, while the rest are infrastructure or open spaces.

 **Analysis of Public Needs and Formulation of a Program for Public Areas** – the Ministry of Interior has not set the frequency of updating the program and its format. It was found that the **Jerusalem**, **Kafr Qasim**, and **Modi'in** municipalities do not have city-wide programs. However, **Jerusalem** has local programs for 80 of the 88 neighborhoods and complexes it has defined, and **Modi'in** has programs prepared as part of the planning procedures for three new neighborhoods. It was found that the examined municipalities do not publish the programs for public areas on their websites.

 **Information on the Properties' Safety Condition, Their Accessibility, and Their Maintenance State** – the local authorities have no guidelines or guiding principles to monitor the safety condition of public buildings that are not educational institutions, even though they are used by a broad audience that also includes children, teenagers, and senior citizens. It was found that the **Be'er Ya'akov**, **Bat Yam**, **Tirat Carmel**, **Yavneh**, **Jerusalem**, **Kafr Qasim**, and **Modi'in** municipalities did not conduct safety surveys of public buildings other than educational buildings. It should be noted that the **Modi'in**



Municipality inspected electrical safety, firefighting, and elevators, and in 2021, the **Rehovot** Municipality also began routine inspections in properties that are not public buildings. The **Be'er Ya'akov, Bat Yam, Tirat Carmel, Yavneh, Jerusalem, Kafir Qasim**, and **Modi'in** municipalities did not conduct maintenance surveys of their properties or prepare work plans for their maintenance. The **Rehovot** Municipality surveyed only the educational institutions within its jurisdiction. It was also found that the **Tirat Carmel** Municipality did not prepare a survey on the accessibility of its real estate property. Without such a survey, the authority cannot make the buildings accessible under the law. It should be noted that the **Yavneh** and **Modi'in** municipalities stated in the audit that they maintain the properties on an ongoing basis and as needed.

Condition of Selected Built-up Properties – during visits to selected properties in the **Bat Yam, Jerusalem, Modi'in**, and **Rehovot** municipalities, deficiencies were found in the accessibility of buildings, such as inaccessible areas or accessible toilets used as storage. Regarding maintenance, it was found that in **Bat Yam** and **Jerusalem**, the state of maintenance of the inspected buildings is reasonable. Buildings with different maintenance levels were found in **Rehovot** – in two, the maintenance state was moderate, and in three, reasonable; And in **Modi'in**, the maintenance state was good. Regarding safety, deficiencies were found in the four examined municipalities, such as water facilities and cabinets that are not affixed, doors without means of protection against pinching, objects stored at height, and cleaning materials accessible to all.

Economic Considerations in Asset Management – the Ministry of Interior has not set a professional guide and guidelines for integrating economic considerations in the local authorities' management of the assets and the increase of economic potential inherent therein. It was found that none of the examined municipalities – **Be'er Ya'akov, Bat Yam, Tirat Carmel, Yavneh, Jerusalem, Kafir Qasim, Modi'in**, and **Rehovot** – has a strategic plan for maximizing the economic potential of the municipalities' assets and optimizing their use. However, the **Bat Yam, Jerusalem, Kfar Qasem, Modi'in**, and **Rehovot** municipalities have taken individual actions to maximize the economic potential of the real estate property in their possession, for example – mapping their assets to increase the economic potential.

Rent Charges in the Examined Municipalities – it was raised that the rent charges in the examined municipalities with income-generating properties in 2019 ranged from about NIS 1.2 million (in **Rehovot**) to NIS 11.8 million (in **Jerusalem**) and amounted to about NIS 22 million; Its share out of the Own Income ranges from 0.17% (in **Rehovot**) to about 1.1% (in **Modi'in**). Hence, the share of income from property rental was low compared to the authorities' Own Income, and in all the examined municipalities, it reached about 1% at most.

Setting Property Insurance Sums – the **Tirat Carmel** Municipality does not have information on their buildings' area size, while the **Bat Yam, Jerusalem, Modi'in**, and **Rehovot** municipalities have partial information. The rate of records missing the figure on the building's area size in the **Bat Yam** Municipality (52%) and the **Jerusalem**



Municipality (42%) is particularly notable. Furthermore, none of the examined municipalities presented a calculation according to which the insurance sums were determined, which ranged from NIS 140 million to NIS 4.8 billion. Without a calculation, knowing if the insurance sums reflect the municipality's needs is impossible. Thus, the local authorities may be paying higher or lower insurance premiums than required.



Expropriation Procedures – it was found that none of the eight municipalities examined, except for **Rehovot**, have centralized data on the expropriation realization date – the public need for the expropriation – and no follow-up is conducted after the expropriations were completed, whether their goals were realized. Moreover, in the municipalities that had information about the expropriation procedures, 413 expropriation procedures that began in **Jerusalem**, 291 (70%) were not completed, i.e., **Jerusalem** did not register its rights in the Land Registry; Of the 601 expropriation procedures that began in **Rehovot**, 234 (38%) were not completed. It was also found that 53 out of 291 (18%) of the expropriations published in **Jerusalem** and were not completed began over 17 years ago; In the **Rehovot** Municipality, 28 out of 234 (12%) of the expropriations published over 17 years ago have not been completed. Furthermore, the rate of expropriations that began between 2000 and 2015 and were not completed was 38% (110 out of 291) in **Jerusalem** and 64% (150 out of 234) in **Rehovot**. It was also found that in **Jerusalem** and **Modi'in**, an average of over ten years passed between the approval date of the plan and the beginning of the expropriation procedures, and that in **Be'er Ya'akov** and **Rehovot**, an average of 25 years passed. These are long periods in which land was designated for expropriation, but no initial actions were taken. On the other hand, in the expropriation procedures in **Yavneh**, about three years passed on average – a short period compared to the other municipalities.



Publication of Information on Websites – the **Tirat Carmel**, **Yavneh**, and **Kafr Qasim** municipalities do not publish information about its assets on the municipal website. The **Bat Yam** Municipality publishes little information – on its website, there are only general contact details and three minutes of the Allocations Committee meetings in 2021–2022. The **Be'er Ya'akov**, **Bat Yam**, **Tirat Carmel**, **Yavne**, **Kafr Qasim**, **Modi'in**, and **Rehovot** municipalities do not publish their Land Rights Registries on their website.



The Information Format on the Possibility of Submitting Land Allocation Applications – it was raised that the **Be'er Ya'akov**, **Modi'in**, and **Rehovot** municipalities informed the possibility of submitting land allocation applications on the municipal website. There is no such information on the website of the **Jerusalem** Municipality at the audit time, but it was found that the municipality usually informs when it is relevant. It was also raised that the municipalities' information is not uniform; they are loaded with text, including technical details and professional terms, with which the general public is not necessarily familiar. The property's location may also be difficult to understand because there is no visual information clarifying it, such as maps or



photographs, and the **Be'er Ya'akov** and **Modi'in** municipalities information is not clear about the allocation duration. This raises doubts as to the information's effectiveness.



Work Plans – the work plans of the **Bat Yam** Municipality include a variety of domains, such as property improvement, registering properties in the Land Registry Office, the sale and renting of properties, allocations and expropriations, eviction of squatters, renewing contracts with property owners and updating the property survey. The plans included measurable goals and precise schedules, and the entities entrusted with executing the plans were also determined.

Publication of the Land Rights Registry on the Website – the **Jerusalem** Municipality publishes on its website the information on the properties from the Land Rights Registry, for example, on their use and their address, and it is possible to perform a basic search in the database according to some of the property characteristics.

Key Recommendations



The **Bat Yam**, **Jerusalem**, **Modi'in**, and **Rehovot** municipalities should verify, for example, through surveys and data cross-checking, the reliability of the registrations of the land assets in their Land Rights Registries and their completeness, against the registration in the Land Registry, and ensure that all their properties are registered in both the Land Registry and the Land Rights Registries. It is recommended that the **Bat Yam**, **Tirat Carmel**, and **Kafr Qasim** municipalities prepare and complete a property survey. It is recommended that the **Jerusalem** Municipality complete the property survey for the open spaces and infrastructures. The **Yavneh**, **Modi'in**, and **Rehovot** municipalities should update the property survey, as over five years have passed since it was prepared, to ensure that all the information in their Land Rights Registries is complete and updated.



It is recommended that the **Be'er Ya'akov**, **Bat Yam**, **Tirat Carmel**, **Yavneh**, **Kafr Qasim**, **Modi'in**, and **Rehovot** municipalities appoint inspectors for the municipality's real estate property; These inspectors can also be from among the general municipal inspectors after being trained to that end and after goals have been set for them. It is also recommended that they conduct proactive and ongoing inspection visits of their properties according to the provisions of the law to detect trespassers, ensure adequate use of the properties, and collect essential information on the condition of the properties.



It is recommended that the Ministry of Interior set the desired frequency of updating the program and its format, considering the demographic changes that have occurred and those to come, the population mix, and other trends in urban development. The **Kafr Qasim** and **Modi'in** municipalities should prepare a city-wide program for public needs. It



is also recommended that the **Jerusalem** Municipality formulate a city-wide program, considering the city's size and complexity.



The **Bat Yam**, **Jerusalem**, **Modi'in**, and **Rehovot** municipalities should address the safety deficiencies. It is recommended that they prepare a plan to improve the appearance of the buildings that were found to be unkempt and their surroundings, improve their maintenance state, and make accessible the buildings that have not yet been made so. Furthermore, it is recommended that all examined municipalities examine from time to time the maintenance state of buildings and their accessibility, both in buildings under their responsibility and in buildings built by external parties or in buildings assigned to these parties and maintained by them.



It is recommended that the Ministry of Interior formulate a professional guide and guidelines for the financial management of real estate property. It is further recommended that the **Bat Yam**, **Jerusalem**, **Kafr Qasim**, **Modi'in**, and **Rehovot** municipalities continue to maximize the economic potential of their assets from an overall outlook anchored in a strategic plan for maximizing the potential of the assets in their possession. It is appropriate that the **Be'er Ya'akov**, **Tirat Carmel**, and **Yavneh** municipalities formulate such a plan.



It is recommended that the **Be'er Ya'akov**, **Bat Yam**, **Tirat Carmel**, **Yavneh**, **Jerusalem**, **Kafr Qasim**, and **Modi'in** municipalities gather data and monitor the realization of the goals for which expropriations were carried out and their deadlines. It is further recommended that the **Be'er Ya'akov**, **Jerusalem**, and **Rehovot** municipalities examine all cases where there is no documentation of the completion of the expropriation procedure, clarify the circumstances under which the expropriation was not completed, and, if necessary, examine the necessity of completing the expropriation or canceling it according to the tests established in case law.



The **Bat Yam**, **Tirat Carmel**, **Yavneh**, and **Kafr Qasim** municipalities should inform the public on the municipal website about the assets and the activities carried out on the land. It is recommended that the **Be'er Ya'akov**, **Bat Yam**, **Tirat Carmel**, **Yavneh**, **Kafr Qasim**, **Modi'in**, and **Rehovot** municipalities publish their land rights registries on their websites.



Safety and Maintenance Deficiencies in Built-up Assets

Broken building parts in a community center in **Jerusalem**



Sawn bars and the danger of falling they pose in a community center in **Bat Yam**



A protected room door blocked by objects in a youth advancement club in **Rehovot**



An improvised electrical cable for outdoor lighting at a club for the elderly in **Modi'in**



The audit team took all photographs in November 2022.



Summary

Real estate property is among the most critical and expensive local authorities' assets. Hence, it is essential to manage them according to efficiency, savings and good governance principles. Population growth is expected to expand the scope of the properties the authorities will manage, and to prepare for it, it is essential to establish an updated management concept addressing the quality of the information used for management, the required management mechanism, the integration of economic considerations in the management of the properties and the improvement of service to the public use of the properties.

Regulation is lacking, and the Ministry of Interior did not instruct the local authorities to optimally manage the properties according to desired principles while incorporating economic considerations into their management. Deficiencies were found in the examined municipalities, indicating that the management of the assets is not optimal when sometimes there is no basic infrastructure for management, such as complete and updated information and work plans, and no monitoring of the assets' state and supervision of their integrity. It was further found that asset management does not include a strategic plan for maximizing the economic potential of the local authority's assets and optimizing the use thereof.

It is recommended that the Ministry of Interior formulate a professional guide for the management of local authority's real estate properties, emphasizing the authorities that manage multiple properties or are in the process of accelerated development. It is recommended that the local authorities formulate a policy for managing the assets and include a maintenance plan and plan for maximizing the assets' economic potential. It is further recommended that the local authorities improve their information on the properties, supervise their proprietary rights, monitor their condition, and inform about the properties and their allocation on the websites.