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Israel to build 150,000 rental units over next decade

Yesh Atid plan would hasten construction on agricultural land surrounding Israel's 15 largest cities by streamlining planning process.

By Ranit Nahum-Halevy | Mar. 19, 2013 | 9:51 AM

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The government will initiate the building of 150,000 residential rental units over the next 10 years, including 75,000 within the first five years, according to the coalition agreement between Likud-Yisrael Beiteinu and Yesh Atid.

The apartments will be built on agricultural land surrounding Israel's 15 largest cities. The program is in line with the housing platform presented in the election campaign by Yesh Atid and its leader Yair Lapid, who managed once again to twist the arm of Prime Minister Benjamin Netanyahu.

To advance the project, the government will initiate legislation for centralizing and expediting the planning and implementation by means of a single committee.

The law, to be called the National Housing Project, will combine all the country's planning authorities under one roof. A government corporation under the auspices of the Housing and Construction Ministry will be established within three months after the bill is passed to locate the land and oversee development.

"It is an interesting move to promote rental construction in Israel and can succeed where other attempts have failed," says Prof. Rachelle Alterman of the Technion's Center of Urban and Regional Studies. "It involves construction of 15,000 apartments a year, equal to 40% of the Israel's total housing starts."

But Alterman expressed some reservations. "Such a large number of rental units shouldn't be concentrated on the outskirts of cities," she continues. "This could weaken the city and lead to urban and social polarization."

The project will be conducted on a build-operate-transfer, or BOT, basis. The land itself will be allocated to developers free of charge in exchange for construction but will remain under state ownership. Construction will be financed through long-term government bonds to be repaid from rental income.

Participants in the tenders will be required to rent out the units at 30% below the prevailing market price for 10 years. The apartments will be earmarked for groups to be defined as having priority, including police, nurses, firefighters and members of the security forces.

The government intends to rush passage of the legal reforms required, in all likelihood through the Budget Arrangements Law.

Under the coalition agreement, the reforms will also encourage rental projects in other ways. For example, projects earmarked for renting will be eligible under municipal building codes for 20% extra building rights. Another would divert 25% of a residential project's building rights to commercial or office use.

The reforms will also include reducing bottlenecks at the district planning committees by transferring authority to local committees, which will be allowed to approve larger projects than before.

"The emphasis here is on creating mixed neighborhoods. There will no longer be residential areas separated from commercial and business centers, but rather they will sit together, something that will give life to places instead of ghost towns," says Alterman.

"We have to delegate authority. We can't speed up the [approval] processes without a significant move to decentralization."

Another reform being promoted calls for the creation of building license organizations that will operate privately and issue permits according to a specific timetable. The planning authority will get its own legal counsel, rather than relying on the Interior Ministry.

The plan is likely to encounter opposition. "The attempt to advance reforms by a rapid planning process, which precludes a deep and serious discussion, is outrageous. I'll do everything I can to stop it," said MK Dov Khenin (Hadash).

"You can't undertake such a fundamental change of the planning apparatus, which has such a wide-ranging social and environmental impact. Previous reforms were done after lengthy discussion in the presence of MKs, professionals and organizations."

Adam Teva V'Din – The Israel Union for Environmental Defense also blasted the reform. "The contours of the coalition agreements for planning reform are anti-environment, anti-social and anti-democratic, which will cause a deadly blow to Israel's social and environmental fabric," the organization said. "We expected from those who promised a new politics that they would promote affordable housing and housing for the lowest income groups and not bind themselves to law that plays into the hands of capitalists."