



Report of the State Comptroller of Israel | May

Ministry of Construction and Housing

The Government's Actions Regarding Housing for the Ultra- Orthodox Population



The Government's Actions Regarding Housing for the Ultra-Orthodox Population

Background

At the end of 2021, the population of Israel was estimated at 9.45 million people, of which about 1.2 million people (about 13%) were the Ultra-Orthodox population (according to the data of the Central Bureau of Statistics (CBS)). Moreover, in 2035, the Ultra-Orthodox population is expected to reach about 2.17 million people, and its percentage of the total population is expected to increase to about 19%.

Over 60% of the Ultra-Orthodox population is concentrated around the "triangle of cities" Jerusalem, Bene Berak and Ashdod, which includes Jerusalem, Bene Berak, Bet Shemesh, Modi'in Illit, Ashdod, Betar Illit and Elad.

Since 2007, there has been a sharp increase in apartment prices in Israel. According to the CBS data, until January 2019, the apartment price index increased by about 130%. According to the National Economic Council data in the Prime Minister's Office, in 2006–2022, there was a cumulative shortage of about 189,000 housing units because the number of housing units being built was less than required according to the housing needs.

The needs of the Ultra-Orthodox population differ from those of the general Jewish population and require specific consideration. In August 2016, the government resolved on "the planning and marketing of real estate for the Ultra-Orthodox population" (government resolution on planning and marketing), according to which in 2016–2035, the construction of about 200,000 housing units for the Ultra-Orthodox population is required, and on average about 10,000 housing units per year (estimate of housing needs). The resolution included promoting the planning and marketing of land for the Ultra-Orthodox population and dedicated housing solutions, including setting objectives in the planning and marketing for the Ultra-Orthodox population for 2016–2018.



Key Figures

19%

the expected percentage of the Ultra-Orthodox population out of the total population in 2035, compared to about 13% in 2021

200,000

an estimate of the housing units required to be built for the Ultra-Orthodox population in 2016–2035, according to the government resolution on planning and marketing from 2016

about 30,000

housing units that were included in the plans for the Ultra-Orthodox population submitted by the Ministry of Construction and Housing and the Israel Lands Authority to the planning institutions in 2016–2021

about 4%

the housing units rate approved in plans for the Ultra-Orthodox population out of the housing units approved in plans for the general population in 2017–2021

about 4% only

the implementation rate (issuance of building permits by the local planning and construction committees) of the plans for the Ultra-Orthodox population submitted by the Ministry of Construction and Housing and the Israel Land Authority in 2016–2021

about 24,200

of housing units that were included in the plans for the Ultra-Orthodox population that were approved in 2017–2021

about 15,000


the land scope for the Ultra-Orthodox population (in housing units) marketed by the Israel Land Authority and the Ministry of Construction and Housing in 2016–2021

about 60%

the decrease rate in the land marketed by the Israel Land Authority and the Ministry of Construction and Housing in 2019–2021 compared to 2016–2018 – 4,230 housing units compared to 10,540 housing units, respectively




Audit Actions

 From March to November 2022, the State Comptroller's Office examined aspects of housing solutions for the Ultra-Orthodox population, including planning and marketing of land in existing communities, the establishment of a new community for the Ultra-Orthodox population, and the promotion of urban renewal among this population. The audit was carried out at the Ministry of Construction and Housing (Ministry of Construction), the Israel Land Authority (ILA), and the Governmental Authority for Urban Renewal (Urban Renewal Authority). Completion examinations were carried out at the Ministry of Economy and Industry (Ministry of Economy), the Ministry of Interior, the Planning Administration, the Civil Administration in Judea and Samaria, the Settlement Division of the World Zionist Organization, in the Authority for the Economic and Social Development of the Ultra-Orthodox Sector (the Authority for the Development of the Ultra-Orthodox Sector), in the Jerusalem Development Authority, and several local authorities (Elad, Bet Shemesh, Betar Illit, Bene Berak, Jerusalem, Modi'in Illit, Emanuel, Kiryat Ye'arim and Rekhasim).

Key Findings



 **The Housing Units in the Housing Plans for the Ultra-Orthodox Population** – given the government resolution by which 200,000 housing units should be constructed in 2016–2035 for the Ultra-Orthodox population, and on average about 10,000 housing units per year, the number of housing units in the plans submitted by the Ministry of Construction and ILA in 2016–2021 was about 29,700 housing units, about 76% of the government target for 2016–2018 and the scope of planning required according to the estimate of housing needs for 2019–2021 in aggregate; The number of housing units in the plans approved in 2017–2021 was about 24,200 housing units about 84% of the target, and the land scope marketed in 2016–2021 was about 14,800 housing units, about 49% of the government marketing target for 2016–2018 and the marketing number required according to the estimate for 2019–2021, in aggregate. The number of housing units in the housing plans for the Ultra-Orthodox population that were approved in 2017–2021 was about 4% out of about 623,000 housing units approved for the entire population; this compared to the percentage of the Ultra-Orthodox population of all households, about 7% (and its percentage of the total population – about 13%). It should be noted that the approval target recommended for the Ultra-Orthodox population is based on the professional's assumption that about 50% of the Ultra-Orthodox households are expected to find housing solutions that are not part of plans



designed for the Ultra-Orthodox population. Therefore, implementing the target should provide a solution for about 50% of the Ultra-Orthodox households.

📌 The Land Scope Marketed by ILA and the Ministry of Construction for the Ultra-Orthodox Population Compared to Marketing for the General Population

– in 2019–2021, there was a significant and consistent decrease in the land scope marketed by ILA and the Ministry of Construction for the Ultra-Orthodox population compared to the years 2016–2018 – 4,230 housing units compared to 10,540 housing units, respectively – a decrease of about 60%, while the decrease in the land scope for which transactions were signed in the general population in both periods was more moderate and was about 15% (in 2016–2018 about 111,630 housing units, and in 2019–2021 about 99,630 housing units).





📌 Setting Quantitative Targets for Planning and Marketing Land for the Ultra-Orthodox Population

– although the government resolution on planning and marketing from 2016 determined that at the end of 2018, the planning and marketing targets for the Ultra-Orthodox public will be re-examined, until September 2022, the Ministry of Construction has not completed establishing current government planning and marketing targets for the Ultra-Orthodox population from 2019 onwards. Moreover, ILA did not set targets in its work plans for the scope of planning or marketing for the Ultra-Orthodox population for 2016–2022, And although the Ministry of Construction set quantitative targets for the scope of planning and marketing for 2017–2019, these targets were not according to the targets established in the government resolution (19,500 housing units in 2016–2018 – 6,500 housing units per year on average) and compliance with them would not have guaranteed compliance with the goals set by the government. In addition, in 2020–2022, the Ministry of Construction did not set quantitative goals for the scope of planning and marketing for the Ultra-Orthodox population.

📌 Meeting the Goal of Submitting Detailed Plans to the Planning Institutions

– the government resolution on planning and marketing set a goal for submitting detailed plans to the planning institutions in 2016–2018 in the scope of 19,500 housing units (6,500 per year on average). The scope of the plans submitted by the Ministry of Construction and ILA in 2019–2021 was examined according to the exact scope assessment set in the government resolution as a target for 2016–2018 – 19,500 housing units for this period as well (the scope of planning required according to the estimate). The audit raised that the Ministry of Construction and ILA submitted plans at a rate of about 76% of the government planning target and the scope of planning required according to the estimate, as applicable, for 2016–2021, which is about 9,300 housing units less. The year 2021 stands out when plans were submitted for about 1,640 housing units – 25% of the scope of planning required according to the average estimate for the year and about 17% of the scope of the plans submitted in each of 2019–2020, on average. This adversely affected the government's ability to provide the Ultra-Orthodox population with the number of housing units it requires, according to the

housing plan for the Ultra-Orthodox population. It should be noted that the gap is highlighted compared to the estimate of housing needs, which is about 10,000 housing units per year (on average, for 2016–2035).

-  **The Land Scope Successfully Marketed in the Plans Submitted by the Ministry of Construction and the Israel Land Authority in 2016–2021 that Were Approved** – by August 2022, out of about 13,220 housing units that were included in the plans submitted by the Ministry of Construction and ILA in 2016–2021 and were approved, about 69% of them were not marketed (about 9,090 housing units). About 85% of the land scope that was not sold was in two communities where most of the population is Ultra-Orthodox – 4,060 housing units in Elad and 3,640 in Rekhasim.
-  **Building Permits Issued in Marketed Land from the Plans Submitted in 2016–2021** – by August 2022, building permits were granted by the relevant local planning and construction committees for housing units for the Ultra-Orthodox population in about 4% of the housing units that were included in the plans submitted by the Ministry of Construction and ILA in 2016–2021 (about 1,280 housing units out of about 29,700 housing units) – 1,190 housing units in Bene Berak and 90 housing units in Kiryat Ye'arim.
-  **Compliance with the Goals and Scope of the Required Planning and Marketing** – in 2016–2021, the State did not plan or market adequate land scope for the Ultra-Orthodox population. It did not meet the scope of planning and the marketing goal required to address the housing needs of this population according to the housing needs estimate. In 2016–2021, the Ministry of Construction and ILA submitted plans with a shortage of about 9,300 housing units (about half of the scope of planning required for 2019–2021, which was 19,500 housing units) and marketed land with a shortage of about 15,000 housing units (in 2016–2021 land was marketed to the extent of about 15,000 housing units only, a scope that only met the government marketing goal for 2016–2018, which was 15,000 housing units but did not meet the marketing scope required according to the housing estimate for 2019–2021, which was 15,000 additional housing units).
-  **The Housing Units in the Plans Submitted by the State and the Housing Units in all the Plans Approved by the Planning Institutions (State Land and Private Land, State Initiative and Private Initiative)** – in 2021, there was a significant decrease in the land for the Ultra-Orthodox population planned by the State compared to previous years: in 2018–2020 the Ministry of Construction and ILA submitted plans in which the number of housing units included therein was about 8,200 housing units on average per year, compared to the number of housing units in the plans submitted in 2021 which was about 1,640 housing units – about 20% of the average above. In these years, the number of housing units in the approved plans was an annual average of about 6,700. In contrast, in 2021, the number of housing units in the approved plans was about 3,730 – about 56% of the average number approved in 2018–2020.






- 📌 Formulation of an Incentive System Allowing Ultra-Orthodox Neighborhoods to be Included in 'Roof Agreements' and Development Agreements** – by the 2016 government resolution, the Director General of the Ministry of Construction, in coordination with the Chairman of the Housing Directorate and the Budget Commissioner at the Ministry of Finance, will formulate an appropriate incentive system allowing the inclusion of neighborhoods for the Ultra-Orthodox population in roof agreements and development agreements. The audit raised that until November 2022, the Ministry of Construction and the Ministry of Finance did not complete the incentive system for the local authorities to encourage the inclusion of the establishment of neighborhoods for the Ultra-Orthodox population in roof agreements and development agreements.
- 📌 Expanding the Jurisdiction Area of Ultra-Orthodox Local Authorities** – according to the housing plan for the Ultra-Orthodox population, within the framework of maximizing the construction potential in the Ultra-Orthodox areas, it is also necessary to consider expanding local authorities where the majority of residents are Ultra-Orthodox, as responding within the existing Ultra-Orthodox local authority is the best solution. A decision regarding the expansion of existing Ultra-Orthodox local authorities that was included in the government resolution on planning and marketing was mainly carried out of seven local authorities that were included in the decision, the examination of the boundary changes of three of the local authorities (Kiryat Ye'arim, Elad and Rekhasim) was completed; The examination of the boundary changes of three of the other localities is in progress (Betar Illit, Bet Shemesh, Modi'in Illit) and the examination of the expansion of one locality (Kokhav Ya'akov-Tel Zion) has not begun, however the implementation of the decision thus far has not yielded a significant addition of land for the construction of housing units, which was for the construction of only about 2,900 housing units in Rekhasim. It was further raised that in August 2022 – based on the requests being considered for the expansion of the jurisdictions of Betar Illit, Bet Shemesh, and Modi'in Illit – their expansion potential for residential needs is limited (about 2,000 housing units in Betar Illit and about 7500 dunam. in Bet Shemesh).
- 📌 Promoting Housing Solutions Within the Framework of Urban Renewal** – the Urban Renewal Authority has partial data on the number of housing units added following the urban renewal projects under NOP 38 in two of the three local authorities examined (Jerusalem and Bene Berak). It has no data on whether projects in non-Orthodox local authorities are associated with the Ultra-Orthodox population. The lack of complete data may make it difficult to formulate a well-founded policy, particularly regarding the Ultra-Orthodox population. Moreover, thus far, the Urban Renewal Authority's actions to implement a clearing-building project among the Ultra-Orthodox population in Ashdod and Jerusalem, where there is a relatively high economic feasibility for projects of this type, were not advanced despite their advantages over others.








The Geographic Distribution of the Plans Submitted and the Lands that Were Marketed for the Ultra-Orthodox Population – the plans submitted by the Ministry of Construction and ILA and the marketing to the Ultra-Orthodox population in 2016–2021 were, considerably compatible with the key considerations of the Ultra-Orthodox population in choosing a place of residence: about 93% of the housing units in the plans and 89% of the scope of marketing (in housing units) were in local authorities with a large Ultra-Orthodox population, and 76% of the housing units in the plans and 81% of the land marketed were in local authorities with relatively easy access to Jerusalem or Bene Berak. Furthermore, the Ultra-Orthodox population lives more in central-local authorities and less in peripheral ones compared to the general population, and the plans for the Ultra-Orthodox population submitted by the Ministry of Construction and ILA for 2016–2021 are not expected to change the distribution of the peripheral level of the local authorities in which they live in 2017. Therefore, in this aspect, the planning for this population is not expected to affect its access to employment significantly.

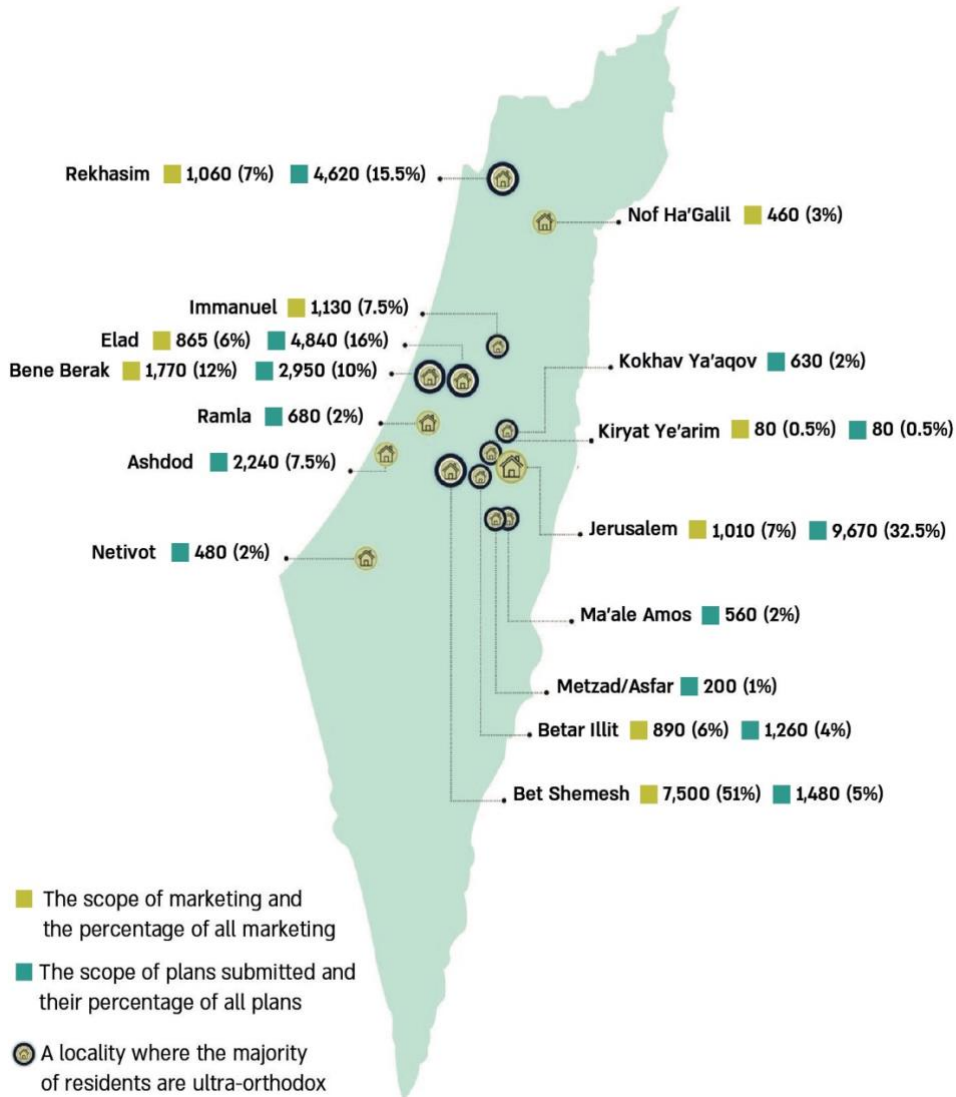
Key Recommendations

-  It is recommended that the Ministry of Construction, in coordination with the National Economic Council and the Planning Administration, formulate recommendations regarding the planning goals for the Ultra-Orthodox population as well as recommendations regarding marketing goals in collaboration with the Israel Land Authority, and submit them to the Minister of Construction and Housing for examination and for the approval of the Ministerial Committee on Housing (the Housing Cabinet). All this is according to a recent estimate of the Ultra-Orthodox and general populations' housing needs, considering the potential of the housing solutions the government can promote.
-  It is recommended that the Ministry of Construction and ILA, in cooperation with the Planning Administration, promote the planning and marketing of land for the Ultra-Orthodox population to meet its housing needs, according to the goals that will be set and considering the housing solutions that are possible and that should be promoted for the entire population. It is further recommended that the Ministry of Construction and the ILA jointly follow up on the degree of compliance with the goals and report periodically to the Minister of Construction and Housing.
-  It is recommended that the Ministry of Construction better the data and the controls concerning them so decision-makers will have a reliable situation report of the plans' progress and implementation.



-  According to the government resolution on planning and marketing, the Ministry of Construction and the Budget Division should complete the formulation of an incentive system allowing local authorities of heterogeneous populations to sign a roof agreement and development agreements to integrate neighborhoods for the Ultra-Orthodox population.
-  It is recommended that the Ministry of Construction inform the Minister of Construction and Housing of the low potential for additional housing units from the expansion of the jurisdictions of the Ultra-Orthodox local authorities to update the Housing Cabinet accordingly to consider creating alternative housing solutions for the Ultra-Orthodox population.
-  To provide options for diverse employment on the scale required for the residents of Kasif – the new urban community for the Ultra-Orthodox population that has not yet been established, and to promote its economic strength, it is recommended that the Ministry of Construction, the Ministry of Economy and the Ministry of Finance formulate a strategic plan for the employment of the residents of Kasif. This plan will determine the employment outlook in the area. Accordingly, it is recommended that they also formulate a multi-year work plan in which, among other things, goals will be set for the types of employment, areas of employment, the rate of the employed, the characteristics of those employed, and the unique services required for employment, including a plan to incentivize employers for the development of sources of employment in Kasif.
-  It is recommended that the Ministry of Construction and ILA, in cooperation with the Planning Administration, consider promoting planning that includes mixed uses in construction projects for the Ultra-Orthodox population, for example, by designating upper floors for employment needs in local authorities, in particular Ultra-Orthodox ones, where it is customary to limit the height of residential floors, as a response to parts of the Ultra-Orthodox population who refrain from using elevators on Shabbat for religious reasons.
-  It is recommended that as a basis for formulating a policy, the Urban Renewal Authority will turn to the local authorities from which it receives data regarding urban renewal projects and cooperate with them to better the data it receives from them and, upon receiving it, analyze the data to learn the extent of the urban renewal projects promoted among the Ultra-Orthodox population. It is further recommended that the Urban Renewal Authority cooperate with the municipal administrations for urban renewal in local authorities where there is an Ultra-Orthodox population in whose funding it participates, such as in Jerusalem and Ashdod, to promote urban renewal among this population, and mainly to promote clearing-building projects. It is further recommended that action plans be formulated accordingly to promote projects for this population.

The Housing Units in Plans for the Ultra-Orthodox Population and the Land Marketed to Them in Different Local Authorities, 2016–2021 (in numbers and percentages *)



According to ILA and the Ministry of Construction data, it is processed by the State Comptroller's Office.

* Out of all the housing units in these plans and the land sold.



Summary

In 2016, the government recognized the estimate of the housing needs of the Ultra-Orthodox population, according to which the construction of a total of 200,000 housing units is required in 2016–2035 for this population, and also recognized the importance of providing a dedicated response to the matter. Accordingly, the government decided to promote the planning and marketing of land for this purpose. According to the housing plan for the Ultra-Orthodox population, the extent of the response to this need is based on a response that will be provided both in designated construction that the State will initiate: about half – mainly through the Ministry of Construction and the Israel Land Authority; About half – through market forces and private enterprise. Promoting dedicated housing solutions for the Ultra-Orthodox population enables adequate response to the unique needs of this population and, at the same time, can reduce the potential friction between it and other populations.

The audit raised that, following the government's resolution, the Ministry of Construction and ILA did promote the submission of plans and land marketing to the Ultra-Orthodox population in 2016–2021. The main focus was on relatively central local authorities and according to considerations of importance to the Ultra-Orthodox population in choosing a place of residence: about 93% of the housing units in the plans and 89% of the land marketed were in local authorities with a large Ultra-Orthodox population, including Elad, Bet Shemesh, Bene Berak, and Jerusalem. 76% of the housing units in the plans and 81% of the land marketed were in local authorities with relatively easy access to Bene Berak or Jerusalem, for example, in Elad and Bet Shemesh.

However, the scope of planning and marketing was lower than required to meet the housing needs of the Ultra-Orthodox population according to the housing plan for this population: the number of housing units in the plans submitted in 2016–2021 was about 29,700 housing units – about 76% of the government planning target and the scope of the planning required according to the cumulative estimate (39,000 housing units); The number of housing units in the plan's approved in 2017–2021 for the Ultra-Orthodox population was about 24,200 housing units, about 16% less than the recommended scope (about 28,700 housing units); And the scope of land marketed in 2016–2020 for the Ultra-Orthodox population was about 13,570 housing units, only about 54% of the marketing target and of the required marketing scope according to the estimate for these years (25,000 housing units), compared to about 164,600 housing units, about 80% of the transaction target regarding the lands that ILA marketed to the entire population in these years (205,000 housing units).

Therefore, the scope of the housing plans for the Ultra-Orthodox population approved in 2017–2021 was about 4% out of about 623,000 housing units approved for the entire population in those years.

It was further raised that until October 2022, considering expanding the jurisdiction of Ultra-Orthodox local authorities, did not yield a significant addition of land for the construction of



housing units for the Ultra-Orthodox population. Concerning Kasif, the construction of about 5,000 housing units has been promoted until 2022. It is necessary to consider solutions in employment and transportation for the future population of this local authority.

It is recommended that the Ministry of Construction – in coordination with the National Economic Council, the Planning Administration, and ILA, as well as with the Authority for the Development of the Ultra-Orthodox Sector, as applicable – submit to the Minister of Construction and Housing recommendations on land planning and marketing goals for the Ultra-Orthodox population. These will be formulated according to a recent estimate of the housing needs of the Ultra-Orthodox population and the general population and considering the potential of the housing solutions that the government can promote.

It is further recommended that the Ministry of Construction and ILA, in cooperation with the Planning Administration, promote the planning and marketing of land for the Ultra-Orthodox population to meet its housing needs, according to the goals that will be set and considering the housing solutions that should be promoted for the entire population. It is further recommended that the Urban Renewal Authority enable the urban renewal processes among the Ultra-Orthodox population, in cooperation with the relevant local authorities, as appropriate, while paying attention to the unique barriers to its advancement among this population.

