



Report of the State Comptroller of Israel | May

Israel Land Authority

Planning & Marketing Residential Land



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Background

Apartment prices in Israel have been on the rise since 2007. According to the Central Bureau of Statistics, by January 2019, the House Price Index had increased by 130%, while the average gross household income increased only by 50%. From January 2019 to July 2022, the House Price Index increased by 37%. These trends added a significant burden to households' housing costs, particularly to low and middle-income households.

Housing prices are affected, among other things, by the supply-demand ratio. According to the National Economic Council at the Prime Minister's Office (the National Economic Council), in 2006–2022, a cumulative shortage of about 189,000 housing units was created because the number of housing units built was lower than the number needed.

The state and its institutions can affect housing supply and, by doing so, regulate housing prices, mainly because the state has extensive tools and resources, such as control over most of the State Land (90%), in addition to its involvement in planning processes and its control over the development of national infrastructures necessary for the development of residential neighborhoods. The Israel Land Authority is the main governmental body in charge of increasing housing supply due to its involvement throughout the production chain of housing units, from land planning through marketing to development.



Key Figures

189,000

accumulated shortage of housing units in 2006–2022

208%

increase rate of the House Price Index in 2007–2022

600,000
housing units

were approved by planning bodies in 2017–2021, of which 384,000 (about 64%) were based on public initiatives¹

114
residential plans

of the 324 plans approved in 2017–2021 (about 35%) based on public initiatives which face various barriers at the marketing, construction, or occupancy stages

only 14%
(53,500)

of the total housing units (384,000) approved in 2017–2021 based on public initiatives plans were marketed

28%

of the plans that included about 52% (about 192,000) of the total housing units were approved by district committees at a delay (not within 18 months – standard time)

80%

rate of meeting government's transaction objectives (164,000 out of 205,000 housing units) by Israel Land Authority in 2006–2021

54,000
housing units

that have not been completed and for which extensions were granted in 2017–2021 by the Israel Land Authority

Audit Actions



The State Comptroller Office examined the Israel Land Authority's planning and marketing of residential land from February to September 2022. The audit examined the implementation of the strategic housing plan, statutory planning of residential land, marketing, and conducting residential land transactions. The audit focused on the Israel Land Authority. Supplementary audits were conducted at the Planning Administration of

¹ Initiating and advancement of planning by governmental bodies such as Israel Land Authority, the Ministry of Construction and Housing and the Planning Administration, as well as public bodies such as local authorities.



the Ministry of Interior, the Ministry of Construction and Housing, Israel Mapping Center, the Ministry of Finance, the Prime Minister's Office, and the Central Bureau of Statistics.

Key Findings



Gaps Between Housing Needs and Construction Completion – as of the audit end date, according to the National Economic Council, there is a shortage of 189,000 housing units in all districts, vis-à-vis the housing needs. The most significant shortage is in the Central and Jerusalem Districts – 55,000 housing units and 46,000 housing units, respectively. There is a shortage of 34,000 housing units and 25,000 housing units in the Southern District and Tel Aviv District. It should be noted that in 2020–2021, apartment prices continued to rise by an additional 19%.



Objectives for Approving Detailed Plans in Planning Institutions by Geographic Division – in the government decision from March 2017 – the "Strategic Plan of Housing," the Housing Needs Forecast was adopted and presented to the Housing Cabinet in February 2017. According to this plan, construction of about 1.5 million housing units was required in 2017–2040, and a comprehensive objective of planning about 2.6 million housing units was set based on the requirement above. The strategic plan set, among other things, quantitative objectives to approve housing units in detailed plans for 2017–2040 by districts. Reviewing the five-year years overall, the strategic plan objective for 2017–2021 for approving housing units with detailed plans were achieved. Nevertheless, in Tel Aviv and Central Districts, the most desirable districts, there was 96% performance (83,000 housing units, compared with an objective of 86,000 housing units) and 96% performance (154,000 housing units, compared with an objective of 163,000 housing units), respectively. The number of approved housing units in these districts was lower (by 12,000) than the objective (237,000 housing units compared with an objective of 249,000 housing units). On the other hand, in the Northern and Southern Districts, in the periphery, where there is no significant gap between the volume of construction completion vs. the demand for housing units, the rate of approved housing units with detailed plans is 121% (93,000 housing units, compared with an objective of 77,000 housing units) and 118% (129,000 housing units, compared with an objective of 109,000 housing units), respectively. The number of approved housing units in these districts was higher (by 36,000) than the objective (222,000 housing units, compared with an objective of 186,000 housing units). Thus, in the Central and Tel Aviv Districts, which significantly affect housing prices, there is a shortage of detailed planned housing units, while in the Southern and Northern Districts, there are some planning surpluses.



Action Plan for Initiating Detailed Planning of Land – it was found that the Israel Land Authority and the Ministry of Construction and Housing have not formed an action plan for initiating statutory planning according to the action plan for strategic planning formed at the Planning Administration set in the government decision on the strategic plan.


Action Plans for Implementation of the Strategic Plan – according to the strategic plan, the Planning Administration should form an action plan for strategic planning, enabling the formation of a housing unit's inventory necessary for meeting the annual planning objectives. In 2018, the Israel Land Authority examined the action plan and found that contrary to the Planning Administration's determination that the action plan fully addresses the strategic plan's objectives, it addresses only 88% of the set planning objectives for 2018–2040, and that there is a gap of about 166,000 housing units between the set planning objectives in the strategic plan and the action plan. It was further raised that the action plan includes many non-statutory plans and sites for long-term development (without plan numbers and or name of company) that only outline directions for long-term development in a very low level of certainty for implementation in the short-middle term. A subsequent review of the updated action plan from April 2022 raised that it includes 2.9 million housing units, of which about 69% (2 million) are included in the non-statutory plans and sites for future development. Therefore, despite the changes in the pool of plans since the review conducted by the Israel Land Authority in 2018, the rate of housing units has not changed with a very low level of certainty for implementation in the short to medium-term.


Reporting to the Housing Cabinet & the Involvement of the Israel Land Council – according to the government decision on the strategic plan from March 2017, the Housing Headquarters and the Planning Administration would update the Housing Cabinet once a year about the objectives meeting defined in the above decision. Nevertheless, the audit raised that in December 2018, the Planning Administration submitted a report on approving housing plans for that year to the Housing Cabinet. Still, apart from this report, no additional annual reports were submitted to the Housing Cabinet in 2019–2021 on the degree to which the strategic plan's objectives are met once a year, as required in the government decision. Moreover, an examination of the Israel Land Council's agenda in 2017–2022 raised that it did not discuss this topic, nor did it examine whether the Israel Land Authority has carried out its duties according to the strategic plan and if its objectives are in line with the plan objectives and has not set any action plan or comprehensive policy.


Urban Renewal – the urban renewal targets were set as the relative percentage of housing units out of the housing targets for approval in detailed plans, and of the planning target of 2.6 million housing units in the strategic plan, 852,000 housing units are (about 33%) within the framework of the plan. It was found that the objective for the following decade (2021–2030) for detailed planning in the urban renewal program, according to the strategic plan, is only 51% of the housing units built before 1980 meet




the need for urban renewal. Furthermore, as of the audit end date, the Ministry of Construction and Housing and the Budgets Department had not formed the urban renewal action plan set in the government decision. The audit further raised that the Israel Land Authority's work plans for 2017–2018 and 2021 did not include any objectives or tasks of urban renewal. On the other hand, in 2019–2020, the Israel Land Authority set some objectives and tasks for urban renewal; however, no specific objectives, immediate tasks, or KPIs were set. Moreover, most housing units (79%) included in the urban renewal program and approved in 2017–2021 were based on private initiatives, and only a minority were based on public initiatives. Despite the moderate increase in the rate of urban renewal housing units based on public initiatives in 2017–2021 (from 12% to 24%), the planning rate of urban renewal housing units based on public initiatives remained significantly lower than the rate of housing units based on private initiatives.

 **Duration of Management of Detailed Housing Plans by Planning Bodies** – it was found that about 28% (1,529) of the plans, including 52% (about 192,000) of the total housing units, were approved at the district committees with a delay that exceeded the standard time (18 months); 48% of the housing units approved in that period were included in the plans for which a decision was made in the standard time. Furthermore, about 35% of the housing units were included in plans for which a decision was made within 19–36 months, and about 16% of the housing units were included in plans for which a decision was made within a time frame longer than 37 months. As for the approval of plans based on public initiatives by the district committees, it was found that only about 50% of the plans, which included about 54% (94,000) of the housing units, were approved in the standard time.


 **Availability for Marketing of Detailed Housing Plans** – it was found that the housing units rate marketed out of the total number of the plans that were approved were between 2% in 2019 and about 31% in 2018, I.e., low rate of utilization of planned land for marketing purposes, and particularly so in 2019–2021. It was further found that there were barriers in 114 (35%) out of the 328 plans that were approved in 2017–2021: in 95 (83%) plans of about 140,000 housing units at the marketing phase; in 16 plans of 43,000 housing units, at the construction permit phase; and in 3 plans of 7,000 housing units, at the occupancy phase.


 **Management of Barriers' Data Base** – it was found that the Israel Land Authority classifies all housing units included in the plan with barriers as "blocked" plans, although, in practice, only some of the units are blocked. The Israel Land Authority does not have a full situation report about the inventory of housing units included in the approved plans and available for marketing and construction. Hence, it is difficult to get reliable information about the scope of different barriers, address them, or set an appropriate action plan to remove them.


 **Publication of Real Estate Tenders** – according to the Israel Land Authority's annual statements, it has met the government and its objectives, except for 2019, when it met



80%. Nevertheless, housing units published in a real estate marketing tender in a particular year are reported as being marketed in that specific year. However, if the marketing fails and they are included in another real estate tender, they would also be reported as being marketed in another tender. Thus, the accumulated number of reported housing units is higher than those that are added to the market. It was further found that the reported data included the marketing of housing units exempted from tenders, although the objectives set by the government only referred to marketing through tenders. Moreover, at the end of the year, the Israel Land Authority sometimes publishes immature tenders that include barriers that were already known at the time of publishing. As a result, some of the tenders are rejected time and time again, and some are canceled and then published again. As aforesaid, these housing units are sometimes included in the total number of units marketed by the Israel Land Authority, even when the marketing was canceled or failed, and are counted again when they are republished.

 **Failed Land Marketing Tenders** – according to an examination of 1,327 public tenders for residential land marketing, published by Israel Land Authority in 2017–2021, 362 tenders of 63,000 housing units (26%) were not successful, i.e., no winners were declared, not even for some of the published housing units. In addition, 81 of the tenders (16,000 housing units) were canceled after publication. About 47% (about 30,000 housing units) of the unsuccessful tenders were published in the Southern Region, Northern Region, the Golan Heights, Judea, and Samaria.

 **Meeting Transactions' Objectives** – in 2016–2021, the Israel Land Authority conducted transactions of 164,000 housing units, as opposed to the governmental and Israel Land Authority's objective of 205,000 housing units. Hence, only 80% of the objectives were met. The annual performance rate was 65%–93%. Moreover, there was a decrease in the transaction objective set by the Israel Land Authority: from 40,000 units in 2016 and 45,000 units in 2017–2019 to 30,000 units in 2020 – a reduction of about 33%. As for the transactions that were conducted from 2017, there was a consistent decrease in the number of transactions, and, on the whole, the reduction rate in that period was 19%.

 **Cancellation of Transactions and Granting Extensions for Their Execution** – according to the Council's decision, the Israel Land Authority generally cancels transactions if the entrepreneur does not meet construction completion deadlines set in the agreement. However, the Israel Land Authority is entitled, subject to payment, to grant extensions to entrepreneurs who did not meet the deadlines. The duration of the extension would be up to four years after the agreed-upon date of construction completion set in the agreement. At a meeting held in 2015, the Council discussed the updating of the above decision, and the Israel Land Authority reported that 22,800 residential plots were part of agreements that were about to expire by the end of 2015 and where no housing units had been built; and that 91% of these plots are intended for low buildings, and the rest are intended for condominium complexes. It was raised that the Israel Land Authority does not have updated, comprehensive information about



the scope of residential lands included in expired agreements and where no housing units had been built. Israel Land Authority does not check whether the entrepreneurs are meeting the agreement terms concerning construction completion and, thus, does not have the construction status on the allocated plots. In 2017–2021, construction extensions were granted for 54,000 housing units, and about NIS 108 million were charged for the extensions. It was further found that there has been a decrease in the number of housing units for which lessees applied to the Israel Land Authority for extensions. This is due, among other things, to the fact that entrepreneurs who won affordable housing tenders have been exempt from paying for extensions since 2017, according to the Council's decision, so they might not have submitted an extension application.



Pooling & Sharing Information in the Construction Industry – of the ten clauses of the government decision from March 2021, that were reviewed during the audit, addressing pooling and sharing of information for planning, implementation, and improvement of regulation in construction, two clauses had been fully implemented; five clauses had been partially implemented – including characterization of a national platform to present planning information and identifying the scope of plans' implementation; and three clauses had not been implemented at all – including formation of a forecast for implementing approved plans that had not been implemented yet, and conducting a five-year evaluation of unimplemented marketing. Failure to implement the decision may hinder the entities involved in the housing market, including the Israel Land Authority, the Ministry of Construction and Housing, and the Planning Administration to ensure that the plans initiated and approved by the planning institutions are realized through the marketing of land for construction and the execution of construction by entrepreneurs.










Publication of Online Real Estate Tenders – Israel Land Authority has completed the tender bidding process entirely online.

The Director Generals' Forum for Removal of Barriers – the forum encompassing director generals of various government ministries and other governmental bodies – was established to advance governmental cooperation in housing and periodically discuss planning and development barriers to increase housing supply.

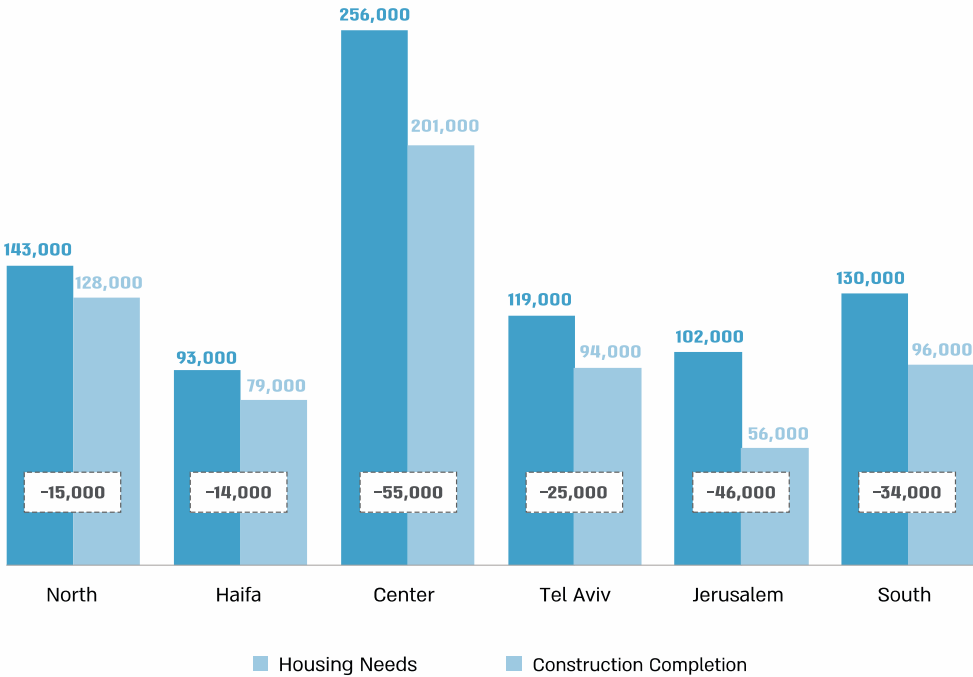


Key Recommendations

-  To meet the objectives of the following five-year strategic plans, it is recommended that the Planning Administration advance and approve detailed plans, particularly in the Central District, Tel Aviv District, and Jerusalem District, considering planning surpluses in the Southern and Northern Districts to appropriately address the demands in the center of Israel significantly affecting housing prices.
-  Israel Land Authority and the Ministry of Construction and Housing should form an action plan for initiating detailed planning of Israeli land set in the government decision.
-  The Planning Administration should ensure it submits annual reports to the Housing Cabinet to meet the strategic plan's objectives.
-  It is recommended that the Minister of Construction and Housing, the head of the Israel Land Council, hold the Council's discussions, periodically or at least once a year, on the strategic plan and advance an action plan or a comprehensive policy for initiating land planning set in the plan. It is further recommended that the Council supervise the Israel Land Authority's actions.
-  As most of the plans relate to a small number of housing units, and given the increasing rate of such plans, it is recommended that the Planning Administration Prioritization detailed plans for advancement in planning institutions according to the number of housing units in them and focusing on plans that include a large number of housing units, which might lead to a more effective outcome.
-  It is recommended that the Israel Land Authority examine the low marketing rate out of the planning inventory added in 2017–2021, emphasizing demand areas and identifying the factors delaying their marketing.
-  The Planning Administration, the Israel Land Authority, the Ministry of Construction and Housing, the Prime Minister's Office, Israel Mapping Center, and the Urban Renewal Authority should collaborate to complete the implementation of the government decision on pooling and sharing of information in the construction industry.



Accumulated Gap Between Housing Needs and Construction Completion, by Districts, 2006–2022



According to the National Economic Council, processed by the State Comptroller Office.



Summary

The Strategic Plan for Housing from 2017 was intended to present to the Planning Administration and planning bodies, including the Israel Land Authority, the quantitative objectives necessary to meet the housing needs of the population, and it initiates integrated government processes designed to realize the construction of housing units and related infrastructure. According to the plan, in 2017–2040, it will be necessary to plan 2.6 million housing units, and a significant part of the detailed planning objectives was based on Israel's land planning and the Urban Renewal program.

The audit raised that some measures to implement the strategic plan were never taken. Israel Land Authority and the Ministry of Construction and Housing did not form an action plan for the strategic planning; the Ministry of Construction and Housing, the Housing Headquarters, and the Budgets Department at the Ministry of Finance, in coordination with Israel Land Authority, did not form an urban renewal action plan according to the government decision. The rate of housing units planned in high-demand areas was lower than the strategic plan objectives while planning surpluses were in the periphery. The Planning Administration did not submit regular reports on the strategic plan to the Housing Cabinet set in the government decision, and the Council did not discuss the strategic plan or instruct the Israel Land Authority to form a long-term work plan according to the plan's objectives. As for the approval of plans by the planning committees – the rate of plans that were not approved within standard time (18 months) was 28% in 2017–2021.

Israel Land Authority and the Ministry of Construction and Housing should form an action plan to initiate detailed planning of Israeli land set in the government decision. The Ministry of Construction and Housing, in participation with the Budget Department at the Ministry of Finance and in coordination with the Israel Land Authority, should form an urban renewal action plan, an implementation forecast, and a five-year evaluation of the expected marketing of approved housing plans. The Planning Administration should shorten the time frame needed for advancing detailed plans at the planning committees, optimize the data about urban renewal to present an updated, comprehensive situation report to decision-makers, and submit to the Housing Cabinet annual reports on the extent to which the plan's objectives are met. It is recommended that the Minister of Construction and Housing, the head of the Israel Land Council, hold a periodic or at least an annual Council discussion on the strategic plan and advance an action plan or a comprehensive policy for initiating land planning set in the plan. It is further recommended that the Council supervise the Israel Land Authority's actions. Moreover, the Planning Administration, Israel Land Authority, the Ministry of Construction and Housing, the Prime Minister's Office, Israel Mapping Center, and the Urban Renewal Authority should fully implement the government decision on pooling and sharing information in the construction industry.