Spatial Planning and Policy in Israel

THE CASES OF NETANYA AND UMM AL-FAHM



OECD

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Foreword

How land is used affects a wide range of factors, from day-to-day quality of life factors, such as the availability of food and clean water and the length of daily commutes, to the long-term sustainability of urban and rural communities, including the possibility for climate change adaptation and mitigation. How governments regulate land use and address public and private investment, how competencies are allocated across levels of government, and how land use is taxed, are critical for all of these things and more.

The importance of better understanding land-use policies has been underscored by a wide range of developments, including the recent formation and subsequent bursting of real estate bubbles in a number of OECD countries, the growth of renewable energy production, changing demographics, the provision of public services including public transport, environmental concerns, spatial planning, changes in lifestyles and tourism, and growing concerns regarding food security. These examples illustrate the strong relationship that currently exists between land-use policies, social development and macroeconomic trends.

The interactions between institutions and markets can heavily influence the supply, availability, function and location of land. A major function of the planning system is to balance property rights against the public interest by translating spatial development processes into physical form. Land-use regulations and tax regimes create various incentives and disincentives that are played out across landscapes. The interface between these issues is complex and often contested, in particular on the fringes of urban and rural areas, in brownfield redevelopment zones, and in areas of social deprivation. Any policy interventions, therefore, need to be carefully designed to be effective. A major role of planning is to proactively address and mediate these conflicts where they occur. This requires strong public engagement and communication – hence a growing tradition of collaborative and communicative planning.

Given the "nestedness" of spatial planning, it is no surprise that the multi-level governance challenges involved are complex – determining the appropriate level of planning, regulation oversight and implementation is difficult. Moreover, forms of land governance are likely to depend on the institutional history of a country and are, for example, often influenced by the country-specific evolution of the system of property rights, land-use planning and land market institutions.

This report is produced by the OECD's Regional Development Policy Committee (and its Working Parties on Urban and on Rural Policy) as part of its programme of research on the governance of land use. This study of spatial and land-use planning in Israel is the fifth of several land-use studies that the OECD has undertaken. The report, together with other governance of land-use case studies, has in turn informed *The Governance of Land Use in OECD Countries: Policy Analysis and Recommendations* (2017), which provides policy analysis and a synthesis of the main recommendations from OECD work on land use. The OECD has also produced a companion volume to this report – *Land-Use Planning Systems in the OECD: Country Fact Sheets* (2017) – which provides a descriptive overview of land-use planning systems across OECD countries.

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Acronyms and abbreviations

BoI	Bank of Israel
CBS	Central Bureau of Statistics
DMP	District Master Plan
ILA	Israel Land Administration
IPA	Israeli Planning Administration
ILS	New Israeli Shekels
LCMP	Local Comprehensive Plan
LMP	Local Master Plan
NPP	National Master Plan
VATMAL	National Planning and Building Committee for Priority Housing Areas

Executive summary

In 2011, hundreds of thousands of Israelis took to the streets to protest the rising cost of living. Real house prices and rental prices had been increasing steadily and rapidly: 80% and almost 40%, respectively, between 2008 and 2016. In comparison, real average wages rose by less than 4% over the same period. The surge in housing prices had been driven in part by slow and rigid regulatory procedures that had not allowed the housing supply to keep up with the strong demand. The accumulated housing shortfall was estimated at 100 000 residential units with the expectation of a further increase as the population grew.

In response, the national government has developed a range of legislative and administrative mechanisms to quickly increase housing supply, such as speeding up construction approval for projects, including large-scale residential developments. It has also developed a long-term housing strategy that addresses housing and its interdependencies with transport, infrastructure and employment. In addition, ongoing reforms aim to further streamline planning procedures.

Key findings

- **The land-use planning system in Israel is highly centralised with strong oversight of local planning decisions.** In 2014, some planning authority was shifted from regional to local level to make the planning process more efficient. Prior to this reform, local planning authorities had limited ability to adapt the use of land to their local needs. Decentralisation efforts have been accompanied by some capacity building at the local level, allowing local authorities to take on greater planning responsibility. Recent reforms have not, however, created tools that are flexible enough to allow local authorities to address their specific land-use challenges and they thus remain highly dependent on central planning decisions.
- **Large-scale housing developments are often implemented on state-owned land which can be more easily placed on the market and developed.** While 93% of land in Israel is state-owned - a high rate among OECD countries - much of the land in the centre of cities founded before 1948 is privately owned. While the Planning and Building Law does not in principal differentiate between types of land tenure, land-related policies, such as large-scale housing programmes, are often easier to implement on state-owned land. Thus, such developments are more likely to occur on the peri-urban fringe. Recent policy programmes support urban densification and renewal - often on privately owned land – but this may not be enough to meet housing demand. The numeric housing targets set by the government might therefore only be achieved with large-scale developments, which could come at the cost of a less compact and less sustainable form of urban development and which could counteract a wider inclusive growth agenda.

- **In the city of Netanya, fiscal incentives have led to spatially segregated neighbourhoods.** Residential developments are typically associated with a net loss in local government budget because the cost for service provision exceeds the revenue from residential property taxes and fees. To minimise these fiscal losses, Netanya has followed a strategy of developing housing that attracts higher income households. As a result, the city has inadvertently created spatially segregated neighbourhoods: new neighbourhoods in the south are dominated by dispersed high-rise buildings with exclusively large apartments while the historic core in the north is characterised by small apartments. Furthermore, plots of undeveloped land in the geographic centre separate the north from the south.
- **The city of Umm al-Fahm has developed in the absence of suitable land-use plans and there is an increasing shortage of housing, commercial space and public amenities for its growing population.** As in many other cities in Israel with a predominantly Arab population, addressing these needs in Umm al-Fahm is challenging as most land is privately held. Freeing up developable land involves complex and time-consuming processes, such as land readjustment, for example. Acknowledging the increasing socio-economic challenges facing cities with a predominantly Arab population, several new government initiatives have been adopted to boost the supply of housing units in different tenure types; improve the planning capacity of local authorities; create economic opportunities; increase access to basic services; and provide public amenities, infrastructure and open spaces. The success of these government initiatives, in conjunction with land-related policies that acknowledge the unique characteristics of such cities, will be essential for inclusive development and economic growth.

Key recommendations

- **The devolution of planning power requires flexible tools.** Local authorities need to be able to address specific local challenges. To build on the positive steps taken through recent reforms to the planning system, it is critical to include both private and publicly-owned land in plans and policies and acknowledge the specifics of these two tenure types. To upgrade and intensify development in densely populated areas, flexible tools such as experimental zones are needed. This will require community buy-in and approaches that facilitate co-ordination with existing home and land owners. Such flexible tools are particularly critical for areas with higher shares of private land, such as Umm al-Fahm.
- **The success of recent reforms of the Israeli planning system needs to be monitored based on suitable indicators that account for local specificities.** Such indicators should illustrate not only the realisation of numerical targets for approved housing units, but also provide information on newly constructed units, the location of developments and accessibility to jobs based on different modes of transport.
- **The long-term impact of strategic housing objectives on urban development needs to be evaluated.** The immediate need for affordable quality housing is addressed through programmes intended to significantly increase housing supply in the short to medium term. Land-use decisions have long-term consequences, and the impact of aforementioned programmes should be evaluated not only with respect to projected future housing needs but also in terms of its effect on urban

form and function. In addition, regular evaluations should be incorporated into the framework of the national strategic housing programme to assess the interdependencies between housing development goals, transportation and employment.

- **Mixed-use developments should be encouraged to minimise mobility needs and ensure sustainability.** This might require regulatory or financial support since developers tend to have a preference for profitable residential developments as opposed to mixed-use developments, as can be seen in the case of Netanya. Furthermore, large residential developments in peripheral locations should ensure access to employment and services by also providing high-quality public transport.

Assessment and recommendations

Israel is in the process of addressing the challenges resulting from a legacy of inefficient regulatory procedures

The regulation of land use in Israel is anchored in a centralised top-down planning system that underwent major reforms since 2011. The need for reform was driven by slow and rigid planning procedures that, in combination with macroeconomic circumstances and continuous population growth, could not accommodate the high demand for housing, thus contributing to a significant housing shortage. As a result, house and rental prices were increasing steadily: 80% and almost 40%, respectively, between 2008 and 2016. In contrast, real average wages increased only by 4% over the same period. In 2011, thousands of people protested against the rapid increases in cost of living, which steered the national government's focus towards addressing the undersupply of housing. At present, the housing challenge is addressed in two parallel approaches: first, ongoing reform processes aim to eliminate structural deficiencies in the planning system; and second, the introduction of short- to medium-term programmes that allow a quick increase in housing supply complemented by the development of a long term housing strategy.

The planning system in Israel is based on the Planning and Building Law of 1965 that defines planning institutions and authorities, planning procedures, the types of plans and the hierarchy between them. Land-use planning in Israel is conducted at three different scales matching the national, the regional and the local level. While Israel is a unitary country with only one layer of subnational government (local governments), it is also divided into six administrative planning districts that are responsible for planning at a regional scale. Within the planning system, the national government plays a major role in determining local land uses. It elaborates national master plans that set detailed development objectives for the country which influences the spatial distribution of economic activities and determines the location of critical infrastructure. In addition, the national government provides the majority of representatives for the planning institutions within the six district planning committees. It therefore not only has the power to guide development through the creation of binding national and district master plans, but is also responsible for the approval of many plans at the local level.

Reforms of the Planning and Building Law aim to reduce inefficiencies in the planning system and to allow for greater flexibility

One of the most significant reforms in the planning field so far has been the 2014 "Amendment 101" to the Planning and Building Law. Prior to the reform, long plan approval times at the district-level contributed to an overall long process of the construction of residential units totalling on average 12-13 years from initial preparation to completed construction. With the amendment a variety of deficiencies were addressed. The amendment restructured planning at the local level, facilitated the application process

for construction permits through the establishment of professional construction control centres and introduced mechanisms for greater transparency. The improved application process, the devolution of planning authority to the local level, together with an overall increase in efficiency has already reduced the time of planning approval and is expected to advance further improvements, including a time reduction for issuing building permits. The work of the district level committees used to be dominated by the approval of small-scale developments, typically consisting of less than 20 housing units. Devolving planning authority of many of these small-scale plans from the six district planning committees to the 127 local planning committees is not only expected to speed up the approval processes but also to free up planning resources at the district level.

These reforms shift the focus of local planning committees from regulating land-use plans imposed on them to becoming an active body for land-use planning. Local authorities are encouraged to prepare local comprehensive plans that provide an overarching strategy for their jurisdiction. Once approved by the district committee, local planning committees that have proven their professional ability will have full authority to decide on lower level plans that comply with the local comprehensive plan.

Decentralisation of planning authority requires that objectives of land-use policies are aligned across levels of government and that incentives are compatible across policy sectors

Devolution of planning authority should be accompanied by an evaluation of policy objectives at the local, regional and national level to ensure that plans are aligned and goals of all levels of government are addressed. While increasing the supply of housing is the main objective of recent national-level reforms, local-level governments tend to focus on supporting developments that support their budget, i.e. on maximising their local tax revenue. Property taxes are the main source of municipalities' own revenues in Israel. Local governments can choose tax rates for different types of properties within bands set by the central government. As the allowed rate for commercial property is up to 10 times higher than for residential units, local authorities prioritise the development of commercial and office space. Ensuring that incentives and policy objectives are aligned across levels of government should therefore accompany the process of decentralisation.

New local authority needs to be accompanied by appropriate resources to address the local capacity gap

The devolution of planning authority requires the strengthening of local planning capacities. Not only do local authorities need financial resources to fulfil the additional task, but new powers require different knowledge and skills that might need to be developed. Local authorities across Israel have very different relationships with other levels of government and are heterogeneous with respect to capacity in local planning practice. The reform process therefore needs to be accompanied by local capacity building in form of funding, mentorship, support for professional networks, sharing best practices and public engagement processes. Recent governmental efforts are taken in this direction, but increasing support for best-practice exchanges between neighbouring local authorities can further stimulate an environment of more horizontal co-operation.

Active and meaningful public participation can benefit in land-use planning

The planning system provides the opportunity for public participation, as the public can object to a statutory plan at the stage of public release before final approval. This objection process can take time and is an unpredictable factor in the overall planning

process. The awareness of the benefits of involving the public at earlier stages is slowly evolving. Access to information on plans and accompanying documents at national, regional and local scales is increasingly provided and simplified online. While this process is mainly technology driven, further steps to actively involve citizens are increasingly undertaken. Inviting citizens early on to contribute their views and opinions allows addressing possible objections at an early stage reducing the likelihood of appeals at a final stage. Conditional on necessary infrastructure being built, a framework that allows active citizen involvement in designing their neighbourhood could also prove to be beneficial in areas that require the co-operation of private land owners for community revitalisation projects and the provision of services and amenities.

A holistic approach to land use in Israel

The instruments of land-use planning alone will not suffice to tackle the challenges facing Israeli cities to improve quality of life nor will they adequately address the disparities of different cities. Effective spatial development requires a holistic approach that takes interdependencies with other sectors, such as taxation, transportation or economic development, into account. At present, the need for integrated planning is addressed at the national level with the preparation of a new master plan that unifies the sectoral master plans into one single plan. But integrated planning entails more than putting individual plans on the same map. It involves constant co-ordination and co-operation across policy sectors and levels of government. Particularly for Israel, where land is a scarce resource, integrated planning is crucial for avoiding costly adjustments in land uses. For example, benefits from co-ordination across sectors that are highly interconnected such as public transport infrastructure and urban development could emerge through applying principles of transport oriented development. Therefore, the development of the unified master plan should be accompanied with a coherent long-term policy strategy for all sectors.

Development of joint strategies can built on existing institutions

The mechanisms for co-operation and co-ordination provided by Israel's planning system are underutilised. At the national level, the National Planning Board is composed of representatives of several government ministries such as the Ministry of Finance, the Ministry of Interior and the Ministry of Housing and Construction. However, the Board does not develop a joint strategy, but strategies are set at the ministerial level and the agenda of the board is often a reflection of the balance of power between the ministries. At the district level, the district planning committees further allow for co-ordination across level of governments. Representatives at this level include appointed members of local authorities within the district and members of governmental ministries. To leverage the potential of the recent shift towards decentralisation and empowerment of local planning authorities, the role of the district planning committees needs to be re-evaluated. As they served as the institutional body regulating detailed local planning decisions, they now can be adapted to facilitate vertical co-ordination, providing a platform for the exchange of ideas, discussion of interests and broader policy changes.

Housing programmes have been introduced as immediate tools to relieve the pressure on the housing market

To address the immediate housing need for the population, the national government has strengthened its efforts to quickly increase the housing stock. As such, housing

programmes relating to planning, development and marketing phases were introduced and complemented by administrative changes that aimed at facilitating the co-ordination between all major bodies related to housing. While addressing structural deficiencies in the planning system is required to increase efficiency of the planning procedure in the long-term, the results will only come into effect gradually. To avoid an increasing build-up of the housing shortage, housing programmes that circumvent bottlenecks in the regulatory system have been introduced. These programmes aim to significantly increase housing supply in the short to medium term. To increase the supply of housing, the government has set annual targets for minimum numbers for approved housing units in plans. These annual targets have been increased and met by the Planning Administration each year since 2012, also due to projects that qualify to be fast tracked can be directly approved by the national level, skipping the often lengthy procedures at subnational levels. To qualify, these projects must usually have the potential to create a large number of residential units. Recent efforts to improve the efficiency in the overall housing production chain are slowly showing an effect. Thus, an increasing number of construction starts suggests that ongoing housing needs are met avoiding a further increase in the accumulated housing shortage.

New housing developments in more peripheral locations have to be accessible

Land-use decisions are highly persistent over time and the impact of programmes that quickly increase housing should also be evaluated with respect to their long-term impact on urban form. The development of large scale housing projects is usually easier in peripheral or sub-urban locations. Thus, in the short to medium term housing might be supplied in areas that do not necessarily correspond to high demand areas where land for development is scarce. It is therefore important to assess the spatial relation of new large-scale residential developments with existing employment centres. The case study city of Netanya highlights the impact of physically disconnected neighbourhoods not only on urban form, but also on quality of life. Ensuring that employment and services are accessible in new developments should already be addressed as part of the planning process, e.g. enlarging the commuting area with the provision of public transport solutions. Creating access to employment opportunities for residents in peripheral locations is crucial to ensure inclusive development throughout the region. Beyond intra-city public transport, this could include the provision of inter-city public transport links that allow for a wider spread of the population while limiting negative environmental aspects of transport. Recent efforts in this direction include the national housing strategy that envisions a shift from numerical housing targets towards a more holistic approach in the medium to long term and therefore highlights the interdependencies of housing, transport and employment.

Urban renewal programmes allow densification in cities but their sufficiency for meeting future housing needs has to be monitored

Monitoring population growth and demand for housing within urban areas is needed to ensure that the housing supply within existing urban areas can be met in the future. Urban regeneration programmes allow the upgrading of older housing stock while increasing density. With respect to the housing shortage, the main benefit results from the fast supply of additional residential units in an already existing neighbourhood. For example, the National Master Plan 38 incentivises home owners to earthquake-proof their building if the building permit was issued prior to 1980. To make it financially feasible, the home-owners or the contractor have several options: i) to add 2.5 additional floors to the building; ii) to demolish and rebuild or iii) to transfer the building rights to a vacant

property in which a new construction is expected. All new units in the building or its replacement may then be sold in exchange for covering the costs of renovations, building permits and required taxes. Since the programme is a national master plan, property owners can circumvent lengthy approval times of necessary district-level plans and conduct alterations to their building in a more timely fashion. As a result, the quality of homes improves and residential units within the city are created. It should be considered that after a property underwent the strengthening of its foundation or has been reconstructed (NMP 38), it is very unlikely that there will be another upgrading any time following soon after. Therefore, the maximum number of additional units that can be achieved through urban regeneration programmes should be evaluated with respect to long-term future needs of the respective city or region. This requires monitoring of growth and movement of the population.

Creating land-related policies that are not skewed towards state-owned land, in order to allow for inclusive development

Land-related policies in Israel are focused on state-owned land, which can be more easily placed on the market and be developed. Only about 7% of land in Israel is privately owned, but most of this land is concentrated in cities that were founded before 1948. Development on private land has often been left to private initiative as state-owned land was available and easier to develop. The government has to address the legacy of past policies and create a system that relates to both private and state-owned land. Both case study cities have experienced problems with respect to the development of private land, though the causes are quite different and will be detailed below. Land-related policies that are independent of land ownership are even more important in the context of increasingly scarce developable land. National master plans (i.e. NMP 35) try to accommodate a growing population through increasing urban densities but neglect that private plots of land are more difficult and often more costly to develop for local authorities. Thus, local authorities struggle to provide the up-front costs for connecting infrastructure to new developments. While housing programmes provide special solutions for large scale residential developments on state-owned land, similar bridge financing mechanism are not available for the development of privately-owned land. Incentivising local authorities to prioritise development on state-owned land can affect urban form resulting in undeveloped plots of well-located land if it is privately owned. To ensure plan implementation, in particular in cities with higher shares of private land ownership, appropriate tools and instruments dealing with development of private land have to be provided.

Land-use planning in Netanya: a city facing many challenges but with great ambition

Located in the commuting zone of the Tel-Aviv metropolitan area, Netanya stretches along the Mediterranean Coast on top of a unique limestone cliff. At present, the city is the 7th largest in Israel following rapid growth during the immigration waves in the 1950s and 1990s. Founded in 1928, Netanya was planned as coastal garden city. The historic core is split into tourism and public spaces along the coast, residential and commercial development in the centre and industrial and agriculture areas to the east. In recent years, the development of residential high-rise buildings in the city's south has created a discontinuous urban fabric as plots of land between the historic core and the new neighbourhoods remain undeveloped. Spatial segregation of socio-economic groups

is evident across Netanya, with separation being reinforced by uniform urban development within neighbourhoods.

The city aims to revive its status as resort city and to become a main employment area

Netanya was a popular tourist destination until the 1980s, but the importance of the industry has since declined. At present, the city's tourism infrastructure is characterised by developments that originated in the 1950s. The local comprehensive plan that is currently being prepared, aims to revive Netanya's status as recreation, sports and tourism city, among other ambitions. In order to attract tourism, the local comprehensive plan includes many ideas on how the city could become more attractive over the coming years. Although the plan provides for diverse and mixed-use neighbourhoods that are walkable, those ideas are not necessarily in line with recent urban development as will be detailed below. Moreover, the city aims to become the main economic centre within the region and a secondary metropolitan employment area of Tel-Aviv. The area that is allocated for commercial and office space in the plan is twice the current size, separated from the residential and tourism area by a transport corridor. Possible synergies of the objective of becoming a tourism city and becoming a main employment centre are not fully used when tourists restrict their movement to purpose-built tourist areas. The spill-over effects for the whole local economy are limited when tourist do not mix with local inhabitants and do not "explore" and spend money in different neighbourhoods of the city. For the city's vision to become reality, clear guidelines and tools for plan implementation are required. Local planning decision should focus on priorities and feasibility taking into account recent trends and developments.

Creating diverse neighbourhoods that overcome spatial segregation

Netanya envisions creating diverse neighbourhoods that allow for social mixing. This ambition, highlighted in the local comprehensive plan, is in contrast to recent trends towards physically separated neighbourhoods, segregated by income. In the north of the city buildings have typically 4-5 floors and provide mainly small sized apartments, whereas in the south new and dispersed high-rise buildings provide large apartments for more affluent residents. Since the early 2000s, developments favoured uniform neighbourhoods with large apartments that attract higher income households and foreign investors. The new comprehensive plan that is currently being developed seeks to increase the diversity in dwelling types by encouraging density through infilling, and generate more active and lifestyle streets with a mix of uses.

Existing urban renewal programmes cannot overcome the separation as they mainly target the northern and older parts of the city. As these types of programme target housing and neighbourhoods that were built prior to a certain time, new developments are not eligible. Thus, using urban renewal programmes as tools for creating mixed use neighbourhoods will not succeed in Netanya as whole neighbourhoods in the South will not be affected. While the local comprehensive plan provides other means of diversification such as infill developments, mixed use developments are not foreseen in that area.

The new developments in the south lack residential units affordable to low or middle income households. Additional challenges arise from the purchase of second homes by foreign investors, which result in unoccupied apartments for most of the year. This negatively affects the urban character by creating "dead" neighbourhoods and adds to the

housing crisis by reducing the number of residential units in the market. To combat vacant apartments a municipal tax on unoccupied residential property has been introduced that can be used by local governments. The maximum tax rate is set at twice the rate paid for occupied property. This positive step could be hampered by enforcement, as the assessment of the tax rate is based on utility bills rather than proof of actual residency. An additional question is whether the tax changes the behaviour of high-income owners. The "price sensitivity" is lower for these households and an additional tax that comes at most to USD 5 000 per year for a 100m² property might not suffice to incentivise owners to rent out the apartment instead of leaving it unoccupied. As of 2017, Netanya has not implemented this tax on unoccupied residential property.

Towards a walkable city

The local comprehensive plan calls for prioritisation of infrastructure for pedestrians and cyclists, but recent developments ran counter to this objective. The dispersed development of high rise buildings in the south of Netanya leads to car use and is in contrast to the ambition of a walkable city or even a walkable neighbourhood. Urban renewal and regeneration programmes in the north of Netanya plan for wider roads to accommodate the needs of an increasing population with the future option to widen sidewalks when public transport infrastructure improves by reducing the width of the road. A focus on integrated planning of housing and public transport infrastructure, combined with principles of transit-oriented development could reduce the need of private vehicle usage in the first place and support the shift towards a sustainable, less car-oriented city.

Providing tools for the development of private land to create a contiguous urban fabric

Large parts of the undeveloped land that separates the historic core from new developments is privately owned and advancing its development is difficult. For one, the development of private land depends on the land owner and cannot directly be influenced by public authorities. In addition, local government are reluctant to develop this land as tax revenues from residential properties is not sufficient to cover the expenses for service provision for residents; commercial and office space yields higher tax returns. A further difficulty stems from insufficient infrastructure levies that the local government can collect from property owners, which are not enough to cover the expenses of infrastructure provision. The central government alleviates this issue for large-scale housing programmes on state-owned land by providing the necessary infrastructure mainly within "frame agreements", and for smaller scale projects, similar financing is usually available through "development agreements". In contrast, for developments on private lands, the municipality has to connect the development to the required infrastructure. These costs need to be covered up front creating financial constraints to development even though an approved plan for development might exist. Thus, the government has introduced a bill which would allow municipalities to charge infrastructure improvement levies based on a state-approved formula that considers such factors as local topography and density. As of 2017, the bill has passed the appropriate governmental committee and is pending approval in the Knesset. A further solution could entail providing municipalities with bridge financing mechanisms allowing them to build infrastructure necessary to develop private land. Alternatively, a legal framework could be created, that shift the financial responsibilities of linking the development of municipal infrastructure towards the developer.

From competition to co-ordination – using the potential of urban-rural connections

Netanya is the main economic centre for the neighbouring rural areas. Rather than acknowledging the important economic links, the relationship between Netanya and surrounding settlements is characterised by competition. It is based on the perception that higher-income households and the taxes they pay move to Netanya's surrounding rural areas, but still take advantage of the employment opportunities, services and amenities the city provides. Increased commuting adds to traffic congestion and wear on municipal infrastructure. In addition, all municipalities are competing for commercial activities to increase their fiscal revenues, with each following its own revenue-maximising strategy. While they may individually succeed, they risk on collectively missing out on creating competitive advantages for the entire functional region. But mechanisms that facilitate and incentivise co-operation and co-ordination across local authorities are lacking and planning decisions that affect the functional region are taken in isolation.

A framework for flexible urban-rural-partnerships could support the creation of a common strategy that leads to a more competitive functional region. Identifying common challenges within the functional region and creating a joint strategy based on shared benefits and costs across local authorities could support better outcomes for all participants. Benefits go both ways and Netanya benefits from the supply of labour and from consumers from neighbouring rural areas. The open space in the rural areas can further be used by the city's residents for recreational purposes. Similarly, the rural regions have to acknowledge that a policy of increasing urban density in the city relieves the pressure on developing land in their area, contributing to preserving open space. Flexible urban-rural-partnerships that address common objectives for the entire functional region could overcome sub-optimal outcomes creating better solutions for the entire region.

Land-use planning in Umm al-Fahm: A city that evolved in the absence of plans and tools suitable to local needs

Umm al-Fahm is one of the largest cities in Israel with a predominantly Arab population. Located in the district of Haifa, Umm al-Fahm is nestled in a valley overlooking the Wadi Ara. Surrounded by small towns, the city is a local social, cultural and economic centre. Over the last 60 years, Umm al-Fahm has grown from a small village of about 5 000 inhabitants to a city with a population of about 50 000. This urbanisation process occurred for many years under a regulatory system that did not adequately account for characteristics unique to cities with a predominantly Arab population. For example, about two thirds of the land in Umm al-Fahm is either in private or shared ownership with some plots of land having multiple - often unknown - owners. Development on these plots has followed their owners' needs and priorities rather than any coherent plan, resulting in a suboptimal urban fabric lacking public space and infrastructure.

Trust in government is low, which contributes to a lacking formal housing market

At present, no formal housing market exists in Umm al-Fahm. Property is often held by families without formal registration or clear property rights of individual family members. Registration and formalisation processes are complex and further aggravated

by low levels of trust of residents towards the local and central government. As a consequence, land owners tend to hold on to their land as it is considered to provide certainty to have a place for the family and their future needs.

A better understanding of the housing market and housing demand including social and cultural housing preferences is essential to guide urban development. Trust between residents and the governments can be built through targeted programmes that take the first steps towards creating a formal housing market. Recent developments in Umm al-Fahm and other cities with a predominantly Arab population are going in that direction with the approval of larger-scale residential development on state- and privately owned land. Not only can these additional housing units reduce the housing shortage within the city, but by providing quality housing together with infrastructure and public space, trust towards the government and their decisions can be improved. Further, development on private owned land should be incentivised. For example, creating a system of long-term leases, which allows private land owners to lease land to the public sector or to developers could help to free private land for development, while taking the cultural reluctance to sell land into account.

Towards a city that addresses the growing population's need for public space and infrastructure

Governmental efforts are supporting planning at the local level

The Israeli governmental has increased its efforts to provide comprehensive solutions to cities with a minority population. In 2015, a major economic development programme was adopted that, among other measures, supports the development and preparation of comprehensive and other local and detailed plans, the development of public facilities, landownership registration, and capacity building in localities with a high share of Arab population with about ILS 1 billion (ca. USD 260 million), in addition to funds allocated to other key economic and social sectors. Presently, Umm al-Fahm is preparing its first local comprehensive plan. This is a crucial step towards addressing the needs of a growing population, but it needs to be followed by the next step: plan implementation.

Tools for ensuring plan implementation are insufficient

The high percentage of privately-owned land in cities with a predominantly Arab population requires tailored tools to ensure adequate provision of public space and infrastructure. A first challenge for plan implementation in Umm al-Fahm is the identification of land owners. For one, not all land is officially measured in Israel's Survey of Land, which mostly affects the historical cores of cities with a predominantly Arab population and complicates the registration process. Second, for land that has been officially measured, the current land registry is not necessarily up-to-date as plots were often registered more than 70 years ago and throughout the years underwent informal transfers, and frequently plots were divided between family members. Incentives to register land ownership are low, as they usually incur economic costs. For example, disincentives include past property taxes which might have accumulated, outstanding fees for informal transfers, but also the fear of changes that might accrue by compulsory land readjustment processes. To increase the incentives for land owners to register land, past debts on the land could be subject to means-tested income thresholds. To address the lack of trust in local institutions, the city of Umm al-Fahm could further increase its efforts in citizen engagement. To increase land registration, local authorities could inform residents about their rights as property owners and the advantages of legal property rights like access to finance using property as collateral. In addition, governments can not only build

trust by proving the residents their good will, but also through transparency of land planning decisions and active engagement of citizens in the design of their city. Steps into this direction are taken by a more inclusive public participation process in the preparation of the local comprehensive plan. Likewise, the recent requirement that plans, materials and all committee decisions have to be posted online is a crucial step forward in creating more transparency regarding planning decisions.

Unauthorised construction poses a challenge for urban development

Unauthorised construction of housing in Umm al-Fahm is the result of historic legacy, local traditions and present rigidities in the land regulatory system. In the past, buildings were constructed without authorisation as the requirements for submitting a building permit were difficult to be met. For example, for years Umm al-Fahm was not covered with detailed plans that are required if a land owner wants to submit a building permit. Moreover, even when the preparation of detailed plans was advanced, implementation of approved plans often would have required land readjustments as a result of complex ownership patterns (i.e. multiple or even unknown ownership in a single plot). This process of land readjustment is a precondition of issuing a building permit; however it requires capacity and often proves to be lengthy especially when land owners were not known. In addition, opening up space in already developed areas to provide public space and basic infrastructure is a highly sensitive issue, and local authorities are reluctant to expropriate land.

As local authority's ability to enforce development in these concentrated areas of unauthorised construction is limited, flexible tools need to be provided. For example, retroactively approving these units and grandfathering recognitions of buildings on agricultural land will give the owners certainty and legal property rights which also helps to build trust. Promisingly, recent amendments to the Planning and Building Law (Amendment 101, 2014 and 104, 2015) have provided new tools, such as speeding up of the planning and permitting issuance procedures; established special subcommittees dedicated to minority localities in District Planning Committees to approve ownership registration plans or minor development plans (up to 50 housing units); permitted deviations of up to 30% of development rights of an existing building and; have legalised some density violations. These steps provide for retroactive approval of some types of unauthorised construction in a way that is sensitive to local traditions and the needs of the residents. However, further steps could be considered. A framework that allows for temporary land uses could define critical areas or neighbourhoods with a high concentration of illegal construction as experimental zones with tools for increased self-planning. Such a framework could borrow from the past traditional mode of growth and be adapted to the needs of a modern society. For example, under certain circumstances, construction projects could be subject to agreement of residents within the neighbourhood taking into account rules provided by the planning committee for the relationship between buildings, roads, open spaces and public services.

Improving the permit system to reduce unauthorised construction of new buildings

Construction without required permits is not only a phenomenon from the past, but still a present development despite advances in the planning system. As these constructions usually do not consider their wider impact on the neighbourhood and can impede municipal plans to efficiently provide public infrastructure, the underlying issues for these types of development need to be evaluated and addressed. For example, under the current planning system a land registration certificate is a pre-condition for applying for a building permit. The disincentives for land registration in combination with a lack of

suitable detailed plans and relatively long approval times may still lead to land owners developing their land without the required permits. To reduce the incidence of illegal construction, the process of receiving a building permit could be simplified and sped up. In addition to the recent reforms to the Planning and Building Law, the issuing of building permits in the short term could be temporarily facilitated by considering a minimum set of rules for construction on privately-owned land in minority settlements (in specific locations and under pre-defined circumstances) as sufficient, i.e. with respect to space between buildings, roads, open spaces and take into account space for future infrastructure. Once the reforms to the planning system removed all the structural deficiencies, these rules could be adjusted. This issue relates to the need to make the planning process more flexible and allow temporary or even experimental uses.

Chapter 1

Land use and spatial planning in Israel

The chapter provides the national context for the case studies of Netanya and Umm al-Fahm. It offers an overview of the institutional frameworks and relationships that govern the spatial planning system in Israel. These include the major pieces of legislation that define the planning system. Recent advances towards a more efficient and flexible spatial planning system are described in the context of relevant OECD experiences.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Despite being one of the smallest countries among the OECD as regards surface area, Israel has a varied landscape with many land uses. The South of the country is dominated by the Negev desert which covers more than half of the country's total land area. The northern half can be divided into the coastal plain towards the West and a mountain region towards the East. Most of the population of Israel live in the northern half of Israel (about 80%) posing several challenges to the allocation of land as the population is continuously growing (Central Bureau of Statistics (CBS), 2016a). The availability of open space is declining and given its generally small size and narrow east to west width, land used for residential and commercial development competes with the provision of essential infrastructure connecting the North and the South of the country.

Israel's planning system is highly centralised, with the national government having strong oversight over planning decisions at the local level. The key piece of legislation regulating land use in Israel is the Planning and Building Law, 5725-1965, which borrows from the main principles of the legislation introduced by the British in 1936 during their "Mandate for Palestine" (Alterman, 2001). The planning system today is characterised by statutory hierarchical plans that have proven to be very rigid, contributing amongst other to slow and inefficient planning procedures. Growing recognition of these challenges has propelled the need for planning reform—to have a more efficient and adaptive system that can better meet the needs of communities, particularly when it comes to meeting the growing demand for housing. To this end, the government has recently adopted a number of reforms, most notably, the decentralisation of planning power to the local level to streamline and increase efficiency in the planning procedures.

This chapter outlines the main features of the planning system, describing statutory planning processes and actors. How the statutory process translates into planning practice is described after, highlighting recent changes and advances to increase the efficiency of the planning procedures. The chapter concludes with a summary of the main findings and provides an outlook over the following chapters.

The planning system in Israel

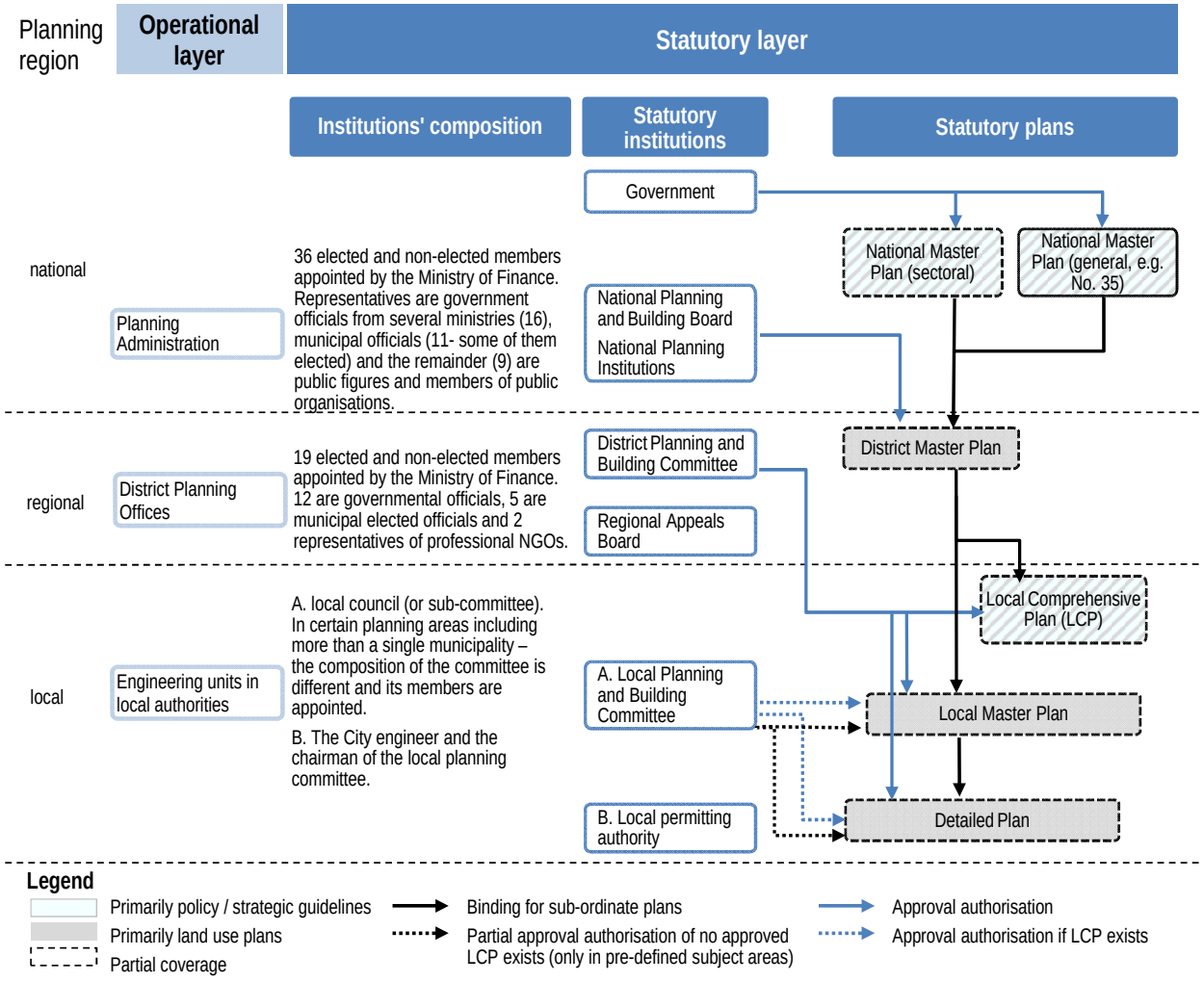
Israel's layers of government

Israel is a unitary state with one subnational level of government. Since the British Mandate, Israel has been divided into 6 administrative districts whose representatives are appointed from the national government and not elected. Therefore the only subnational layer in Israel is formed by local governments.[1] The framework for local authorities is based on the Municipal Order introduced under the British Mandate in 1934 (State of Israel, 2009). There are three types of local authorities which are defined in the law: municipalities (76) which provide the framework for urban centres, usually with populations of at least 20 000, local councils (125) which manage towns with populations between 2 000 and 20 000; and regional councils (54) which are responsible for several villages within a certain radius (CBS, 2015a, 2015b). Local authorities have governmental and administrative powers in their areas of jurisdiction and are responsible for provision of services to their constituencies.

Land use in Israel is regulated through its planning system. The basis for the current statutory planning system in Israel is the Planning and Building Law 1965 that – together with 108 amendments - defines planning institutions and authorities, planning procedures, the types of plans and the hierarchy between them. The law has evolved from the legislation introduced by the British in 1936 during their "Mandate for Palestine". After

the establishment of the State of Israel in 1948, this ordinance - like many other different acts of law - was kept in place to prevent a legal vacuum, and changes were made only gradually (see e.g. Alexander et al., 1983 or Hananel, 2013). The framework for strong control over local planning decisions has been kept in place, and even increased through the introduction of a national planning body and national statutory plans (Alexander et al., 1983). Since its enactment in 1965, the Planning and Building Law features a three-tier structure of planning institutions and statutory plans (Figure 1.1). The statutory planning system is complemented by an operational layer that consists of the Planning Administration at the national, the Regional Planning Offices at the regional level and the Engineering units in local authorities at the local level.

Figure 1.1. **Israel's planning system**



Notes: Local comprehensive plans are a fairly new concept, introduced by the 101 amendment in 2014 and currently only approved for a few local planning regions. Until a local comprehensive plan is approved in a given planning region, local master plans and in many cases detailed plans still need approval from the District Planning and Building Commission. For more details, see description in the text.

Source: Based on Planning and Building Law 5725-1965; Planning Administration (2016a), "2015 שנתון התכנון" [Annual Report 2015], http://dx.doi.org/10.1515/plm-2015-0009.

Statutory Planning Institutions and their powers

At the top of the hierarchy is the government that has the authority to approve national master plans and therefore its decisions affect all plans prepared at lower levels. In the hierarchy, it is followed by the National Board for Planning and Building which deals with the establishment of planning policy on a nationwide scale, and with the implementation and application of this policy to national master plans. After the proposal to approve of the national master plans by the board, these plans are brought to the cabinet for approval. The national board, together with its committees operating side by side and sub-committees, is further involved with the advancement and approval of district master plans; with granting relaxations from the directives of national and district master plans to subsidiary plans; with hearing and deciding appeals against plans under regional authority or under authority of other committees. The board is composed of 36 members and reflects a balance of representatives of the central government (16), local government (11) and the public (9).[2] The National Board for Planning and Building has committees operating side by side with it, which act independently in parallel to the board and which are designated to handle a specific subject. In addition, it also appoints sub-committees for handling specific issues. Alongside the national board, the National Board for Planning and Building of National Infrastructure was established in 2002 by amendment 60. It consists of 17 members, of whom 12 are from the central government, one from the local government, and four from the public. The National Infrastructure Committee prepares and promotes plans for designated infrastructure projects of national importance. The Committee for the Protection of Agricultural Land and Open Spaces, the Committee for Maintenance of the Coastal Environment and the committee for Preferred Housing Areas also operate alongside the national board.

In each of the six administrative districts, a District Planning and Building Committee conducts a variety of activities aiming to support regional development. The District Planning Committee is subordinate to the National Board for Planning and Building and their activities include the initiation, advancement, and revision of the district master plans as well as the advancement and approval of certain local plans depending on the existence of approved local comprehensive plans and the professional level of the respective local planning committee. Additionally, the district planning office reviews all plans under the authority of local committees. Further, the district committee compiles recommendations to the National Board regarding topics on a district level; grants permits in areas, where the district acts as local committee; and supervises the operations of the local committee amongst other. The District Committee is composed of representatives of the central government (12), the local government (5) and the public (2). In addition, the District Planning Committee may delegate any of its powers to sub-committees selected from its members.

Below the District Planning Committee are the Local Planning and Building Committees. Each local planning area, which is declared by the Minister of Finance, has a local planning committee. In local planning areas where only one local authority is included, the local council constitutes the local planning committee. The local council designates a sub-committee for spatial planning. In local planning areas that cover more than one jurisdiction, the committee is composed of a designated number of local government members and central government representatives. Amendment 101 of 2014, authorises the grouping of local planning committees in four different categories based on the committee's planning professionalism and effectiveness: i) regular local planning committees; ii) independent planning committees without a local comprehensive plan; iii) special independent planning committees without a local comprehensive plan; and

iv) independent local planning committees with a local comprehensive plan. The different groups of local planning committees are empowered with increasingly more planning power and responsibilities. Of the 127 local planning committees, 21 are independent local planning committees, four are special independent, and two are independent with a local comprehensive plan (Planning Administration, 2016b). The status of independent local planning committees is re-evaluated five years after being classified as such (Planning Administration, 2016c).

All local planning committees can initiate and prepare local master and detailed plans. They decide whether to accept plans initiated by others in pre-specified subject areas and approve land readjustments that do not deviate from approved plans. Local planning committees may also permit non-conforming uses and minor deviations from approved local plans (so called "variances") pre-defined by the planning law. Local planning committees have the authority to expropriate land for public purposes based on approved plans, and are empowered to levy betterment tax to fund public facilities. They are required by law to impose a betterment levy at a rate of 50% of the value the property has gained as a result of plan approval. The levy is fixed and is not directly linked to the cost of public infrastructure. Israel is one country among few that practice this tax on a wide scale, and there are only a few types of exemptions such as housing projects initiated by the national government or in some instances urban regeneration projects (e.g. the NMP 38, see Box 1.3 below). Independent local planning committees enjoy greater power with respect to approving plans granting additional building rights. Special independent committees further have the authority to decide and approve urban renewal and regeneration areas. Independent local planning committees with an approved local comprehensive plan have full authority to approve detailed and local master plans that are consistent with the local comprehensive plan.

The Hierarchy of plans

Israel operates a strictly hierarchical system of spatial planning which is set out in the law. Plans at all levels contain extensive regulations and lower level plans must correspond to higher level plans unless the higher level plan contains an explicit flexibility clause. At the top of the hierarchy of plans is the *National Master Plan.* It can either cover the whole or parts of the country and may include land-use designations, industrial areas, recreation and afforestation areas, archaeological sites, and population distribution policies. National master plans are proposed by the National Planning and Building Board. The six district planning committees may make recommendations, usually after consultation with their constituent municipalities. National master plans require approval by the cabinet, and then take precedence over all other lower level plans. As of 2016, Israel has approximately 40 principal national master plans that frequently contain land-use regulations. Most of them are sectoral plans that focus on narrowly defined issues or territories. Only National Master Plan 35, which was approved in 2005, is a more general plan that regulates land-use development textures for the whole country (see Box 1.1). According to the Planning and Building Law, it has the same legal status as the other national master plans, but in practice it is considered to be the leading document providing general guidelines and strategic elements in order to balance the need for development with the need of protecting open space (Planning Administration, 2016d, 2016e). Alongside principal national master plans, the law defines National Infrastructure Plans. Since 2002, public agencies that want to submit designated national or district infrastructure projects can choose whether to approach the National Board for Planning and Building of National Infrastructure or use other planning procedure available under

the law. National infrastructure plans are outline plans containing the provisions of detailed plans that designate areas and provide directives, amongst other, for the establishment of energy facilities, roads, railroads, and reservoirs. Submitting the plan to the National Infrastructure Committee can serve as a fast track since the detailed regulation supplied by a national infrastructure plan can serve as the basis for the issuance of a building permit directly through the National Infrastructure Committee.

Box 1.1. **Balancing urban growth and protection of open space: Israel's National Master Plan 35**

The need for a strict hierarchical system in Israel is motivated by increasing tensions between competing uses for land as a result of continuous population growth. After following a planning strategy of dispersed population for decades after the establishment of the State of Israel, the focus over the last decade turned towards urban renewal, and intensification of land uses (Assif, 2009). The NMP 35 was introduced in 2005 to regulate land-use development textures and to provide general guidelines and strategic elements in order to balance the need for development with the protection of open space.

The National Master Plan 35 is a general spatial plan which adopts the methodology of sustainable development by balancing between development and preservation. It is primarily a map based zoning plan at a scale of 1:100 000 regulating land-use development textures and containing general guidelines and strategic elements. The plan determines that future construction in Israel must be carried out, as much as possible, in built up areas and prescribes a minimum density for residential areas. At the same time, it promotes public transportation, facilitates the reduction of social disparities, calls for the integration of infrastructure corridors and emphasises environmental sustainability. The NMP 35 is subject to routine monitoring with a thorough review process aimed at five years intervals incorporating updates if needed. In August 2016, the government approved the first amendment to NMP 35 (NMP/35/1) which included amongst other minor changes to the definition of the urban pattern and to densities.

New planning language of development textures

The National Master Plan 35 developed a new planning language - the language of "development textures" – that is assumed to be better suited to a long-term national plan than the conventional language of land designations. It enables a clear definition of restrictions while providing flexibility. The development textures are demarcated planning areas, like zones, in which a variety of land uses are permissible and others are restricted.

The map and instructions of NMP 35 divide the country into five types of development texture: urban texture, rural texture, national preserved texture, mixed preserved texture, and coastal texture. Each texture has a series of statutory instructions which regulate the following subjects: maximal size of the locality (with the exception of urban texture), expansion extent of rural localities, average minimum density for residential development, industrial and commercial development and tourism objectives, as well as uses and objectives of interurban areas. These instructions produce the clear differentiation between texture zones.

Each of the five defined textures establishes designated areas for which there are clear rules. Each development texture includes built areas for residence and employment, open space and infrastructure systems. The textures differ from one another in the quantitative and spatial relations between land uses and their designations, in their development and preservation levels and in the rules governing and directing these relations:

- In the **urban texture**, compact urban development, high density and urban quality of life are envisaged.

Box 1.1. **Balancing urban growth and protection of open space: Israel's National Master Plan 35** (*cont.*)

- The **rural texture** refers to rural settlements, employment and tourism, conservation and cultivation of agriculture and contiguity of open space.
- **National preserved texture** refers to large contiguous spaces with natural value, agricultural and scenic landscapes, such as the desert area in the South. Leisure activities and tourism, as well as the expansion of existing rural settlements are allowed in those areas as long as there is no damage to their landscape and natural values.
- A contiguous green corridor encompassing values of nature, agriculture and heritage and running the length of the country, bounded by urban settlements, forms the **mixed preserved texture**.
- The **coastal texture** refers to the conservation of the coast and assurance of free public access to the sea and the beaches.

Source: Assif, S. (2009), Principles of Israel's Comprehensive National Outline Plan for Construction, Development and Conservation (NOP 35), www.moin.gov.il/SubjectDocuments/Tma35_PrinciplesDocument.pdf; Planning Administration (2016a), "שנתון התכנון 2015" [Annual Report 2015], http://iplan.gov.il/SiteAssets/Pages/AboutTheMinistry/shnaton/shnaton_2015.pdf.

District Master Plans are subordinate to national master plans and contain more precise and detailed versions of national land-use regulations. Due to the strictly hierarchical nature of planning, they tend to follow national plans closely except in the few areas where national plans contain flexibility clauses. Besides translating the national master plans to the district level, these plans are intended to balance between developed areas such as urban, sub-urban and land designated for agriculture, nature reserves, national parks and forest. The Planning and Building Law explicitly states the goal of creating the appropriate conditions for the district with respect to security and employment and allows the district plan to include other subjects which may constitute an objective for a local master plan (State of Israel, 1965: Art 55). For example, district master plans may include industrial areas or coastal zone preservation, as well as conditions for granting deviations from the plan. District master plans are prepared by the district committees at varying scales, usually at 1:50 000, and require approval from the National Building and Planning Board. While sections of the plan might be amended according to need, major updates of the plan occur every 20-30 years.

Three different types of plans exist at the local level: *Local Comprehensive Plans, Local Master Plans and Detailed Plans*. All these plans contain two compulsory elements: a map and related written directives.

Local comprehensive plans cover all or most of the respective local authority. They contain general elements for land-use planning, such as policy guidelines, strategic planning and zoning regulation. In addition, documents recommending certain non-statutory issues such as municipal finance, social or economic programmes can be added in appendices. The map is prepared at a varying scale, but usually at 1:10 000 or 1:5 000. The plan includes a generalised, flexible version of the typical elements of a land-use plan such as densities, building types, public space, infrastructure and environmental aspects.

Given its recent introduction in 2014, only a few approved local comprehensive plans are in place, but coverage for all local authorities in Israel is underway. Local comprehensive plans are either prepared by the Planning Administration with an active participation of the relevant local planning committees or by the local planning committees themselves. After recommendation for deposit[3] by the local planning committee, the local comprehensive plan needs approval from the district planning committee. Local authorities that have adopted a local comprehensive plan are empowered to approve conforming local master plans and detailed plans. The law does not define a specific planning period, but the targeted time horizon for local comprehensive plans is usually 20 years.

Local master plans typically cover all or a major part of the local planning area and cover general goals for land-use planning, such as controlling land development and providing suitable conditions from the point of view of health, sanitation, cleanliness, safety, security, transportation and comfort as well as preventing nuisances and preserving historic, archaeological and cultural sites (State of Israel, 1965: Art 61(1-5)). Local master plans are usually prepared at a scale of 1: 5 000 or 1: 2 500 and are similar to the comprehensive plans in their scope and level of detail. While they are intended to be general, they may contain detailed provisions. If they contain detailed provisions in land-use category, permitted uses, lot lines, building height, setbacks and floor area ratio, they can be used to issue building permits and are - despite their name - functioning as detailed plans. Local master plans are typically approved by the district planning committee. However, in certain cases, pre-defined by law, local planning committees may have the authority to approve the plan regardless of its designation as "master" or "detailed". There are no specified planning periods for local master plans, but after 20 years local master plans are usually thoroughly updated or replaced.

Below the level of the local master plan is the *Detailed Plan* that generally covers only parts of the municipality or a small number of plots of land. It is usually prepared closer to the time of anticipated development when specifics about the site and project design are known. The detailed plan may specify land uses and land readjustments, designate roads and public areas, and indicate the location of buildings, their clearance and reconstruction or preservation, height, shape and appearance, and go down to details such as certain aspects of design. Anyone with an interest in 75% of a given plot of land can prepare a detailed or a local master plan, which is subject to approval by the local or district planning committee depending on the subject area [State of Israel, 1965: Art 61a(B1(1))].[4] In instances where there is no local comprehensive plan, or the proposed plan does not comply with it, most plans (either master or detailed) need to be both reviewed by the local planning committee and be approved by the district planning committee.

Building permits and implementation tools of plans

Development is guided by the issuing of building permits, which must comply with the strictly hierarchical system of spatial plans. Without building permits, no development, changes to an existing construction or demolition may take place (Alterman, 2001).[5] In order for a permit to be approved, the development proposal must be in line with the area's detailed plan, which is expected to conform to higher ranking master plans. In case of minor deviations, local planning committees are empowered to grant exceptions within legally set limits, e.g. with respect to height, volume, or setback requirements. In cases where the building proposal deviates from approved detailed plans to a greater extent, changes to the detailed or even the local master plan must be approved

as an amendment to the respective plans.[6] Local authorities that have adopted a local comprehensive plan can approve amendments to detailed and local master plans if the amended plans comply with the local comprehensive plan. In case that no local comprehensive plan is in place, or where the amended plans would not comply with the local comprehensive plan, amendments to the detailed and local master plans require approval from the district committee. Once approved, an amended statutory plan becomes an implementation tool itself in that it becomes a legally binding document and can serve to guide the issuing of building permits.

In instances where buildings have been constructed without a building permit, local and district committees have extensive legal tools for enforcement. They can administratively stop construction until a legal order is obtained. They can also demand that the structure be torn down or that the offender is fined double the value of the illegal structure [State of Israel, 1965: Art 219(1)].

Expropriation of land is another important implementation tool in Israel, which is possible for a list of purposes defined in the Planning and Building Law 1965 and the Real Estate Law. These possibilities include for example the construction of infrastructure, the provision of specific public amenities or urban development. The most significant law in this respect is the Real Estate Law, which allows direct expropriation without an approved plan by the Minister of Finance for any purpose of public interest. However, it is only infrequently used as there are various limitations on this kind of expropriation and in most instances, full compensation must be paid. Further, the Planning and Building Law 1965 defines two sub-types of expropriation: i) expropriation with full compensation and ii) compulsory land dedication of up to 40% of a land plot. The first possibility is similar to expropriation powers across OECD countries (Box 1.2), but due to a shortage of finance, local authorities in Israel only use this option when all other possibilities are exhausted. As in some other OECD countries such as e.g. Finland, landowners are regularly required to cede some of their lands for public purposes. In Israel, local authorities are enabled to expropriate up to 40% of privately-owned land in the course of implementing approved detailed plans or local master plans, without being liable for any compensation[7] provided the purposes are one or more of the following: the construction or widening of a road, the construction of recreation grounds or the provision of specific public amenities such as education, cultural, religious, health or sport facilities (Holzman-Gazit, 2016). In addition, compulsory land readjustment ("reparcellation") can be used to open up space where development is obstructed by fragmented ownership or ownership that does not fit the land use. While regulations are straightforward, expropriation procedures can be lengthy and often involve court settlements regarding the compensation that has to be paid for expropriated land.

Box 1.2. **Expropriation powers across OECD countries**

In the **Czech Republic**, expropriation is possible for developments in the public interest if all other attempts to acquire the required land have failed. Reasons for expropriation are infrastructure construction, public utility developments, urban renewal projects, flood protection, national defence and nature reserves. For private purposes, land may only be expropriated in order to provide access to a plot. In practice, land is rarely expropriated, because the threat of expropriation suffices to make land owners sell their land voluntarily. Compensation for expropriation is paid either i) at the amount of the usual price of the land or the building including its accessories if the property rights of the original owner were withdrawn, or ii) at the amount of the price of the rights based on the factual proof if property rights have been restricted.

Box 1.2. **Expropriation powers across OECD countries** (*cont.*)

In **Finland**, land can be expropriated for a variety of reasons, such as the provision of public infrastructure and housing, the establishment of nature protection areas and for mining activities. When local plans zone areas in a way that make it impossible for a private land owner to generate a reasonable return from it, the state can be obliged to expropriate the area and pay compensation for it. However, the requirement to compensate land owners does not cover areas used for the construction of roads. Expropriation of private land for other uses is not possible, but the state can expropriate land and sell it to another private developer. While legally possible, such a procedure would face increased political challenges and legal scrutiny.

In **France**, land can be expropriated by all levels of government as well as by public utilities. Expropriations for private uses of land are not possible. Reasons for expropriations are the construction of infrastructure, public buildings, and housing developments as well as the establishment of nature reserves. In urban areas, land can furthermore be expropriated in designated urban renewal zones in order to facilitate urban renewal projects. A regional delegate of State decides on the amount of compensation.

In **Germany**, municipalities have the possibility to expropriate land if it is in the public interest. It is a measure of last resort and is only allowed if all possibilities for an amicable arrangement have been exhausted. The main reasons for expropriation are making land available for use according to the regulations of the binding land-use plan, developing empty or lightly developed plots in urban areas and urban renewal projects. As long as a project is in the public interest, no distinction between private and public use is made by the law. All expropriation measures must explicitly grant compensation, which is calculated by independent experts. Compensation may take the form of money, alternative real estate, or the transfer of other rights.

In general cases, land in the **Netherlands** can be expropriated if a proposed development is in the public interest, but the existing land owner is not able or not willing to carry it out. In addition, the proposed development must be urgent and the public body must have first tried to acquire the land amicably. This is irrespective of whether the proposed development will be carried out by a public or private investor. Furthermore, specific cases for expropriation exist, such as water safety, national defence and the readjustment of fragmented plots of land. Once the legal criteria are met, expropriation procedures are straightforward and experts determine the compensation that has to be paid.

Land ownership and development rights are considered separate issues in the **United Kingdom**. In general, ownership does not give the automatic right to develop land and all developments require planning permission. Expropriation is possible for both public and private developments, including infrastructure projects, public facilities, and also commercial projects such as retail and residential developments. Property owners are compensated for the loss of their land or premises at current market rates. Expropriations were frequent in the in the decades after 1945, but are used sparingly since the 1980s even though they pose few legal difficulties.

Source: OECD (2017b), The Governance of land use in France: Case studies of Clermont-Ferrand and Nantes-Saint Nazaire, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264268791-en; Czech Republic (2006), Zákon č. 184/2006 Sb Zákon o odnětí nebo omezení vlastnického práva k pozemku nebo ke stavbě (zákon o vyvlastnění) [Coll., on the Withdrawal or Restriction of Ownership Rights to the Land or Buildings (Expropriation Act)], www.zakonyprolidi.cz/cs/2006-184; Finland (1999), Maankäyttö- ja rakennuslaki [Land Use and Building Act 132/1999], www.finlex.fi/en/laki/kaannokset/1999/en19990132.pdf; France (2016), Code de l'expropriation pour cause d'utilité publique, www.legifrance.gouv.fr/affichCode.do?cidTexte=LEGITEXT000006074224&dateTexte=20160807; Germany (1960), Baugesetzbuch (BauGB) [Federal Building Code], www.gesetze-im-internet.de/bundesrecht/bbaug/gesamt.pdf; Netherlands (2015), Onteigeningswet [Expropriation Act], http://wetten.overheid.nl/BWBR0001842/2015-07-01; United Kingdom (2004), Planning and Compulsory Purchase Act 2004, www.legislation.gov.uk/ukpga/2004/5/contents.

Stakeholder involvement and appeals

The planning system provides stakeholders with the possibility to appeal a statutory plan at the stage of deposit for final statutory approval. After its preparation, any statutory plan except national master plans has to be deposited for 60-90 days for review. During this period, everyone who has objections to the plan that ranks below national master plans can submit these by written procedure which is followed by an invitation to voice the opinion. A specifically designated sub-committee of the planning committee or a designated investigator will hear, collect and evaluate all the raised objections and based on the sub-committee findings or the investigator's report, the sub-committee considers possible actions. In instances where the plan is not changed, the decision can be appealed against. The Planning and Building Law does not specify public hearing for national master plans. However, since the 1970ies the National Planning Board does invite institutions and NGOs to take part in an unofficial hearing.

The Planning and Building Law defines boards of appeals at the national and the district level. Two different boards deal with appeals to the decisions of local planning committees at the district level. The first one is the General Board of Appeals, which is responsible for decisions regarding plans adopted by local planning committees, building permits, deviations and special exceptions from local plans, urban design directives and other, non-fiscal, decisions of local planning committees. The second one is the Board of Appeals for Levies and Compensations which is responsible for appeals to local planning committee's decisions with respect to land valuation, betterment levies and plan related compensation. The possibility to appeal to either of the two district boards of appeals is open to i) a person who objected to plan changes, ii) the plan initiator, iii) the district planner, or iv) jointly two members of the local planning committee, v) two advisory members of the local planning committee appointed by the Minister of Finance, or vi) two members of the district planning committee. Appeals to the district board of appeals have to be submitted within 15 days after the announcement of the decision. The ruling of the board should not take longer than 60 days from the day of submittal.

At the national level, sub-committees for appeals are appointed by the National Planning and Building Board. The responsibility of the sub-committees is to deal with appeals to decisions from the district planning committees, district planning committees sitting as local committees in areas that do not belong to a municipal jurisdiction, as well as the decisions provided by the National Committee for Coastal Environment, the National Committee for Agricultural Land and Open Space, or the National Committee for Military Facilities.. The majority of appeals at the national level are with respect to decisions made by district planning committees (Planning Administration, 2016a: 46). Municipalities, local planning committees or jointly three members of a district planning committee have the legal right to submit an appeal to the National Sub-committee for Appeals. Further, the chairman of the district planning committee can grant the permission to submit appeals for plan initiators, persons whose objections were rejected and persons who objected to plan changes as a result of previous objections. Parties that wish to appeal, have to submit their request to appeal to the chairman of the district planning committee within 15 days after the announcement of the district planning committee's decision. The chairman then approves or denies the request. After the chairman's approval, appeals have to be submitted to the national sub-committee within 30 days. Ruling on the appeal by the national sub-committee is scheduled for 90 days after the last response of the appellants was submitted (State of Israel, 1965: Art. 110, 112).

The practical application of the planning system

Plan approval in the past has been slow and inefficient

The Planning and Building law sets out relatively detailed rules for the planning process which partly contribute to slow and in some cases inefficient procedures in practice. The preparation of statutory plans is lengthy and by the time plans get approved they can be outdated. This is best highlighted by the development of the plans that were stated to be explicitly mandatory in the Planning and Building Law of 1965, namely the district master plans. Thus, the law states that every district committee shall prepare and submit a district master plan for the approval of the National Board within five years from the date of the coming into force of this Law (State of Israel, 1965: Art. 56). These plans were then meant to replace the regional outline plans prepared during the British Mandate. As shown in Table 1.1, none of the six districts had an approved master plan by 1970. The district of Jerusalem was the first where the district master plan was approved in 1977, 12 years after passing of the Planning and Building Law. The district of Haifa only recently had its first statutory district master approved in 2012, almost 50 years after the Planning and Building Law was introduced.

Table 1.1. **The evolution of statutory district master plans in Israel**

	First generation				Second generation			
District	Plan Number	Work commenced	Deposited for objection	Approved	Plan number	Work commenced	Deposited for objection	Approved
Jerusalem	DOP 1	1970	1973	1977	DOP 1/30	1999	2008	2011
Central	DOP 3	1968	1977	1982	DOP 3/21	1991	1998	2003
Southern	DOP 4	1968	1977	1982	DOP 4/14	1991	1994	2000
Northern	DOP 2	1968	1975	1984	DOP 2/9	1990	2001	2007
Tel-Aviv	DOP 5	1972	1982	Not approved	DOP 5	1996	2004	2010
Haifa	DOP 6	1968	Not deposited		DOP 6	1997	2004	2012

Source: Adapted from Razin (2015), "District Plans in Israel: Post-Mortem?", *Environment and Planning C: Government Policy* Vol. 33/5, pp. 1246-1264, http://dx.doi.org/10.1177/0263774X15610060.

Most local authorities are covered by local master plans, but parts of those plans are outdated obstructing the creation of a strategic long-term vision. As of 2015, not every local planning area was covered by an up-to-date local master plan or local comprehensive plan and amendments to the plans are often made on a project basis reflecting short term adjustments. These adjustments take into account the current needs of the population, but not necessarily the future needs and therefore hamper the development of a long-term strategy. There have been however recent advances in updating comprehensive or large-scale master plans allowing the preparation of long term strategic vision for municipalities. Since 2005, 76 local master plans have been approved where more than half (48) are plans for local authorities and the rest cover individual settlements within regional councils. Although some of these plans are not labelled "comprehensive", they meet the requirements of a local comprehensive plan. In addition,

118 plans were in various stages of preparation to update previous local plans (Planning Administration, 2016a).

Box 1.3. **Planning for densification and urban renewal: Israel's National Master Plan 38**

A main policy and statutory tool used as an urban development and regeneration tool is the National Master Plan 38, which was approved in 2005. Nominally, it contains earthquake protection regulations and incentives for property owners to improve the earthquake resistance of buildings built before 1980. While originally only intended as a tool to improve earthquake protection, it is now much more widely used in many cities to provide incentives for urban regeneration and densification to property owners. To make it financially feasible, the contractor has several options: to add 2.5 additional floors to the building, to demolish and rebuild or to transfer the building rights to a vacant property in which a new construction is expected. All new units in the building or its replacement may then be sold in exchange for covering the costs of renovations, building permits and necessary taxes (Planning Administration, 2016a). The incentives in this plan include a full exemption on the betterment levy (payable to the local authority), full or partial exemption on betterment tax (payable to the tax authority) and exemptions from VAT on construction inputs. Further, within NMP 38, the addition of extra floors is permitted directly from the national level (unless the local authority proposes a different plan) and the process of getting a permit is significantly faster than under the normal procedure which would have required a local plan amendment. If it is not possible to reinforce a building from a structural and/or economic perspective, the building is demolished and reconstructed. In this case, construction is allowed on the basis of building rights specified in the local master plan, which might result in an even higher increase in residential units than 2.5 additional floors. However, the consent of the majority of owners is necessary, and therefore this can be a slow, ad hoc and non-contiguous process.

After a decade in force, NMP 38 has upgraded only a small per cent of hundreds of thousands of housing units in need of such upgrading (BoI, 2016). However, over the last two years the pace of implementation of NMP 38 is picking up. As such, the number of applications submitted in 2015 is about a quarter of all applications submitted from 2005 until January 2016 (Planning Administration, 2016f). Up to September 2016, 26 700 dwelling units have been processed of which 12 700 have been reinforced and upgraded and 14 700 new units have been produced. Since 2010, when NMP 38 was amended to allow for demolition and reconstruction, about 40% of applicants consistently choose the demolition option. The NMP 38 provides a tool to upgrade and add housing units, especially in densely inhabited areas and most applications have been within high-demand areas of the country, such as Tel-Aviv, the Central and Haifa districts.

Source: BoI (2016:244-245), "Preliminary version-Annual report 2015", Jerusalem, www.boi.org.il/en/NewsAndPublications/RegularPublications/Pages/DochBankIsrael2015.aspx; Planning Administration (2016a), "שנתון התכנון 2015" [Annual Report 2015], http://iplan.gov.il/SiteAssets/Pages/AboutTheMinistry/shnaton/shnaton_2015.pdf, Planning Administration (2016f) [Implementation Report for NMP 38 for 2015, IPA, the Ministry of Finance, Sept. 2016] דו"ח יישום תמ"א 38 לשנת 2015, מנהל התכנון , משרד האוצר, ספטמבר 2016. http://iplan.gov.il/Documents/tma38report.pdf.

Detailed plans are required for the issuing of a building permit and must be fully consistent with the local master plans. In instances where approved local master plans are outdated or where zoning regulations at the local level are too detailed, building applications are often accompanied by amendments to existing plans (Alterman, 2001). This can add to delays because the District Planning Committees, who – in the absence of local comprehensive plans are responsible for approval of most local plans - are occupied

with evaluating numerous small-scale plans. A very active real estate market further contributes to numerous plan submittals of developers and land-owners who disregard existing detailed plans in favour of maximising profits given new local real estate interests and market pressures. For example, in 2013-14, about 76% of plans that needed approval from the district committee involved plans with only up to 20 housing units – about 2% of total housing units approved (Information provided to the OECD based on IPA database). Also, if the amendment accompanying a building permit requires adjustments to the statutory district master plan, approval from the National Planning and Building Board or its sub-committees is needed. This adds to the already long process of the housing production chain (see Chapter 2 for details). For example, the Bank of Israel (BoI) (2012) estimated that the average time of producing a housing unit takes 12-13 years, of which the approval of the plan in the district committee in 2011 took on average five years.[8] Data of the Planning Administration shows that the average time of approval of all plans at the district level has been significantly reduced since then to 2.9 years for all and to 3.6 years for larger scale plans in 2016 (Planning Administration, 2017).[9] A planning system with long approval times not only is inflexible with respect to changes in demand but also increases financial uncertainty for investors and developers. In addition, long approval times have a direct impact on urban design as buildings are based on a decade old plans that might not apply the newest standard or fit in with recent urban design standards.

Specific policies have been introduced to circumvent bottlenecks in the planning process. The most important one is the assignment of the status of a national plan to a type of development which previously was regarded as a regular local-level plan. In the 1990s, Israel experienced a large inflow of immigrants from the former Soviet Union. Between 1990 and 1993, in total more than 500 000 immigrants arrived in Israel, and by 2000 the number accumulated to about 1 million (CBS, 2016b). Housing supply needed to be increased, and in order to avoid long approval times, a fast track system was enacted with National Master Plan 33, a plan for immediate establishment of sites and temporary housing for 5 years. Over the years, other fast track solutions have been introduced, sometimes legislated only for a limited time. For example, in the past there was an initiative for employment-oriented land uses. More recently, two such mechanisms have been legislated for housing initiatives: the National Master Plan 38 which addresses a medium number of units (see Box 1.3) and the Vatmal, which addresses large numbers of units, through national initiative only (see Chapter 2).

Recent advances aim for streamlining planning procedures through devolution of spatial planning power

The need to streamline planning procedures was addressed in several amendments over the last years. The hierarchy of the planning system required the district planning committee to decide on approval of local and detailed plans. To increase efficiency, more planning authority was gradually given to the local planning committees. In 1995, Amendment 43 granted interested parties the right to initiate a detailed plan for land under their ownership and local planning committees were provided with the authorisation of approving plans regarding several subjects that do not alter basic land use and only make certain minor changes to a pre-existing plan. That same amendment, however, also introduced a mode of greater centralisation in allowing developers who are dissatisfied with the local committee to go directly to the district level (Alterman, 2001). In 2006, Amendment 76 extended the powers of the local committees by allowing them to authorise detailed plans conforming to master plans, enlarging housing units and

adding uses to approved plans (see e.g. Hananel, 2013).[10] Still, with district planning committees being responsible for the preparation and implementation of the district master plans, as well as approving the more significant local master and detailed plans, there was a great extent of two-level regulation. Further, local master plans often proved to be too detailed such that new construction often required an amendment to local plans and resulted in district committees being involved in approval decisions for many relatively small-scaled plans that required a lot of their resources. A greater decentralisation of spatial planning power was envisioned to increase efficiency by allowing local planning committees to decide on small-scale projects that involved a limited number of housing units.

One of the most significant reforms to date was Amendment 101 to the Planning and Building Law in 2014. The decentralisation of planning power from the six district planning committees to the 127 local planning committees is expected to increase efficiency in the planning process. Already, data by the Planning Administration show that the average time of plan approval in the district committee has decreased from 3.6 years in 2012 to 2.9 years in 2016 (Planning Administration, 2017). Not only are resources at the district level freed up allowing them to focus on large scale and strategic projects of regional importance, but also is the planning matched to the relevant scale required for detailed planning. Further, the local planning committees are increasingly provided with resources and tools that allow them to address the needs of local end-users as expressed in local master plans.[11] The approval of local plans (subject to local or district authority) in turn is subject to tightened schedules (Box 1.4). While there are no penalties if a specific process exceeds the time limit, it provides incentives for local planning committees to comply with the outlined schedules. Being able to do so positively reflects on their competencies and can affect the degree of planning power delegated to them (i.e. through the categorisation of being a regular, independent, special independent or independent with a local comprehensive plan, which takes into account the competency of the local planning level). Also, the initiator of the plan can choose to move the plan to a higher level planning agency once the overall time allocated for approval has run out.

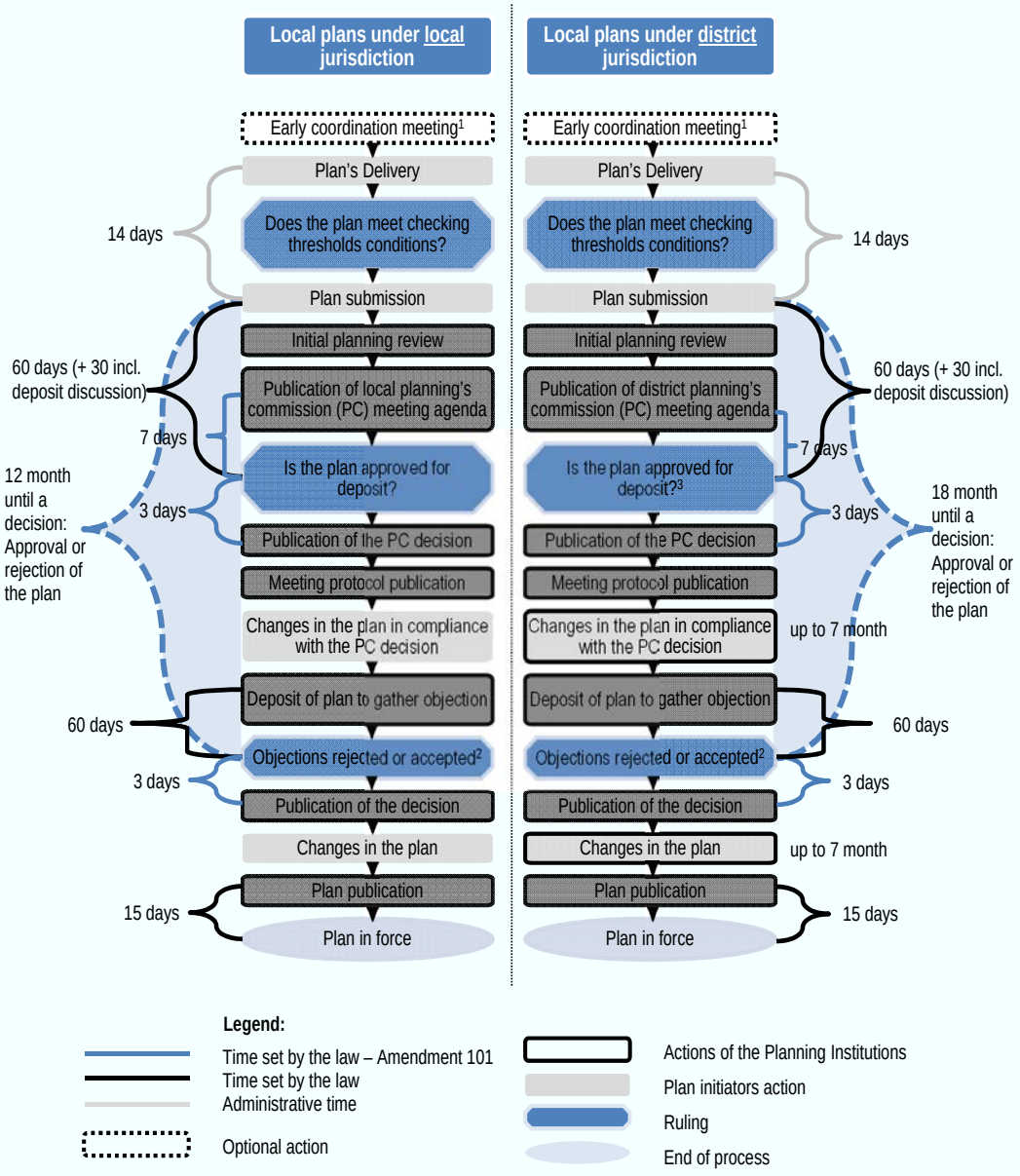
Amendment 101 entailed further changes to the Planning and Building Law to facilitate the application and approval of building permits. For example, private professional construction control centres based on the "one-stop shop principle" are being established. This allows permit applicants to receive all approvals from all involved governmental agencies at one place and thus shorten the overall period of approval. Moreover, three different permit issuance tracks were defined: i) exemption from permit (mainly light weight construction); ii) abbreviated (up to 45 days); and full route permit (up to 90 days) including setting up the schedule for each track.

Box 1.4. **Israel's approval process for local plans**

Under Amendment 101 to the Planning and Building Law, additional time limits between different steps towards plan approval have been introduced. Most importantly a maximum time between plan submission and decision on plan approval or rejections has been set. For plans under local jurisdiction, the decision period amounts to 12 months and for local plans under district jurisdiction it is slightly higher at 18 months. Although there are no penalties if a specific step in the process exceeds the defined time limits, the plan initiator may choose to move the plan to a higher level planning agency if the overall decision period (12 or 18 months) is behind schedule. About 65% of all local plans under district jurisdiction that passed the final decision (approval or rejection) in 2016 met the 18 months' time limit.

Box 1.4. **Israel's approval process for local plans** (*cont.*)

Amendment 101 is a recent reform introduced in 2014. Thus, the adherence to the set timelines and its effect on speeding up plan approval cannot yet be accurately evaluated. However, first numbers show a decline in the average plan approval period for local plans under district authority from 3.6 years in 2012 to 2.9 years in 2016 (Planning Administration, 2017).



Notes: 1. Not compulsory by law; 2. Hearings are held; 3. After being recommended by the local planning committee or 60 days have passed from the submission to the local commission

Source: Based on information provided to the OECD by the Planning Administration.

Further, efficiency was increased by introducing the mandatory online submission of permit applications. To increase the supply of planned housing units, the government also introduced annual steadily rising numerical targets for approved housing units (see Chapter 2) and which the Planning Administration (the district and Vatmal committees) have successfully met since 2012.

Towards a more flexible planning system and how recent efforts compare to OECD countries

Providing a framework for integrated planning

The allocation of land is a complex issue shaped by the decisions of different sectors, stakeholders and policy fields that can be highly complementary to each other. For example, without good transport links, even the best-planned new development will not flourish. Conversely, a transport network that is not adequately adapted to the urban form of a city will not serve citizens well. In Israel, both the National Planning Board and the District Planning Commissions are composed of representatives of the relevant government ministries – that is, across different policy fields. Thus the capacity for horizontal co-ordination is embedded in each decision of these bodies. However, since the agenda of these bodies is driven by ongoing planning decisions that must be approved (see above), rather than focussing on a joint strategy, horizontal co-ordination is often a reflection of the balance of power between the different ministries (State Comptroller, 2015).

The need for streamlining planning procedures requires a coherent land-use policy across different sectors. One of the recent efforts of the Israeli Planning Administration to advance integrated planning resulted in combining the existing sectoral national master plans into one single plan – the National Master Plan 1. Once NMP 1 is approved, it will complement NMP 35 and serve as an implementation policy tool for the general planning framework. The NMP 1 addresses prior difficulties in establishing a coherent land-use policy which emerged from scattered topics over varying national master plans, unclear language that was open to interpretation and legal entanglements resulting in contradictions and discrepancies in plan instructions and blueprints. The new plan will therefore provide policy makers with readable, simple and coherent national statutory information relevant to each and every piece of land as well as major planning challenges.

Integrated planning does not end with a unified plan, but requires continuous co-ordination and co-operation across policy sectors. The approval of the NMP 1 will be an important step towards more integrated planning that can provide a common basis for policy co-ordination. Creating a unified vision for the whole country for the coming years across policy sectors can further support integrated planning. For example, in France objectives are aligned across policy sectors and levels of government. Recent revisions to regional plans set an integrated planning framework for sustainable development (see Box 1.5).

Box 1.5. **Comprehensive integrated spatial planning in France**

Every country's spatial policies are driven by an underlying logic. France's planning system has long been characterised as following the "regional economic" form, wherein spatial planning pursues a wide range of social and economic planning objectives, with a particular emphasis on correcting regional disparities in wealth, employment and social conditions. But the system is shifting towards a "comprehensive integrated" form, which focusses more on spatial co-ordination through a hierarchy of plans, rather than mainly focusing on economic development per se.

Box 1.5. **Comprehensive integrated spatial planning in France** (*cont.*)

The objectives of land-use planning now include environmental protection and efforts to minimise sprawl in order to reduce climate change effects. In addition, there are also aspects of the planning process that aim to foster greater social cohesion. This has made the objectives for planning more complex because trade-offs among these objectives may be required, and because the different levels of subnational government can place different weights on the various objectives for land-use plans. The planning system is evolving to encourage more comprehensive and integrated planning approaches: comprehensive in the sense that a larger, functional area is considered under the same plan, and integrated in the sense of considering multiple sectoral issues simultaneously.

In light of this, recent reforms at the regional level increase the role of regions in spatial planning and attempt to "detangle" any overlapping responsibilities of different subnational governments. The new Planning, Sustainable Development and Territorial Equality Regional Plan (*Schéma Régional d'Aménagement, de Développement Durable et d'Égalité du Territoire*, SRADDET) has a much greater influence on planning policies than its predecessor did—it places regions as lead actors in the field of planning and sustainable development. Unlike the previous planning process which was not compulsory, the new law requires regions to develop an integrated spatial plan by the end of 2018. The new law replaces the essential elements of the three former sectoral plans (i.e. transport, water and climate, air and energy) and adds a requirement for the region to develop a specific plan on the prevention and management of waste by 2017.

The SRADDET addresses the long-held critique that the French planning system duplicates functions between levels of government by removing the general competence of regions and *départements*, such that they can no longer intervene in areas that are beyond their scope of jurisdiction. It further clarifies the areas of responsibility among the various levels of government by explicitly transferring responsibilities. For instance, regions under the new legislation gain responsibility over interurban transport. The SRADDET also establishes requirements for a regional strategy for economic development, innovation and internationalisation which sets regional guidelines for a period of five years (to be adopted prior to January 4, 2017). Once the new plans are in place, communes and *intercomunalites* must be compatible with its guidelines.

Source: OECD (2017b), *The Governance of Land Use in France: Case studies of Clermont-Ferrand and Nantes-Saint Nazaire*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264268791-en.

Shifting towards a planning system that provides certainty and allows for flexibility

Israel's planning system has been inherited from the British Mandate with its strong focus on oversight and control of local development. Back then, district planning committees were created under the British Mandate as control institutions. This system of double control where building applications and plan amendments are evaluated by local and district planning committees, has shown to be highly inefficient. Throughout the years, district planning committees have been preoccupied with small-scale plans not allowing them to focus on projects of regional importance with a long term strategy. For example, in the past the development of district master plans took a long time and by the time of approval they were often not up to date. Just before the district master plan for the central district (DMP3) was authorised in 1980, about 15% of overall developed areas did not conform to the original DMP 3 land-use map. Even soon after approval, intended land

use was changed frequently through "spot zoning". In the case study city Netanya (Chapter 3), about 42% of development between 1980 and 1990 did not conform to the original district master plan approved in 1982 (Alfasi et al., 2012). With detailed national master plans, and long preparation and authorisation time for district master plans, the recent shift of planning authority to the local level gives the opportunity to rethink the role of district planning committees. Instead of preparing statutory district plans, a non-statutory long term strategy that focuses on regional issues could be an alternative that not only frees up some capacity at the district level but also creates greater flexibility at the local level.

A planning system that incorporates a strategic long-term vision and focuses on plan implementation could support greater flexibility. In the Netherlands, each level of government prepares a spatial vision. These are policy papers that have replaced the key planning decisions at the national level, the regional plans at the provincial level and the structure plans at the municipal level. Within these documents, the expected spatial developments provide details on how these developments will be guided and implemented (Ministry of Infrastructure and the Environment Netherlands, 2011). In Israel, spatial planning is centred on the preparation of plans at the respective planning level. A coherent long-term vision for the respective planning region with clear policy objectives and implementation guidelines is often lacking. Moreover, under the present system, approved statutory plans do not yet provide for flexible adaptation to unforeseen changes in population and economic growth. Moving from blueprint planning at the higher planning levels towards rule-based planning could create greater flexibility in the overall planning system that would reduce the numerous small-scale amendments at the local level.

The devolution of spatial planning power should be accompanied by flexible tools that local authorities can adapt to their individual needs. Municipalities across Israel are very heterogeneous with respect to their local planning capabilities, their financial resources, their relationship with the government and land specific characteristics (Jabareen, 2014). As will be described in detail in the case studies for Netanya in Chapter 3 and Umm al-Fahm in Chapter 4, the development of the two cities was very distinct from each other leading to specific challenges that have yet to be addressed. For example, as will be described for the case of Umm al-Fahm, many cities with a predominantly Arab population transitioned from rural villages to urban areas in the absence of an overall strategy and the appropriate planning tools (Baana and Swede, 2012). The local master plan of Umm al-Fahm was approved in 1965 and already by 1980 it was not suited anymore to address the local needs of the growing city. Not only did the lack of an appropriate local plan contribute to lengthy planning procedures but also hampered the possibility of following a suitable long-term strategy for the city. Combined with a high share of privately-owned land, buildings in Umm al-Fahm developed gradually adjusting to people's own and their families' needs. Even though a local comprehensive plan is currently being developed, the city faces constraints to provide sufficient public amenities and infrastructure as public land for development is scarce. Land from private owners needs to be opened up which proves to be difficult due to a host of various factors including difficulties inherent in land readjustment procedures. Those difficulties are compounded by an environment of general mistrust of local residents towards government. The planning system needs to provide tools that are flexible enough such that local authorities can address existing challenges that may be specific to their city.

Box 1.6. **Embracing experimentation through temporary land uses**

It can be difficult to encourage investment in brownfield sites. But, it is critical to do so. Overgrown and unsightly vacant properties detract from a city's liveability and negatively affect real estate prices. This can create dead zones in a community and reinforce the feeling of neighbourhood neglect and decline. In response to this problem, urban activists have been transforming such spaces for decades, often without the permission of local authorities. These types of unsanctioned activities are sometimes referred to as "guerrilla urbanism"—for example, the Green Guerrilla movement in New York City which pioneered the practice of reclaiming vacant urban land for neighbourhood gardening in the 1970s (Schmelzkopf, 1995).

In many cases, these activist-driven movements have led to institutionalised practices. Community garden programmes supported by local government are now commonplace on vacant lots. Or, take for example, Park(ing) Day in San Francisco—an initiative started by a local activist group in 2005 which temporarily reclaimed parking spaces for pedestrian activities. Embracing the concept, the city has created a "Pavement to Parks" programme led by private initiative which has created dozens such temporary public spaces. "Do-It-Yourself" skateboard parks offer another example. The former director of design for the city of London describes the growth of temporary land-use initiatives as a "a confluence of tough economic times, the emergence of a new kind of creative culture, and a preponderance of stalled development and vacant properties" (Greco, 2012).

Local governments are increasingly embracing the temporary land-uses movement and working with communities and businesses to make better use of vacant spaces—whether this be for a pop-up event or festival or longer term uses that entail the refurbishment of built structures on vacant land. The approach has been referred to as the "temporary city", "tactical urbanism" or even the "pop up city"—it is grounded in the idea that planning of public spaces doesn't need to always involve capital intensive projects. The term "temporary" can entail anything from a couple of days to several years. Such uses create a sense of dynamism about a place and can be an important first step to encourage more permanent forms of investment.

A city's regulatory environment plays a major role in shaping the prospects for temporary land uses. For instance, Portland's open rules towards food vending have allowed local food truck entrepreneurs to occupy vacant spaces and create vibrant uses out of them—it has been a boon for local businesses and has encouraged tourism to the area (Southworth, 2014). Temporary land uses encourage experimentation. Across the United States, local skateboarders have taken over vacant lands—often unused public land underneath bridges—to build illegal skateparks (e.g., Burnside Park, Portland; Washington Street Park, San Diego). In many cases, these illegal structures have since gained community buy-in and have been turned into official skateparks sanctioned by municipalities, thus changing their temporary land uses into permanent features of the urban landscape. Though initially an unsanctioned experiment, their uses were proven to be beneficial and were eventually accepted.

As Németh and Langhorst (2014) note, there are liability issues to consider and not all temporary land uses will be desirable or feasible. Much depends on the compatibility of the uses with that of the surrounding neighbourhood, the type of ownership of the land, the built structures on it, and the liabilities associated with the activities that are planned. Nevertheless, by encouraging temporary land uses on vacant land—and creating guidelines and criteria for such uses—cities can work with communities and individuals to gauge what works, how land uses may evolve and create dynamic spaces that may either go on to last in the longer term, or shift to new uses over time.

Source: Greco, J. (2012), "From Pop-Up to Permanent", Planning, Vol. 78/9, pp.15-18; Németh and Langhorst (2014), "Rethinking urban transformation: Temporary uses for vacant land", *Cities*, Vol. 40, pp.143-150; Schmelzkopf, K. (1995), "Urban community gardens as contested space", *Geographical Review*, Vol. 1, pp. 364-381; Southworth, M. (2014), "Public Life, Public Space, and the Changing Art of City Design", *Journal of Urban Design*, Vol. 19/1, pp. 37.

While the scarcity of land in Israel and its highly contested uses create a unique situation, difficulties of developing certain types of land that are crucial for urban development, such as e.g. brownfield sites, are a common phenomenon across OECD countries. Israel could borrow from the core basics that are increasingly deployed in these cases – the definition of temporary land uses (see Box 1.6). Thus, advancing neighbourhoods in Israel where illegal construction that emerged from the past is concentrated could be achieved by defining them as experimental zones that provide rules for self-planning based on traditional urban codes adapted to the needs of a modern society (see e.g. Alfasi and Portugali, 2007, 2004; Alfasi, 2014).

Monitoring plan implementation to allow for timely adjustments

Population trends will require increasing densification in the urban development texture. About 10% of the land is classified as urban development texture with in the National Master Plan 35 (Box 1.1). Already, about 81% of the national population live within this type of texture, and projected population developments will require increasing densification in urban areas. A main objective declared in the NMP 35 was the limiting of suburbanisation in the centre and the densification in the north and south of Israel (Gruber, 2014). The plan itself is subject to evaluation in five-year intervals allowing for possible updates, if needed. Recent evaluations have shown that targeted population numbers significantly vary from population movement and growth. Thus, the population in the high demand area of the Central District is already beyond the plan's intended target number, and is furthermore expected to amount to more than 400 000 additional residents in 2020 than projected. Population targets in the South and North are also not evolving as targeted with a population deficits to the original NMP 35 plan objectives of about 600 000 residents (State Comptroller, 2015). So far, the government was therefore not able to redirect the demand for housing towards the South and the North of Israel. Recent updates of the NMP were approved in 2016, already including some minor changes to areas defined as urban texture and to densities (Planning Administration 2016d, 2016e).

Similarly to Israel, the need for urban densification is a common challenge across OECD countries – especially in metropolitan areas. While the pressure on land is less intense in most OECD countries, which are usually larger and experiencing an overall decline in population, they are faced with increasing urbanisation often accompanied in sprawling metropolitan areas. Common tools to promote dense urban development within the boundary and restrict development of non-urban land outside the boundary are urban growth boundaries or green belts around cities (see Box 1.7). Thus, urban growth boundaries, or green belts around cities are to some degree comparable to the concept of different development textures defined in the NMP 35.

For urban growth boundaries to be successful, the defined size of the area is crucial. If the defined area is too large, it will have no effect for limiting urban growth. In instances where it is too small to sustain development pressure, urban growth boundaries can have adverse effects on the value of rural land outside the boundary, increase the price of land and housing within the boundaries and leapfrog types of development beyond the restricted areas. When an urban growth boundary is implemented, it is therefore important to get a comprehensive understanding of social, economic and environmental impact at a regional scale. In Israel, despite efforts to increase urban densities, the case of Netanya highlights that sub-urbanisation is still a common phenomenon. A frequent evaluation of the objectives of the NMP 35 in the context of regional population growth is recommended to adapt to deviations and to create new tools to ensure plan implementation.

Box 1.7. **Urban growth boundaries in OECD countries**

Portland, Oregon, United States: The metropolitan planning organisation of Portland, called Portland Metro, operates in its current form since 1979. In 1995, Portland Metro adopted the 2040 Growth Concept, a long-term regional plan that lays out a vision for the region in 2040 including both land use and transport. The 2040 Growth Concept – amongst other – states that the preferred form of regional growth is to contain growth within carefully managed urban growth boundaries (UGB), a land-use planning line delineating the town area and countryside (agricultural and forestry land). Land within the boundary is developable over the coming 20 years. Outside of the boundary, development is generally prohibited. The UGB is aimed at promoting the effective use of built-up areas, the effective provision of public infrastructure and services, and the conservation of good quality agricultural and forestry land. The UGB has been expanded more than 30 times since it was first drawn up, in accordance with forecasts of land supply needs. The expansion of the UGB is only allowed in the designated area called the "urban reserve". The necessity of expansion is basically considered every five years and must be approved by the state government. Urban reserve contains future developable land (30 years of land supply for development).

Switzerland: The Swiss Land-Use Plan is mandated by the Federal Law on spatial planning and prepared by each canton. The canton designs a structure plan (*Richtplan*) that covers their entire area and envisions future spatial development. The structure plan must be approved by the Federal Council. Land-use plans, designed by municipalities regulate detailed land use and set the boundaries between building zones and non-building zones and are subject to the above level structure plans. The urban growth boundary is evaluated and adjusted to new needs every 10-15 years. Gennaio et al.'s (2009) analysis on four municipalities in the metropolitan area of Zurich revealed that the building zones originally instituted in the 1960s were extremely large due to optimistic population projections and political reasons. Reduction of the building zone is rare in Switzerland because municipalities are required to pay land-owners for lost opportunities caused by the increased regulation of land use.

Ontario, Canada: The Province of Ontario has intensified regional planning efforts to address urban-suburban land-use inconsistencies through the Greenbelt Plan (enacted in 2005 and updated in 2017) and the Growth Plan for the Greater Golden Horseshoe (GGH) (2006, 2017). Following its predecessor of 2006, the updated Growth Plan 2017 aims to direct population growth towards built-up areas including 25 centres within the GGH area, in order to stimulate compact development and increase intensification. The Growth Plan specifies that at least 40% of all residential development should occur within existing built-up areas and the boundaries of the urban cores are delineated, to be refined by municipalities. The minimum threshold is subject to successively increase and by 2031, 60% of all residential development will be in delineated built-up areas. The Greenbelt Plan delineates an area of environmentally sensitive and agricultural land at the heart of the GGH, protecting it from major urban development. In addition, Metrolinx, the provincial agency responsible for transport planning in the region, formulated a Regional Transportation Plan in 2008 that closely followed the vision of the two land-use plans. The Place to Growth Act requires that the official plans and the planning decisions of all municipalities in the GGH be brought into conformity with the Growth Plan.

Source: OECD (2015), *Governing the City*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264226500-en; OECD (2010), *Regional Development Policies in OECD Countries*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264087255-en; Gennaio, M-P et al. (2009), "Containing Urban Sprawl-Evaluating Effectiveness of Urban Growth Boundaries Set by the Swiss Land-Use Plan", *Land-Use Policy*, Vol. 26/2, pp. 224.232; Ontario (2017a), Green Belt Plan 2017, Ontario Ministry of Municipal Affairs and Ministry of Housing, www.mah.gov.on.ca/Page13783.aspx (accessed June 2017); Ontario (2017b), *Places to Grow – Growth Plan for the Greater Golden Horseshoe, 2017*, Ontario Ministry of Municipal Affairs, http://placestogrow.ca/index.php?option=com_content&task=view&id=430&Itemid=14 (accessed June 2017).

Increasing capacity and attracting high-skilled individuals at the local planning level

The empowerment of local planning committees has to be accompanied by increasing resources and capacity at the local level. Not only do local authorities need financial resources to fulfil the additional task, but new powers also require different knowledge and skills that might need to be developed (see e.g., Charbit and Michalun, 2009). Until the enactment of Amendment 101 to the Planning and Building Law, local planning had only a regulatory rather than a forward planning and policymaking role. While local authorities differ in their capabilities, limited career opportunities proved to be an obstacle to increasing capacities especially for weaker local planning authorities because highly trained urban and regional planning professionals often did not see a planning at those local authorities as a sufficiently rewarding career option. Further, the profession of city engineer requires a degree in engineering or architecture, but does not recognise degrees in urban and regional planning as valid qualifications. Although amendment 101 adjusted the qualification profile of city engineers to include a significant experience in city planning jointly with either building permits, public facilities or municipal utilities management in addition to their degree, the profession is not open to graduates who are specialised in urban and regional planning (Box 1.8).

Box 1.8. **The planning profession in Israel**

Across OECD countries, the disciplinary background of planners differs considerably. For instance, in the United States, United Kingdom and Canada, there are professional bodies that oversee planning accreditation and certification and there are specific planning degrees (e.g., masters in urban planning). In contrast, France has long embraced an interdisciplinary approach to urban planning with more than 150 different types of diplomas on urban and regional planning offered by various higher education institutions. Despite having had a professional planning society since 1911 (*la Société Française des Urbanistes,* SFU), the preparation of local land-use plans is carried out by a range of professions including civil engineers, urbanists, architects, landscape architects, geographers, economists and historians.

In Israel, the planning profession exists as a distinct profession since the late 1960s complemented by a professional urban planning society (*Israel Planners Association*). Over the years, the planning profession has been expanded in the number of professional planners, their status and career options. For example, there is a variety of positions open to planners at all levels including strategic planning, research or environmental and social affairs. However, the profession of city engineer as specified by the Local Authorities Law 1991 requires a degree in engineering or architecture and the planning of urban areas is therefore not in the responsibility of graduates specifically trained in urban planning. However, following amendment 101, the Local Authorities Law was amended to require a significant experience in city planning and in one of the following areas: building permits, public facilities or municipal utilities management including infrastructure.

Source: OECD (2017b), *The Governance of Land Use in France: Case studies of Clermont-Ferrand and Nantes-Saint Nazaire*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264268791-en; Israel Planners association, www.aepi.org.il (accessed May 2016).

The need to attract high skilled individuals to the local planning level – especially in weak local authorities - has recently been addressed through the initiation of the programme "cadets for strategy and urban planning". The programme is aimed to train civil servants in the planning system, with emphasis on local authorities in Israel, and offers its participants a full two-year training programme that combines master's degree in

urban and regional planning, together with a unique training in policy and public administration. In addition, the programme includes various classes focusing amongst other on the Israeli society, leadership skills, and meetings with key figures in the planning system and the local. Practical experience in the local planning committees and entities is included. The graduates are placed for four years in one of the local planning committees (mostly in the geographic and/or social periphery). The programme is a result of co-operation between several entities: the Planning Administration, the Ministry of Interior, the social NGO "Atidim", the Ministry of Finance, the Local Government Centre, Centre for Regional Councils, the Technion University and the National Lottery.

Creating a framework for active and meaningful public participation

The benefits of public participation receive increasing acknowledgment in Israel. Within the planning system, public participation is provided through the possibility to appeal to a statutory plan at the stage of deposit for final statutory approval. It is possible to raise the same objections at different boards; these appeals can significantly lengthen the time of plan procedure. Understanding the benefits of receiving public feedback before the plan is in its final stages has resulted in increasing attempts of local planning committees to engage the public. Thus, during the preparation of the local comprehensive plan for Netanya, a survey to elicit the public vision for the city was conducted and publicly presented (see Chapter 3). However, citizen engagement can incorporate a much wider spectrum than providing information and initial stages of consultation. Active citizen involvement through a dialogue in the planning process can reduce the need for raising objections and appealing to finalised plans, speeding up the planning process. In France, good results have been achieved by the National Commission for Public Debate that was introduced to facilitate public engagement and act as a mediator in large scale infrastructure projects that are common source of land-use conflict (Box 1.9).

Box 1.9. **France's National Commission for Public Debate**

The French government has established the National Commission for Public Debate (*La Commission nationale du débat public,* CNDP) as a central body to conduct public engagement for large scale development projects. The Commission has expertise in communications, managing relationships and information across platforms, can co-ordinate between different departments/ministries and levels of government, and create standards and regularity around the engagement process. The Commission was created in 1995 by the Barnier law on strengthening the protection of the environment. With the law on grassroots democracy in 2002, the CNDP became an independent administrative authority.

The law entrusts the Commission with the mission to ensure the participation of the public in the development of major projects of national interest that have strong socio-economic impacts and/or significant impact on the environment or land. More precisely, the Commission

- Ensures compliance with good public information throughout the phases of the project (implementation to completion)
- Advises authorities on public consultation throughout the duration of a project.
- Ensures the collection of all opinions and recommendations are subject to a common methodology

All of the information is compiled and documented transparently on the Commission's website.

Source: La Commission nationale du débat public (2016), www.debatpublic.fr/son-role (accessed 1 June 2016).

The digital provision of planning information is a first step to greater citizen engagement which is further supported through recent reforms. It is often remarked that citizen engagement remains low for land-use planning issues due to a lack of information (Purian et al., 2012). Therefore many governments are trying to address this issue by providing planning information in more accessible and understandable formats. This includes, for example, the formulation of planning documents into plain language so that they are easier to read and understand by the lay person, using social media and other online tools to engage with citizens and get their feedback on issues that affect them, holding public meetings and town halls for major projects and changes, and sharing planning documents in a more accessible way by digitising land-use plans. In Israel, a standardised uniform format for local plans has been in force since 2006. In addition, the submittal-to-approval process of planning documents has been digitised in 2011 facilitating the access for elected officials, professionals and stakeholders to land-use plans, decisions of appeals and other relevant information (Planning Administration, 2016g). Since September 2016, the permitting process has been digitized as well (Planning Administration, 2016h).

Box 1.20. **Different stages of citizen engagement in policy making**

Effective citizen engagement can yield a number of benefits, including building trust in government; generating better outcomes at lower cost; securing higher compliance levels with decisions reached; enhancing equity of access to public policy making and services; leveraging knowledge and resources; and developing innovative solutions. Three main stages of citizen engagement can be identified:

- Citizen information: Information is conveyed in one direction only, from the government to the public. There is no involvement of the public (e.g. public feedback is not required or specifically solicited) and there are no mechanisms through which citizens are invited to react. Providing information is a critical first stage of more open and transparent government. Communicating information to citizens on decision making, policy development and implementation puts governments in a position to be scrutinised and builds citizen trust. Informing citizens helps educate them about their rights and entitlements and can communicate the rationale, objectives and achievement of government. This is important for ensuring buy-in to changes and reforms and for providing a platform from which citizens can engage with government. Examples of techniques used for citizen information include setting up websites and granting access to public records and data.
- Citizen consultation: Information is conveyed from the public to the government, following a process the government initiates: it provides information and invites citizens to contribute their views and opinions. The main purpose of citizen consultation is to improve decision making, by ensuring that the views and experience of those affected are considered, that innovative and creative options are taken into account, and that new arrangements are workable. Examples include public opinion surveys, focus groups, workshops/seminars, public hearings and public comment on draft legislation. For example, in Israel the Planning Administration is using computerised interfaces and other mechanisms for citizen consultations: First, “IPA consultation arenas” in selected topics or issues where the Planning Administration is presenting an issue and invites the wide public to share their insights, recommendations and thoughts on a certain issue. These are presented online and are examined and serve as inputs in the process of elaboration and decision making Second, the “Wake up city project”, initiated by the Planning Administration was a competition that took place in 2016. The aim was to identify innovative tools and ideas to address the main urban challenges in Israel, and thus it was open to professionals and the general public.

Box 1.30. **Different stages of citizen engagement in policy making** (*cont.*)

- Citizen participation and empowerment: Information is exchanged "two ways", between the public and the government, through a dialogue into which the opinions of both parties feed. Citizen participation and empowerment require a relationship founded on the principle of partnership. It recognises the autonomous capacity of citizens to discuss and generate policy options; it requires governments to share the agenda-setting power and to commit to taking into account policy proposals generated jointly in reaching a final decision. Finally, it requires citizens to accept the higher responsibility for their role in policy making that accompanies greater rights of participation. Examples of participatory decision making and participatory budgeting include citizen juries and citizen forums.

Source: OCDE (2015), *Governing the City*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264226500-en; "Planning Administration: Yousay programme", http://yoursay.iplan.gov.il/planning/home; "Planning Administration: Wake-up city project", www.wakeupcity.co.il.

Public participation can also support building trust in government. Cities in Israel are characterised by different types of relationship with the government. Especially in cities with a majority of Arab population, such as Umm al-Fahm, trust in government both towards the local and the national level is often lacking (see Chapter 4). Informing and involving the residents in planning decisions of their city can create greater transparency and support building trust in government (Jabareen, 2014). Residents must be meaningfully involved in the policy decisions and plans that will shape the future of their communities (see Box 1.10). In Umm al-Fahm, this is particularly critical because of the nature of land ownership; community revitalisation and the provision of services and amenities for residents will likely require the co-operation of exiting home owners to help reorient and reshape the urban form wherever possible, ensuring that necessary infrastructure is being built. Critical steps in this direction have been undertaken by the Planning Administration that especially in minority settlements designs comprehensive plans through a public participation process. Still, there are some unique challenges in the public participation processes which require adaptable solutions. The city, together with other community actors and levels of government, should work to develop a strong culture of civic engagement and champion community successes in urban development. In turn, local governments need to be properly resourced to build their public engagement capacities and share best practices.

Summary and outlook

The planning system in Israel is anchored in the Planning and Building Law of 1965 that defines planning institutions and authorities, the types of plans and the hierarchy between them. It is centralised and provides strong oversight of local planning decisions. The national government plays a key role in land-use planning; it provides the majority of representatives for the planning institutions at the national level (the National Planning and Building Committee) and the regional level (District Planning Committees). It therefore not only has the power to guide development through the creation of binding national and district master plans, but is also responsible for the approval of many plans at the local level.

Development in Israel is guided by the issuing of building permits, which must comply with the strictly hierarchical system of spatial planning documents. Within this system, overly detailed or outdated plans – especially at the local level – contributed to long building permit approval times as building applications often had to be accompanied by amendments to existing plans. Thus, district planning committees, who are responsible for approval of local plans, were occupied with evaluating numerous small scale plans as opposed to projects of regional importance. These inefficiencies in the planning system have contributed to delays in the already long housing production process. As will be described in Chapter 2, the supply of housing did not keep pace with the population growth in Israel, resulting in a significant housing shortage.

Recent reforms have sought to address the rigidity and inefficiencies of the planning system by streamlining planning procedures and increasing the flexibility of plans. For example, in 2014, Amendment 101 to the Planning and Building Law resulted in an additional shift of planning authority from the regional to the local level. A greater decentralisation is expected to free up planning resources at the district level, shortening the approval processes for projects of regional importance. The process of decentralisation should allow local authorities to create a strategic vision for their municipality and to directly react to their citizen's needs. The case studies for Netanya and Umm al-Fahm following in Chapter 3 and Chapter 4 will highlight land-use objectives of the two cities and their main obstacles to plan implementation. National frameworks and policies affect local land-use planning and urban development in various ways, which will be described for both cities as land is a critical issue in achieving inclusive and sustainable growth objectives.

Notes

1. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).

2. The Minister of Finance (or his representative) who will be chairman; 13 members of the government; the director or its representatives from the Planning Administration (will be deputy chairman); the director of the National Parks and Nature Reserves Council or his representative; the mayors of Jerusalem, Tel Aviv, Haifa and Beer Sheba; the mayors of 2 other municipality, the chairman of 3 local council, other than a regional council, and the chairman of 2 regional council; a person with professional training in housing and building; one member registered in the Engineers and Architects under the Engineers and Architects Law, 1958; one representative of a women's organization; a representative of the Technion, Israel Institute of Technology; a representative of the settlement institutions; a professional trained in sociology; a representative from a public organisations concerned with environmental protection; a representative of an organisation engaged in social and welfare; a representative of the younger generation (for details, see State of Israel, 1965: Art. 2).

3. The deposit phase refers to the release of the plan for public view, which is specifically intended for people are adversely affected by the plan and who wish to object to its approval. Those are the individuals or bodies who have legal standing in the objection procedure that follows the deposit phase.

4. The 75% rule is only allowed if no economic damage is expected with respect to the remaining owners that are involved.

5. Some minor changes in building appearance and internal layout of residential buildings are allowed without a building permit.

6. The difference between master and detailed plans may prove very vague. Since both plans can include detailed directives, it is not uncommon to amend a detailed plan which is at odds with the relevant master plan by giving the amendment an official master plan label. Thus, the plan hierarchy remains intact.

7. Unless there are accessories (for example: a terrace, a retaining wall or even, a tree) attached to the expropriated property, in which case the owner must be compensated for those.

8. The information provided by the Bank of Israel refers to several phases that constitute the housing production process and some of them are associated more with plans initiated by the public sector. Thus, phases such as feasibility examination, development plan preparation, marketing, issuing tenders for development contractors are mostly not relevant for a plan initiated by a private developer.

9. The average number for large residential plans refers to plans with at least 200 housing units and that are approved by the district committees and the Vatmal.

10. Under amendment 76, the power of local authorities was only extended if the master plans were broad enough to qualify and if the plans were less than 10 years old.

11. For the period 2014-19, the Planning Administration allocated about ILS 311 million towards manpower, equipment and other capacity building measures. This sum comes on top of a large scale professional teaching system designated for local planning committees and their stuff and a budget of about ILS 70 million for the preparation local comprehensive plans.

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Chapter 2

The housing crisis in Israel as catalyst for policy reforms

The chapter sets the need of reform of the regulatory system into the context of the housing crisis. It offers an overview of recent trends in the housing market in Israel. The emergence of the housing deficit is described together with immediate policy responses from the national government. The chapter concludes with identifying some key challenges of the introduced policies.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Israel is a small country with a high population growth. Since the establishment of the State of Israel in 1948, the population has grown from 872 700 to about 8.3 million by the end of 2014 (Central Bureau of Statistics (CBS), 2015a). Throughout the next decades, the population is projected to continue to grow to about 14 million by 2050 (OECD, 2015a). Past population growth has outpaced the supply of housing. The current housing deficit, reinforced by the population projections, was one of the key drivers that contributed to the need for reform of the spatial planning system in Israel. Addressing the immediate need of housing and ensuring sufficient employment opportunities while avoiding irreversible damage to open space and environmental resources, is crucial for the economic development of the country and the quality of life of its residents.

The undersupply of housing manifests itself in increasing housing prices. Since 2008, house and rental prices have been soaring, significantly affecting the cost of living. An increasing dissatisfaction of the population resulted in mass protests in 2011, putting the housing crisis on top of the agenda of the national government. Combined with reforms to the planning system (Chapter 1), the immediate need of the population was addressed by introducing fast track housing programmes that aim to quickly increase the housing stock by circumventing bottlenecks in the planning system.

The provision of housing is a complex regulatory process affected by many different policy sectors and levels of government. In order to align the relevant government agencies in charge of provision of housing, several bodies were created for greater co-ordination and co-operation: national Housing Headquarters, an inter-ministerial Commission for Planning and Development (*Housing Commission*) and a Housing Cabinet at the ministerial level. But not only slow, and uncoordinated regulatory procedures contributed to the lack of housing, but also low priorities and missing incentives at the local level to provide residential housing. For example, the provision of infrastructure, services and amenities for new residential development implies a financial burden for local authorities, which is usually not compensated by additional tax revenues. Therefore, the taxation framework provides incentives for local authorities that are not aligned with the national objective of increasing housing for the population. Creating a framework where policy objectives are aligned across levels of government and policy sectors is needed for achieving better outcomes at all levels.

This chapter sets out with describing the recent developments in the housing market and how they relate to land-use priorities of local authorities. A description of the immediate policy responses of the government in addressing the lack of housing is followed by highlighting the key challenges with respect to the introduced policies.

The housing crisis

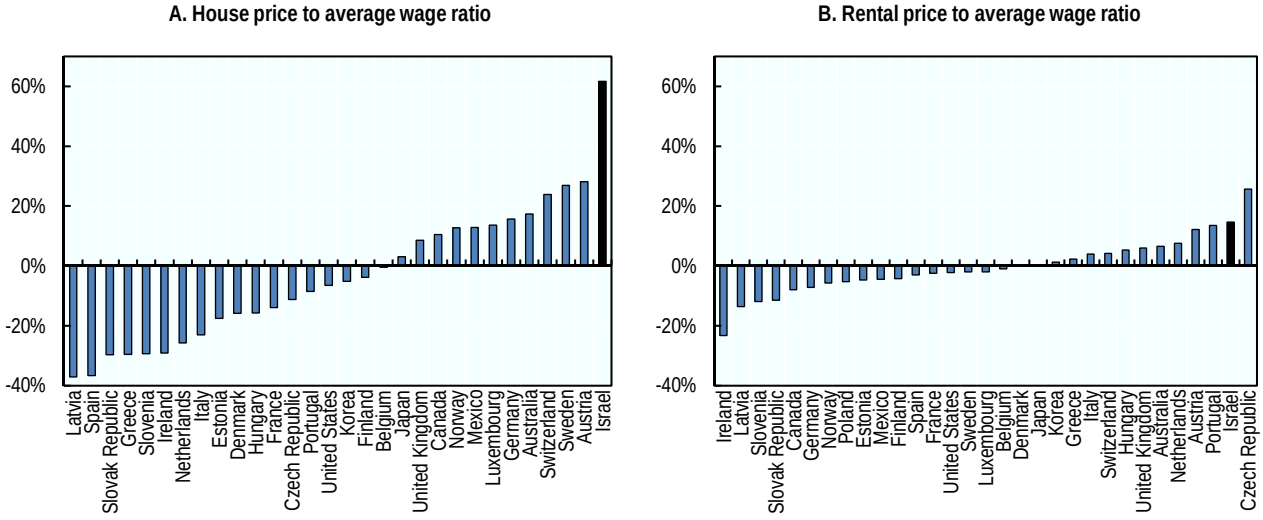
The undersupply of housing resulted in soaring house prices

The development of buildings has not kept pace with population growth resulting in a significant shortage of housing. Between 2001 and 2009, the construction starts for residential housing was on average about 32 500 units whereas the number of households grew by about 50 000 per year, resulting in an estimated housing deficit of over 100 000 residential units (Ministry of Construction and Housing, 2016a). The low number of construction starts was a direct consequence of a low number of building approvals that remained below 25 000 units per year and only increased following a realignment of priorities in the government. National-level numeric targets for housing in the Planning Administration were adjusted and complemented by fast track planning procedures in

2011 and 2014. A combination of limited supply and increasing demand for housing, also driven by the macroeconomic environment such as low interest rates and the absence of alternative investments, has resulted in a sharp increase of housing prices. Since 2008, this increase – measured relative to wages – has been the highest among OECD countries. As the increase was not only observable in housing but also in rental prices (Figure 2.1), parts of the increase in housing prices can be expected to be a consequence of undersupply of housing and not merely a result of macroeconomic circumstances. Between the first quarter in 2008 and 2016, real house prices increased by 80% and rental prices increased over the same period by about 40%, whereas average wages increased less than 4% (OECD, 2016a, 2014; CBS 2016). Estimates suggest that the housing shortage accounted for about a third of the 35% increase in house prices and of about 75% of the increase in rents between 2009 and 2010 (Nagar and Segal, 2014).

Figure 2.1. **House and rental price development across OECD countries, 2008-2015**

Percentage change



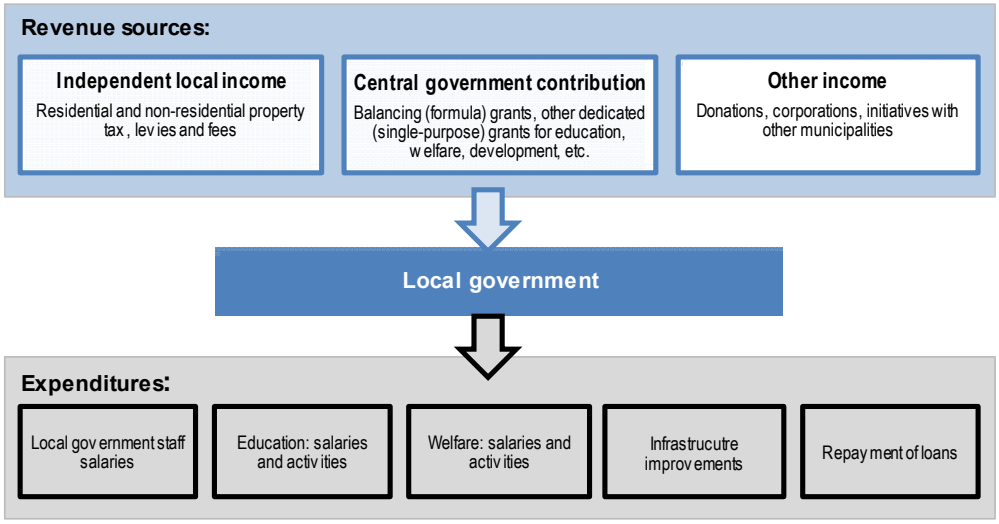
Source: Calculations based on OECD (2014), "Average wages" (indicator), (accessed July 2016); OECD (2016a), "Prices: Analytical house price indicators", Main Economic Indicators (database), (accessed July 2016).

Residential development is a fiscal net loss for local authorities

Most local authorities in Israel do not prioritise residential over other type of development as it tends to be associated with a current budgetary net loss. Local authorities face a structural gap between providing services to their residents and their fiscal means which often increases with more residents. Revenues for local governments are composed by governmental transfers, independent income such as property tax, fees and surcharges and income from donations, corporations or initiatives with other localities (Figure 2.2). While the central government provides transfers, the current policy of fiscal stabilisation leaves little room for increasing these transfers for poorer municipalities without limiting the ones for local authorities that are better off (BoI, 2016). Thus, large inequalities across local government's ability to provide basic services to their residents exist. For example, in 2014 the average expenditure per year ranges between ILS 3 232 (New Israeli Shequel) per resident for financially weak to ILS 23 316 per resident for financially strong municipalities. This gap results from

differences in the level and structure of local authorities' independent income. For example, the share of independent income in the ordinary budget is for economically strong municipalities about 70%, whereas it is much lower for weaker municipalities with about 22% (CBS, 2015b). Local authorities that want to improve their economic situation therefore have to increase their own source revenues.

Figure 2.2. **Structure of local revenues and expenditures in Israel**

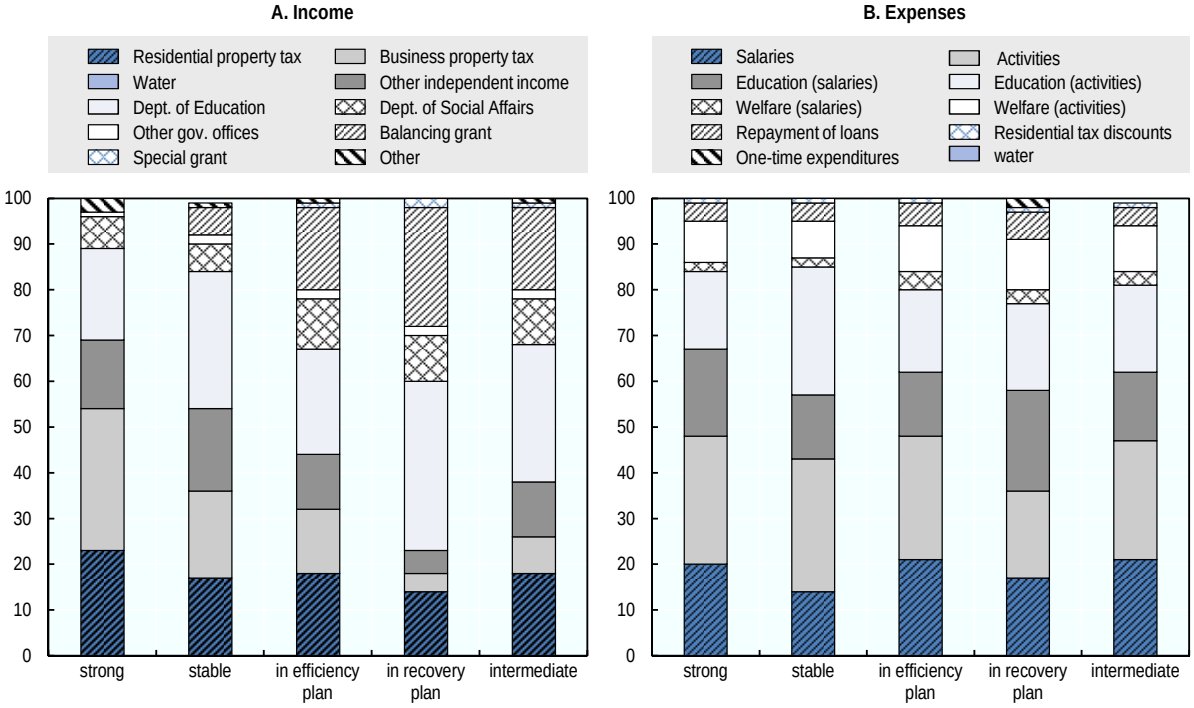


Source: Lehavi and Romano (2016), The Economy of local government in Israel.

The main source of local governments' independent income stems from property taxes. In 2015 the government categorised all 257 local authorities in five groups according to their budget balance and the quality of services rendered to their residents: i) Municipalities with a balanced budget in the last three years and a cumulative deficit less or equal than 12.5% are categorised as strong; ii) Stable municipalities are characterised by a current deficit less or equal than 1% and receiving no balancing grants from the central government; iii) municipalities that are receiving central government loans to cover deficits and operate without accompanying central government auditor are classified as municipalities in efficiency plans; iv) municipalities in recovery plans are characterised by a socio-economic index lower than seven, a cumulative deficit greater than 17.5% and total debt greater than 50% of municipal income. Of the 257 municipalities in Israel, 24 were classified as strong, 72 as stable, 27 as municipalities in efficiency plans and 52 municipalities in recovery plans. The remaining 82 municipalities were categorised as intermediate municipalities that are not yet required to enter efficiency or recovery plans, but at the same time do not qualify as strong or stable municipalities. Analysing the main expenses and income sources of local authorities in Israel in 2014, Lehavi and Romano (2016) show that the spending patterns across local governments are fairly similar, but that they significantly differ with respect to their income patterns (see Figure 2.3). As such, financially strong municipalities benefit mainly from strong business property tax revenues.

Figure 2.3. **Municipal income and spending patterns in Israel, 2014**

in % of total



Notes: 1) The total income does not include the "one-time grant" that some municipalities received to cover the "accumulating deficit". 2) The total expenses do not include discounts and exemptions which are written both at the income section and at the expenses section for transparency purposes.

Source: Lehavi and Romano (2016), The Economy of local government in Israel, www.moin.gov.il/localgovernment/documents/כלכלת%20השלטון%20המקומי%20פערים%20ברשויות%20המקומיות%20בישראל.pdf.

Local authorities have limited fiscal power. They are not allowed to raise municipal taxes at their discretion, but must remain within a certain range supervised by the central government. For residential properties, the tax rate bands are usually too low to provide for the needs of the growing population. In contrast, tax rates for industrial and commercial land is more valuable to local governments as they are usually much higher than the services that need to be provided (Ministry of Interior, 2011). In 2016, the range for residential property was set between ILS 33 and ILS 116 per m^2, whereas the range for offices and commercial property was between ILS 65 and ILS 370 per m^2 (Ministry of Interior, 2016). Thus, the property tax charged for commercial land can be up to 11 times higher than for residential property. Local governments who are trying to maximise their revenues have strong incentives to prioritise plans for commercial rather than for residential development. Further, local governments are increasingly competing with neighbouring local governments for the location of such land uses within their boundaries through approval of such plans by the district or national planning bodies. This process can increase inequality between local governments and result in over-designation of commercial and industrial areas. In the past, tax reforms have been considered but, due to various factors, were not carried out. To date, to remedy the situation, the central government has set up numerous ad-hoc committees to review local boundaries and to find "tax sharing" solutions between adjacent authorities. As of 2016, in each district one permanent professional committee is being nominated. This measure will assure that committee members are familiar with all municipal as well as planning matters in the district and have a better, district-wide overview of changes submitted for their approval.

The development of residential areas can inflict financial burdens of municipalities beyond deficits in the current budget. Especially large scale residential developments result in a capital budget net loss for local municipalities as they require the provision of major infrastructure components and public facilities. While municipalities can charge development levies, these usually are not sufficient to cover the costs for infrastructure incurred by large scale developments. Furthermore, government funds for public amenities are often insufficient and require matching of funds by the local government. This structural gap is an obstacle to the development specifically of large scale residential projects and solutions to this problem are often made on an ad-hoc basis, with development agreements between the local municipality and the land owners or developers. While on state-owned land, the use of such methods has expanded to all-encompassing "framework agreements" (see Box 3.2 in Chapter 3), on privately-owned land possible solutions are diminishing. Thus, recent court rulings have banned the ability of municipalities to fund development by means of agreements with private land owners and developers surpassing the development levies determined by law. To provide a solution for the provision of infrastructure, the government is currently promoting legislature to reform the development levies in local municipalities and thus ensure better resources for development.

Not only do higher revenues from commercial property influence local authorities' preferences for certain developments, but also tax breaks for lower income households. Local governments that are unable to change the land use towards commercial development and have to provide residential units may plan to attract high income earners in order to maximise their revenue (Gruber, 2014). The construction of large and more expensive apartments would be one way for local authorities to attract a certain income group. Indeed, a trend towards the development towards larger apartment size is observable. While the average size of households has decreased over the last decades, the share of apartments built with more than three rooms increased. Of all constructions of dwellings that were begun in 2014, only 5% were with up to three rooms. In contrast in 1980, the share was much higher with 42% of such apartments (Figure 2.3). The increase of house prices for different sized apartments suggests that the development of larger apartments not necessarily reflects the demand for more affordable housing solutions. Thus, the price increase between 2010-15 in house prices was larger for used three room apartments than for used or new apartments with more than 3 rooms (Ministry of Construction and Housing, 2016b).

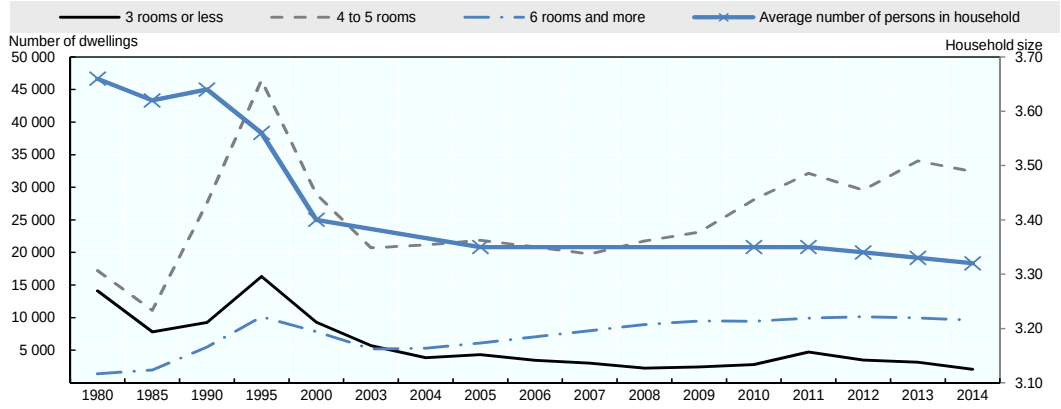
Continuously rising costs of living sparked protests and social unrest

Rising prices for housing and the lack of affordable alternatives has resulted in a significant financial burden of households. As in many OECD countries, housing in Israel is with about 70% dominated by home ownership (Andrews et al., 2011). A bias towards home ownership is created through distortions in the tax system, pro-ownership policies such as housing subsidies and public housing programs, as well as the presence of an unregulated rental market (Benchetrit, 2014). While renting is a housing solution for a wide range of households, the pressure on lower income households in times of increasing house and rental prices intensifies. Between 2005-2012, the share of persons living in rental housing has not significantly changed for the lowest income decile (Figure 2.4). For the 4th lowest income decile however, the increase in housing costs for owned compared to rental dwellings is accompanied with an increase in the share of persons renting. Not being able to buy a home, and increasing competition for rental units can be one explanation for the steep increase in housing costs for persons of the lowest

income decile living in rental units. In addition, the focus on construction of large apartments in the context of limited housing supply and increasing competition on the market can force lower income households to relocate to more affordable areas that might have lower accessibility to economic opportunities. In these instances, the lack of affordable housing solutions in areas that provide equal economic opportunities to their residents can intensify social disparities within the State. Indeed, the share of people that reported to be satisfied with the availability of good, affordable housing within their city is amongst the lowest in the OECD and has been decreasing since 2009 (OECD, 2016b). In 2011, population's satisfaction reached a low, resulting in people taking the streets to protest against the increasing cost of living.

Figure 2.4. **Development of household size in Israel and number of rooms in dwellings, 1980-2014**

By year when construction started

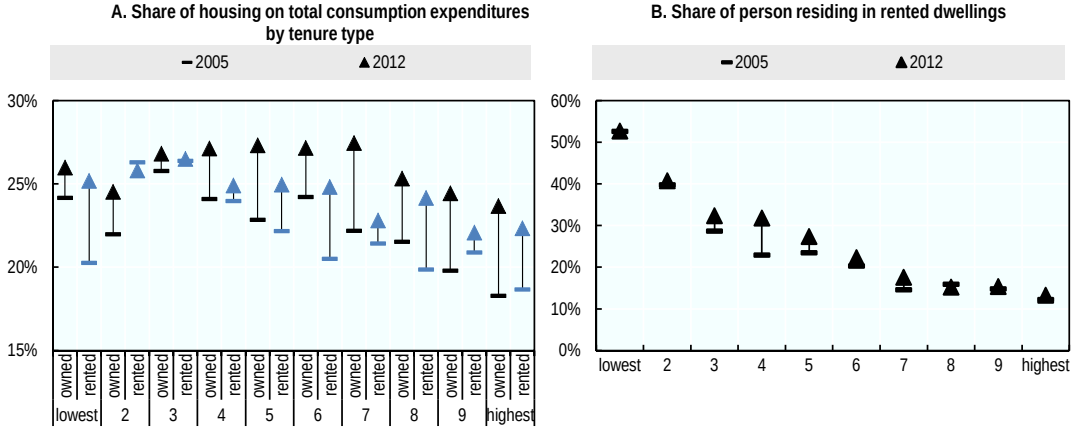


Note: 2014 preliminary data.

Source: CBS (2015a), Statistical Abstract 2015, Table 22.9; www.cbs.gov.il/reader/shnaton/templ_shnaton_e.html?num_tab=st22_09&CYear=2015 (accessed May 2016).

Figure 2.5. **Change in housing expenditure in Israel and share of persons by housing tenure, 2005-2012**

In deciles of households, by net income per standardised person



Source: CBS (2015c), based on Tables 1.2, 1.10 and 1.11 (accessed July 2016).

Governmental strategies to address the housing crisis

Increasing dissatisfaction of the population with the cost of living has moved the housing shortage on top of the agenda of the national government. In Israel, national and local governments have the ability to influence the housing market in various ways, such as formulating housing policies, land allocation to housing, the planning and marketing of land, and creating affordable housing solutions for disadvantaged population groups. At present, the housing challenge is addressed through a continuous reform process of the spatial planning system (Chapter 1), and a policy strategy aiming for a quick increase in housing supply in the short to medium term, including heavy investments in infrastructure and the evacuation of sub-optimal land uses (such as army bases placed in high demand areas) in order to facilitate the development of new neighbourhoods, and a reform in the public land tendering process aimed at lowering housing prices to non-homeowners.

Creating Housing Headquarters and the Commissison for Planning and Development to facilitate horizontal co-operation and co-ordination between governments organisations related to housing

Until 2015, the government agencies that were involved in housing worked mainly independently from each other. In order to face the housing crisis, soon after the 2014 election, the national government decided to concentrate all government organs that are relevant to the housing production under Housing Headquarters within the Ministry of Finance (Planning Administration, 2016). The Housing Headquarters focus on a variety of policy and regulatory tools aiming to address Israel's housing crisis by setting government housing policy and implementation mechanisms. It is responsible for monitoring the Housing Cabinet's decisions and their execution. In addition, Housing Headquarters operate the Commission for Planning and Development (*Housing Commission*), an inter-ministerial body that has decision making authority related to the different governmental bodies in the Housing Headquarters. The Housing Commission includes in total 6 members consisting of three representatives of the Ministry of Finance (including the chairman), one of each, the Ministry of Construction and Housing, the Planning Administration and the Israel's Land Authority. Further, one representative of the "Apartment for Rent" Corporation joins as observer (Box 2.1). The concentration of all relevant parties in a single empowered entity should facilitate the co-ordination of the handling of all the regulatory processes and the signing of agreements that expedite construction (BoI, 2015). The authorities expect this to shorten the average time required for house planning and building by more than half, to 5.5-6 years (OECD, 2016c).

Box 2.1. **Israel's government organisations related to housing**

Ministries

The Ministry of Finance is responsible for planning and setting the targets for Israel's fiscal policy, preparing the draft State Budget and monitoring implementation of the approved budget. By deciding whether the state participates in certain projects, it can directly affect Israel's housing policy. Since 2015, the ministry is responsible for co-ordinating all major bodies related to housing. Hence, the Planning Administration was moved from the Ministry of Interior to the Ministry of Finance in 2015. The planning administration is the national level administrative body which oversees strategic long-term planning policies and land-use allocation. The Planning Administration can initiate and advance national, regional and local master plans and therefore it

Box 2.1. **Israel's government organisations related to housing** (*cont.*)

can significantly influence and define urban populated areas, the urban-rural fringe areas and rural regions. By deciding over the allocation of land for residential use, it can affect the supply of housing and thus indirectly housing prices. Further, the planning administration is responsible for all of the operational aspects of the planning institutions on a national and district level with regard to personnel, budgeting, co-ordination and control (Planning Administration, 2016). Additionally, the planning administration is responsible for building codes and policy regarding the regulation of construction.

The Ministry of Housing and Construction is responsible for initiating and implementing government policy in housing and residential construction. The Ministry works on two main levels: First, it provides housing assistance to disadvantaged population groups subject to eligibility criteria. This assistance is provided as subsidised mortgages, assistance in rental payment or the allocation of space in public housing. Second, the Ministry is active in the wider scope of the housing market aiming to create suitable housing solutions at affordable prices for the entire population. Thus, amongst other, they locate, plan and market available tracts of land for housing development (on state-owned land), lay infrastructure for neighbourhoods, and facilitate land registration (Ministry of Construction and Housing, 2016c). Moreover, it concentrates governmental activities relating to urban renewal and it will operate the recently established urban renewal authority.

The Ministry of Justice is responsible for Israel courts and legislative affairs. It determines the binding interpretation of the law for various government agencies. While they are not explicitly part of the Housing Commission, the planning of land use in Israel is based on the Planning and Building law, 5725-1965, and thus planning is ultimately linked to the Ministry of Justice as an adopted plan is regarded in Israel as an act of law. This ministry is also responsible for land registration and regulation of land ownership, and therefore it has an important role in the regulatory land processes.

Statutory Bodies

Based on the Israel Land Administration Law of 1960, the Israel Land Authority was established to manage the state's lands. With 93% of land in Israel that is either the property of the state, the Jewish National Fund or the Development Authority, the ILA plays a major part in setting land-use policies (Hananel, 2013). The ILA operates under the Ministry of Finance and while it has no statutory planning authority, it is a major player in proposing plans. These plans must receive regular planning approval and all development must receive building permits. Leasehold contracts issued by the ILA oblige the lessees to obtain the Authority's consent before applying for change of use or for additional building rights permitted to the planning authorities.

In developed urban areas, there are long-term leaseholds and a recent change in law results in developed land gradually being privatised to the current lease holders. For example, in 2016 the ILA sold about 55 000 housing units. Among the functions of the ILA are: i) Guarantee that the national land is used in accordance with Israeli laws; ii) Actively protect and supervise state lands; iii) Make state land available for public uses; iv) Plan, develop and manage state land reserves; v) Initiate planning and development; vi) Regulate and manage registration of state lands; vii) Authorise contracts and agreements with other parties; and viii) the provision of services to the general public. The ILA has a major role (in parallel to the Ministry of Housing) in the allocation, planning and tendering of available tracts of state owned land for housing development (on state-owned land), and in laying the infrastructure for new neighbourhoods. In addition, as many of the land tracts on the urban outskirts are leased for agricultural and governmental uses by the ILA, it plays a major role in the re-acquisition of land for new housing development.

Box 2.1. **Israel's government organisations related to housing** (*cont.*)

Other

Apartment for Rent is the Rental Housing Government Company owned by the State and operates under the Ministry of Finance. Incorporated in 2013, its purpose is to increase the supply of affordable housing solutions, both with respect to the sale of apartments as well as long term rental housing. The company is involved in promoting, planning and constructing of new large scale residential neighbourhoods that include long-term rental units. Provided that the plans include at least 1 000 housing units, the Company is permitted to also plan projects on private land. Further, it is active in developing an institutional market for long-term rental housing and encouraging investments by real estate funds (REIT) in such rental projects (Ministry of Construction and Housing, 2016a).

Source: Ministry of Construction and Housing (2016a), Israel Housing Market – Emerging Opportunities, Department of Strategic Planning and Policy; Ministry of Construction and Housing (2016c), "About the Ministry of Construction and Housing", www.moch.gov.il/English/about/Pages/about.aspx (accessed May 2016).

The Housing Commission and the Housing Headquarters facilitate horizontal co-operation for public entities which are responsible for different stages of the housing production chain (see Box 2.2). Several programmes to increase the supply of housing and to stimulate development have been introduced (Table 2.1). For example, barriers to the funding of infrastructure required for large scale housing developments have been reduced through agreements between central and local governments (for details see Box 3.2 in Chapter 3). Further, the evacuation and release of military sites in central Israel frees up land for development in a high demand area. The "*Path to a home*" is a programme that allocates funds for the planning and execution of intercity transportation infrastructures that are intended to serve about 190 000 housing units nationwide, enabling the planning of residential neighbourhoods, industrial zones and to tender the planned land (BoI, 2015). The provision of affordable housing is targeted through indirect state subsidies for the development of cheaper forms of housing for couples and individuals who are purchasing their first apartment in high density buildings ("*Buyers Price*"). Between 2015-17, the government will sell public land with a discount of up to 80%, using the "Mechir Lamishtaken" ("Buyers Price") mechanism.[1] As of December 2016, tenders for about 70 000 housing units across the entire State of Israel have been published While residential units at lower costs can provide affordable housing solutions, they may also raise the demand among eligible individuals.[2] As the programme modifies the method used to tender state-owned land for residential construction and typically does not increase supply, the prices for non-subsidised homes may face upward pressure. As developers agreed to a maximum price up front, higher prices in the free market as a result of growing demand and unchanged supply can increase developer's profits on sales of other developments. Another main concern of artificially mimicking competition is that developers will try to maximise their profits at the expense of quality (see e.g. OECD, 2016c; Gruber, 2014). Thus, while programme tenders require a minimal technical specification, developers have little incentives to provide more than this required quality. To alleviate the problem actual tender decisions allowed releasing certain portion of tendered units to the private market. Starting in 2017, tenders will usually contain an amount of up to 30% of housing units for the free market conditional to different factors. Other government efforts target a decrease in demand for housing as

an investment asset. Thus, the minimum purchasing tax for housing has been increased in 2015 for buyers who are purchasing a second home or more (BoI, 2016). Further measures to tax owners of multiple residential units have recently been approved.

Table 2.1. **Programmes and policies promoted and supervised by the Israeli Housing Headquarters and the Housing Commission to increase the supply of housing units**

Measure	Secondary measure	Description	Objective	Implementation
Frame agreements		Frame agreements are agreements intended to align government and local authorities' interests in the development of new residential areas, ensuring the funds for needed infrastructure, public amenities (such as e.g. schools, parks) and land development.	Increase supply by removing barriers	The government has signed agreements with more than 10 local authorities with a total volume of about 140 000 new housing units. Discussions with about 10 other local authorities are held which will bring the volume of construction to above 210 000 units.[1]
Path to a home		The "Path to a home" is a programme intended to co-ordinate government activities (including funding) of major transportation infrastructure that are required for housing marketing and execution. So far the programme included funds that enabled the marketing of 200 000 housing units, with a budget of 7 billion shekels.	Increase supply by removing barriers	The budget has been prepared and the process has begun.
Co-ordination between government budgets		In order to co-ordinate the funds of transportation infrastructure and large scale residential projects – the government co-ordinates the next five years budget of the MOT and the planning and marketing targets Another case of co-ordination of governmental funds to achieve the residential targets is the Ministry of Education budget providing funds for the addition of classrooms in accordance with planned development.		
Urban renewal	A. Vacate-and-reconstruct (Pinui Binui) B. Establishment of a government authority	Urban renewal is encouraged by the government by tax incentives and direct budget intended for planning and development of urban infrastructure	Increase supply by removing barriers	A. The secondary measure is in the searching of land stage B. Legislation approved in First Reading by the Knesset
National Planning and Building Committee for Preferred Housing Projects		The committee was established to allow for a fast track planning process for large scale residential projects	Increase supply by identifying available land	66 development areas totalling about 230 000 housing units have been approved for planning by the Vatmal. Vatmal's output:19 plans with 63 000 housing units were approved
Advancing the Planning and Building Law		The amendment includes measures to make the planning system more efficient, including certain devolution of plan approval authority to local planning committees	Streamline the planning in the district and local committees	The law (amendment 101) was passed by the Knesset on 1 August 2014

Table 2.1. **Programmes and policies promoted and supervised by the Israeli Housing Headquarters and the Housing Commission to increase the supply of housing units** (*cont.*)

Measure	Secondary measure	Description	Objective	Implementation
Promoting rental housing	A. Establishment of the "Apartment for Rent" Corporation B. Allocation of public land to the local authorities		Increase supply by promoting long-term residential rentals	A. The Corporation was established and has started operating. B. The secondary measure is awaiting local authority initiatives.
Buyers Price (Mechir Lamishtaken)		"Buyers Price" is a new form of land tender where developers compete for the lowest bid for the final purchase price of apartments. In these tenders land is provided at a discount price, thus ensuring that the lower cost is passed on to eligible home buyers.	Reduce prices	By December 2015, tenders have been published including approx. 30 000 housing units*.
Tax incentives		Recent amendments to the land taxation law abolished betterment tax exemptions for owners of multiple housing units who do not sell their units in a 3 year period; Furthermore, purchasing tax was increased for buyers of multiple housing units. Further measures to tax owners of multiple residential units are being considered.	Decrease in demand for housing as an investment asset	Amendment 76 to the land taxation law was legislated on 1.1.2014 Amendment 82 to the land taxation law was legislated on 23.6.2015

Note: 1. Ministry of Construction and Housing (2016a).

Source: Adapted from BoI (2015: p220).

Box 2.2. **Israel's regulatory process for the provision of housing: The Housing Production Chain**

In Israel, the provision of housing is a complex regulatory process which involves different levels of government and policy sectors. The Bank of Israel estimated that in 2011 the time required for planning and constructing housing units took on average about 12-13 years (BoI, 2012). There are several different phases that contribute to this time consuming process:

- **Phase 1:** An approved detail plan is a precondition for receiving a building permit, Since most of the land in Israel is state-owned, the two main initiators of detailed planning are the Israel Land Administration (ILA) and the Ministry of Construction and Housing (MoCH). Local municipalities are also key players in initiation of planning, especially on privately owned lands. A plan prepared for state-owned land usually requires a feasibility study. The feasibility examination was estimated to take at least one year.
- **Phase 2:** Once the detailed plan is submitted, it needs approval from the respective statutory planning committees. For plans that fall under the district committee jurisdiction the average time of approval in 2011 was estimated by the Bank of Israel to be 5 years. The Planning Administration data (2017) shows that in 2016 the average time of approval of all plans at the district level has been significantly reduced to 2.9 years and to 3.6 years for large residential plans.[1]
- **Phase 3:** If the development is planned on state-owned land, the ILA and the MoCH proceed with a tendering process of lots of land to private developers once the detailed plan has been approved. Often there are significant obstacles to the tendering process,

Box 2.2. **Israel's regulatory process for the provision of housing: The Housing Production Chain** (*cont.*)

such as the lack of major infrastructure (e.g. roads, interchanges, and sewage treatment plants) or the need to evacuate current occupants (e.g. agricultural land lessees, military bases), which need to be resolved. Resolving these obstacles requires intergovernmental co-operation with agencies such as the Ministry of Finance (MoF), Ministry of Transport (MoT), the Ministry of Defence (MoD) and the Water Authority.

- **Phase 4:** Following the tendering process if dealing with state-owned land or following plan approval on privately-owned land, two parallel processes begin:

  1. Construction planning and building permits approval: Requests for building permits are usually under the authority of the local committee. The building permit process can be complicated as it requires input from various agencies (e.g.: Fire Department, Home Front Command). Planning and building of public buildings is conducted by the local municipalities and funded with betterment levy revenues and funds received from various government agencies (e.g.: ILA, MoCH, and Ministry of Education (MoE).

  2. Preparation and implementation of infrastructure development: Planning and development of public infrastructure (e.g.: roads, parks, water, sewage, drainage) is the responsibility of the local municipality and the local water and sewage corporation. The development is funded by development levies collected from land owners and from other resources. However, in large scale residential projects these funds are usually insufficient. In these cases, on state-owned land, the ILA and the MoCH negotiate development agreements with the local municipality. According to these agreements, the ILA or the MoCH collect additional development charges from private developers in land tenders (diminishing net revenues to the ILA), and transfer the funds to the local municipality. However, on privately-owned land there is no systematic solution for insufficient funds and solutions are given on an ad-hoc basis subject to government priorities.

  Phase 3 and 4 are often overlapping, taking on average about 5 years.

- **Phase 5:** After the issuance of the building permit, the construction of residential buildings (as other buildings) is also regulated and supervised by various departments of the local municipality. The completion of this process is marked with the issuance of a utilities connection and permit to populate the building (Form 4) and a building completion certificate. The time from start of construction to completion of the building takes on average about 2 years.

Note: The estimates of the Bank of Israel refer to several phases that are associated with plans initiated by the public sector (e.g. feasibility examination, development plan preparation, marketing, issuing tenders for development contractors) which are not relevant to a plan initiated by private developers.

1. Large plans include at least 200 housing units, approved both by the district committees and the VATMAL.

Source: Bank of Israel (2012: 90), Planning Administration (2017), 2016 שנתון התכנון [Annual Report 2016], http://iplan.gov.il/Documents/shnaton_16.pdf; State Comptroller (2015), " דוח ביקורת על משבר הדיור דוחות מיוחדים" [Audit Report on the Housing Crisis], www.mevaker.gov.il/he/Reports/Report_279/f43ab2c3-db98-447c-8e49-8b3977bc660d/003-diur-1-new.pdf. Referring to approval of plans 2011-12.

Establishment of a National Planning and Building Committee for Preferred Housing Projects

The National Planning and Building Committee for Preferred Housing Projects (*CPRC – Vatmal*) was created in 2014 as government's reaction to the significant rise in housing costs and the need to increase the number of housing units built in Israel. The concept of the Committee is a legislated fast track to the existing planning system valid for 5 years, which comes in addition to the resources that are currently available to the regular system dealing with approval of plans. The main objective of the Committee is to quickly increase the supply and accelerate residential building plans within areas of land that the government has declared as preferred for housing. The plans that are submitted to the committee are for land of which at least 80% belongs to the ILA and that have the potential to build at least 750 residential units. About 30% of residential units in the plan will be designated for long-term rentals, half of which will be designated for discounted long-term rentals. In certain cases, especially in the peripheral settlements, the law also to deviate from the required rate of rentals due to a relatively limited rental market and low land values. Exemptions are granted to minority sectors, for which plans can also be on privately-owned land with the potential to build 200 units or more and where it is possible to approve preferential housing sites even when less than 30% of the housing units in the plan are designated for rentals (BoI, 2015).

The National Planning and Building Committee for Preferred Housing Projects has been empowered with the authority of a planning institution at the national level. It can override national and district master plans with the exception of NMP 35 and its decisions cannot be appealed to the National Council. Entities that are entitled to prepare preferential housing plans and submit them to the Committee include: the ILA or an agency acting on the ILA's behalf; the Ministry of Construction or an entity acting on its behalf; and the Apartment for Rent Corporation. In addition, the Ministry of Finance or an entity acting in its behalf can prepare and submit such a plan for minority settlements. Any person may submit objections to a plan (BoI, 2015).

Within the two years existence of the National Planning and Building Committee for Preferred Housing, 66 sites with a total potential of about 230 000 housing units were declared as preferential residential areas. As of 2017, 19 plans with 63 000 housing units were approved and officially published and another 10 plans with approximately 22 000 are in different statutory stages. The main challenges with respect to the approval of plans were the provision of access to transportation and the availability of water/sewerage facilities (Planning Administration, 2017). As of March 2017, an amendment to the Vatmal law is considered that would also authorise the Vatmal to deal with vacate-and-reconstruct programmes that have the potential to yield at least 500 units. Moreover, under the same amendment, the Vatmal would be able to in certain circumstances to undertake projects on private.

Programmes for urban renewal and regeneration

To increase the housing supply within urban areas, programmes that are targeting urban renewal are initiated by the Inter-ministerial committee of Urban Renewal headed by the Ministry of Construction and Housing. In addition, an urban renewal authority is currently being established that will assist in identifying potential sited and improving the efficiency of conducting renewal projects. The vacate-and-reconstruct programme (*Pinui Binui*) is a tool targeting old neighbourhoods that were often developed in the 1950s or before. It allows to demolish designated parts of neighbourhoods and to rebuild at much

higher density, usually three times or more the original number of apartments in the buildings. During the time of reconstruction, the developer has to provide accommodation for the residents of the building. Unlike the NMP 38 (Chapter 1), the vacate-and-reconstruct programme does not exempt from the betterment levy and plans need approval from the district planning committees. The programme may follow one of two courses: i) municipal programme and ii) developers' programme. In the first case, four bodies participate in this the programme: the Inter-ministerial Committee for Urban Renewal; the respective local authority; the project manager/managing company; and the property owners. The local authority is responsible for proposing sites that they consider to be appropriate to the committee. After approval from the committee, local authorities are responsible for the contact with the planners, for promoting statutory planning and approval including necessary plans for public facilities and infrastructures, for managing the site budget in a specified fund and for reporting to the inter-ministerial committee on the progress of the project (Ministry of Construction and Housing, 2016d). The main challenge of this programme is the fact that a developer needs to be found when the plan is almost approved. This may cause difficulties in finding a developer and require changes in plans, leading to delays in development schedules and a decrease in the probability of implementation. In the second case, the developers' programme, developers or property owners are the project initiators. The committee may approve such projects only after the plan has been deposited, and upon achieving an agreement with at least 80% of apartment owners. The private initiative and financial motives are the main advantages of this programme and lead to increased implementation probability and shorter timetable. However, naturally the developer is focused on a specific project and less committed to the overall view and needs of the city or the neighbourhood.

Another programme incentivising urban renewal is the "New for Old" programme. The state's income realised from state land marketed for new development can be used for the upgrading of old neighbourhoods located in the same city. The extent of the "New for Old" funding is relative to the number of the new housing units constructed. As the available budget is therefore based on land marketing, the state provides additional support in peripheral locations, where land values are lower. For upgrading the old neighbourhoods, localities select the infrastructure that is being funded according to their needs. The project started in 2008, and it has grown each year, from ILS 9 million in 2013 to ILS 114 million in 2016 (Information provided to the OECD by the Planning Administration).

Several tax benefits are implemented to encourage projects of urban renewal. Urban renewal through vacate-and-reconstruct programme (*"Pinui Binui"*) can be exempt from betterment tax, land purchase tax and VAT on construction services, as long as the respective area is declared as part of an urban renewal project. The declaration is limited to six years and can be extended for another six years.

The main challenges of immediate policy programmes targeted at quickly increasing housing supply

A housing policy focused on target numbers

Addressing the housing crisis in Israel requires the increase of housing supply. The government sets target numbers for approval of housing units for each district that is related to the housing demand. The targeted number of approved housing units successively increased from 60 000 in 2012 to 82 000 units in 2015 and 100 000 in 2016. Since 2012 planning procedures have improved considerably and the Planning

Administration (the district and Vatmal committees) met these governmental targets. BOI (2017) reports that the number of housing construction starts grew over the last two years and in effect, the current level covers the on-going needs. It should however be considered that despite matching the number of housing needs with housing supply, regional imbalances still may be present. It is therefore also important to consider at a more detailed scale where people want to live and how this demand can be met in a sustainable way. For example, if people want to live close to Tel Aviv but space constrains the availability of housing there, a good public transport system could link alternative settlements with the city. Thus, the city of Netanya located in the outer area ring of the Tel-Aviv metropolitan area could provide residential housing to accommodate people who would also benefit from employment opportunities in Tel-Aviv.

A long term strategic housing programme for Israel until 2040 envisions a shift from basic numerical targets towards a more holistic approach. The Housing Cabinet and the government have recently approved a Strategic Housing Programme for Israel for the next 23 years. In addition to providing numerical housing targets, the plan deals separately with different population sectors including minorities and the ultra-orthodox, and spatially distributes housing targets taking into consideration both the demand and aspects of implementation. It also envisions a shift towards urban regeneration in the medium to long term and explicates the interdependencies of funds and government activities. According to the Strategic Programme, Israel will need an additional 1.5 million housing units by 2040. This requires completed plans for 2.6 million units when taking into account implementation aspects, past gaps and the creation of a strategic stock of housing units. The programme will be binding for all government ministries. The Planning Administration is responsible for the preparation of a detailed operational plan and the National Economic Council for the detailed population forecast. Those plans will guide detailed operational plans prepared by the Ministry of Construction and Housing, the Israeli Land Authority and other bodies relevant for initiating detailed plans such as local authorities.

Following a long term housing strategy that envisions a shift away from setting objectives solely based on numerical housing targets is a critical step forward. The success of the programme should be monitored building on a suitable set of indicators that measure the development of housing and planning procedures. For example, the number of approved permits could be set relative to the number of building permit applications. A computerised follow-up system to enable such comparisons as well as other indicators of the building licensing procedure is currently set up (Rishui Zamin). The need to create indicators that monitor several aspects of the housing production process is also evident in other OECD countries. For example, despite different demographic trends than Israel, Poland also experiences a shortage of housing (OECD, 2011). Since Poland's transition in 1990, the central government increased its efforts to construct residential units. While the number of housing units compared to the households indicates a reduction in the housing shortage, many individuals still lack housing because it has been constructed in areas where people do not want to live. Moreover, housing solutions were often not affordable, especially for middle income households that were exempt from housing benefits and social housing solutions (Glocker and Plouin, 2016).

Programmes for densification in existing urban areas can create more supply for residential units, and given their complex character they should be evaluated with respect to future need.

Urban renewal and regeneration programmes introduced in Israel incentivise property owners to increase the quality of the building by granting additional building rights. Thus, the NMP 38 allows the construction of an additional 2.5 floors for buildings dated prior to 1980 in order to strengthen their foundations—a critical measure in a country prone to earthquakes. In Netanya, like other central cities in Israel, the NMP38 together with the vacate-and-reconstruct programme, is one of the main tools for adding additional housing units to the existing built-up area. While this mechanism can add to the existing housing stock and can also increase social mixing within neighbourhoods through the provision of high quality new apartments and general building improvements, the two programmes should be better aligned with long term objectives. Therefore, the effect of urban renewal programmes in its current form should be evaluated in the context of the city's specific population projections. A property that recently underwent an improvement through one of these programmes is very unlikely to have another improvement anytime soon. Thus, while the NMP 38 allows cities to plan its implementation based on their specific characteristics and needs, cities should carefully evaluate if the additional residential units through this programme will be sufficient to meet the future demand in that area (NMP 38, Sec.23). The National Strategic Housing Programme is likely to play an important role as the government will have to consider adopting new measures such as direct investment in urban infrastructure to facilitate large scale urban regeneration in order to realise its defined long-term objectives.

Location matters…

The demand for housing is concentrated in certain areas of Israel and has to be aligned with the targeted areas of large scale housing programmes. While increasing the number of housing units reduces the housing shortage, the location of newly built housing also has to coincide with the location choice of the population. In Israel, large scale housing programmes usually focus on development of state owned land which constitutes about 93% of the State. However, policy makers have to consider that the remaining 7% of land are not randomly distributed across the country. Thus, state-owned land is mainly concentrated in rural areas, the Negev desert and other peripheral regions whereas privately-owned land is located in cities that were founded before 1948 (Holzman-Gazit, 2016). Since the proportion of privately owned land in high-demand areas is much higher than in the whole country, construction of large housing developments initiated by the State has in the past therefore often been carried out in places located out of the high-demand areas.

The demand for housing is high in central Israel and despite its limited scope the central government is increasing its efforts to provide more housing. The preference to live in the city of Tel-Aviv and the surrounding area of the central district is described by the highest increases in housing and rental prices compared to other regions and cities in Israel. These high demand areas however constitute only about 7% of the country's area, of which not all is owned by the State. In addition, main national infrastructure that connects the North and the South of Israel has to go through the Central District. Thus, the land is highly contested for different uses, and with a high share of land being privately-owned (21% in the Central District and 51% in Tel-Aviv District), the central government has restricted capabilities to supply residential housing in areas where demand is high (BoI, 2015). Nevertheless, in the last two years, governmental efforts are

aiming to increase the supply of residential housing in high demand areas. As such, in addition to urban renewal projects that are usually in high demand areas on privately owned land but only offer a limited number of additional residential units, the government is in the process of freeing up state owned land suitable for large scale developments for example through the vacating and relocating of existing military bases in prime locations. Since 2015 the share of housing units planned and marketed (in "buyers price") in high demand areas was picking up. Thus, from about 100 000 housing units approved in 2015, 46% were in Tel Aviv and the Centre district and 23% in Jerusalem and Haifa districts (Planning Administration, 2016).

Long term impacts on urban form: Avoiding policies that focus on state-owned land

Land related policies that are skewed towards state-owned land can significantly affect urban form. The findings of the case studies in Netanya and Umm al-Fahm have highlighted weaknesses with respect to planning on privately-owned land, albeit the two cities are subject to different challenges In Netanya, the municipality has no incentive to prioritise development on private land. Within the current framework, the city has to provide for the infrastructure up-front, but is often lacking the ability and the financial capacity to do so. In contrast, on state-owned land framework agreements are possible for large scale projects with a capacity of 5 000 residential units where financing for infrastructure and public facilities is provided by the ILA (see Chapter 3 for details). In smaller scale projects, similar financing is usually through "development agreements" with the ILA. While the direct income to the municipality from betterment taxes is about four times higher when private land is involved, the capacity to provide the funds up-front is a main barrier. Therefore municipalities prefer the development of large scale projects on state-owned land rather than developments on privately-owned land. In Netanya, these incentives have resulted in a discontinuous urban fabric with plots of undeveloped private land in the centre of the city. Mechanisms that provide municipalities with the possibilities to bridge financing for the necessary infrastructure for development on private land should be introduced. For example, France introduced a local government funding agency in 2014 that allows local authorities to take out loans by pooling volumes and raising funds in capital markets (Box 2.3).

Providing up-front funds is only a part of the problem. Many of the municipalities lack sufficient funds to develop the infrastructure required for large scale residential projects. In order to fund development, the law allows the localities to charge development fees and levies, according to approved by laws. However, not all localities promote and update those by laws, resulting in insufficient tools to charge levies. Development levies are intended for certain types of development but do not cover the entire development requirements of new large-scale residential projects, such as public buildings, parks and open spaces. Government funds for construction of public buildings such as funds from the Ministry of Education to build new schools and kindergartens are often insufficient, especially for large scale residential developments. In some cases, those developments also require upgrading of state-level infrastructures, such as large-scale transportation and sewage projects, which are not always prioritised by the government. In a recent effort to provide localities with the tools to charge fees and levies needed for their development, the government proposed a law to establish a basic and obligated way to calculate development levies based on local density and the topography that will be aligned in all the localities.

Box 2.3. **French local government funding agency**

In 2014, a unique French funding agency—*Agence France Locale* (AFL)—began distributing loans to local authorities by pooling volumes and raising funds in capital markets. AFL is wholly owned by French local authorities and each member acts as guarantor up to the amount of its total outstanding borrowings with Agency. Only French local authorities with tax raising powers can join the Agency; this includes cities, inter-municipal entities with tax autonomy, departments and regions.

The Agency was established in the wake of the banking crisis to address tightening loan conditions and strained liquidity. The AFL is modelled on similar institutions that have long operated in Northern Europe without default (the oldest among these, *Kommune Kredit*, was first established in 1899). This model is gaining traction across OECD countries and has recently been adopted in both New Zealand and the United Kingdom.

Source: OECD (2017), *The Governance of land use in France: Case studies of Clermont-Ferrand and Nantes Saint-Nazaire*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264268791-en.

The development of privately owned land is often more complex regarding large scale developments as plots of land tend to be divided into small parcels which need to be readjusted to free up sufficient space. These problems are especially noticeable in cities with a predominantly Arab population. Those usually have smaller shares of state-owned land that is easier and faster to develop. Similarly to the city of Umm al-Fahm (Chapter 4), many of these cities developed from a small town into a large city in the absence of appropriate planning procedures (Baana and Sweede, 2012). Policies and planning efforts throughout the years that had been geared towards state-owned land therefore bypassed cities with a predominantly Arab population contributing jointly with other local factors to the lack of public amenities and infrastructure. The disparities in urban development also affect the quality of life of residents translating into a growing socio-economic gap between residents of these minority cities and cities with a mixed or Jewish population. In Israel, about 20% of the population is of Arab ethnicity of which about 90% live in cities where they constitute the majority (Jabareen, 2014). Aiming to improve the country's overall performance, the Israeli government became increasingly aware of the need to address these growing socio-economic disparities (OECD, 2016c). As will be described in Chapter 4, land related policies increasingly aim to accommodate the specificities of cities with higher shares of privately owned land.

Aligning policy objectives across levels of government…

With the establishment of Housing Headquarters and the Housing Commission in 2014, a platform for horizontal co-operation was created for public agencies that are involved in the housing production process. However, as representatives of the local level are not part of this commission, a main governmental level that can influence housing is not formally involved. In order to create locally acceptable solution, local authorities are however consulted to provide suggestion and ideas regarding many developing processes. Since 2014, local authorities received a greater degree of power with respect to land-use planning. It is therefore important to assess what incentives are in place for the local level that affect urban development and how they align with upper level objectives.

Policy objectives in Israel are not yet aligned across different levels of government. The tax system creates incentives for the local level that result in the prioritisation of certain types of development, which slow down the achievement of objectives at the

national level. The case study of Netanya shows that municipalities have distinct incentives to prioritise urban development that create higher revenue (Chapter 3). Thus, municipalities prioritise the development of commercial areas and office space as the property tax from these sources is significantly higher than from residential property. Further, they require less provision of services than households living in residential units, thus the net gain is even higher for non-residential property. Prioritising certain types of development can result in the delay of other development and the supply of residential housing might be delayed amidst a housing crisis at the national level.

A broader array of fiscal tools and instruments is required at the local level

Greater planning power of local planning committees should be complemented by fiscal instruments that support overarching development objectives. Local governments in Israel rely to a large degree on property taxes on developed land. In an environment of increasing fiscal constraints, this creates pressure to increase development that yields the highest revenue. Besides property taxes, there are however many other possible fiscal instruments that have the potential to shape land-use practices by creating spatial incentives or disincentives (see Table 2.2). As the broader fiscal environment—such as fiscal transfers from other levels of government—affects the demand and use of these tools, national government could create a framework that complements its spatial development objectives. For example, governments may provide a special levy to maintain agricultural land, establish tax exemptions to stimulate investment in brownfields, or create various incentives to include social housing in any new developments (Martin, 2015). Additionally, local governments could be provided with fiscal tools to fund infrastructure and public amenities associated with urban regeneration and construction of new residential areas on both state and privately owned lands.

Table 2.2. **Examples of fiscal instruments for managing development**

Targeted fiscal instruments	Overarching fiscal instruments
Brown-field redevelopment incentives	Dedications (e.g. infrastructure levies)
Capital gains tax	Development impact fees
Conservation easements	Land value tax
Historic rehabilitation tax credits	Linkage fees
Joint development	Property tax
Location efficient mortgages	Real estate transfer tax
Special economic zones	Special assessment tax
Split-property tax	Sub-division exactions
Tax increment financing	Tap fees
Transfer of development rights	
Use-value tax assessment	

Source: Modified from Silva, E. A. and R. A. Acheampong (2015), "Developing an Inventory and Typology of Land-Use Planning Systems and Policy Instruments in OECD Countries", *OECD Environment Working Papers*, No. 94, OECD Publishing, Paris, http://dx.doi.org/10.1787/5jrp6wgxp09s-en.

… and create a framework for horizontal co-operation

Administrative areas at the local and the regional level are based on historic borders and do not necessarily reflect a coherent region or cover today's human activity patterns. In Israel, the metropolitan area of Tel-Aviv for example spans across two districts and covers several municipalities. Institutional arrangements that facilitate co-operation at the

right regional scale can support efficient land allocation for the provision of infrastructure and services as well as enable economic development.

Municipalities in Israel are competing with each other for financial resources. To increase their own source revenue, they focus on the provision of commercial areas. For example, the city of Netanya is competing with surrounding regional councils. Thus, the regional council attracted many higher income households that are benefiting from the location close to the city while enjoying the possibility to live in a single family detached house with garden. Further, along the road towards Netanya several new commercial areas have emerged and regional councils can afford to attract businesses with lower tax rates (Ministry of Interior, 2012). Thus, municipalities that are left to pursue their strategic policy choices in isolation may individually achieve their short-term targets, but collectively miss the point of sustainable development in the medium to long term. The lack of co-ordination may generate a cost not only for municipalities, but also for the larger region, and ultimately for the country.

A framework that incentivises horizontal co-operation at the local level can create better outcomes for the whole regions. In France, municipalities have adopted inter-communal associations to address joint issues and conflicts. Further, they can voluntarily formulate and approve a plan for territorial coherence (*Schéma de coherence territorial*, SCoT) creating a framework for integrated planning and policy co-ordination. A SCoT is not intended for regulating land-use, but for setting strategic urban restructuring policy through formulating items such as housing demand analysis, proposal for alignment and sustainable development including implementation guidelines, maintaining built-up areas, demarcating natural and forest areas and transport objects. While there is no compulsory requirement for municipalities to participate in a SCoT, there are incentives to do so. For example, according to national law, green field areas can only be developed if the area is covered by a SCoT (OECD, 2017).

In Israel, the establishment of a local network, adjustments of administrative boundaries or revenue sharing is subject to the order of the Minister of Interior. Committees are established that conduct an independent investigation and examine the agreements between authorities taking into account the policy of the Planning Authority and the National Council on this issue, and after consultation with the Commission localities. Based on the recommendations of the committee, changes in jurisdiction boundaries or the degree of revenue sharing across municipalities is decided by the Minister of Interior. The current framework where decisions on administrative boundaries and tax sharing are top-down and can involve a lengthy evaluation process, complementary bottom-up initiatives could be incentivised. For example, while the city of Netanya is closely linked to the surrounding regional councils through the movement of people, labour and investments, a common planning strategy for the whole functional region fails due to competition over commercial development. The evaluation process for the case of Netanya took several years until the Minister of Interior decided to expand the administrative area of Netanya and included an income distribution agreement with the surrounding regional councils (Ministry of Interior, 2014, 2012). Providing a flexible framework that facilitates rural-urban partnerships as practiced in several OECD countries could support local authorities to work jointly on some selected issues and create better outcomes in a shorter period, leaving top-down decisions as last resort in case of irreconcilable differences.

Summary and outlook

Israel has experienced rapidly increasing cost of living that contributed to social unrest reaching its peak in 2011. Rising house prices have been driven by a combination of limited supply and increasing demand for housing, both as a result of the macroeconomic environment such as low interest rates and the absence of alternative investments and by slow and inefficient regulatory procedures. Over the years, continuing population growth that outpaced the supply of housing resulted in an increasing shortage of housing. In order to address the immediate housing need of its population, the government introduced a multi-faceted programme including fast track housing planning procedure that circumvents bottlenecks in the traditional regulatory system. The recent report of BoI (forthcoming) suggest that these governmental efforts have already shown signs of success with respect to an increase in the number of housing starts over the last two years.

Large scale housing developments are usually easier and faster to develop on state owned land. Much of the land in cities that were founded before the establishment of the state of Israel is privately owned. Thus, large scale housing programmes in the past were often located on the peri-urban fringe and run counter to the preferences of where people want to live. Thus, the population dispersion from the centre to the North and South of Israel targeted in the NMP 35 is not reflected in the population growth statistics that show greater growth in the centre since 2005. Building in low demand areas will therefore not solve the housing shortage in high demand areas. Over the last two years, governmental efforts aim to free up land for residential use, also in high demand areas, for example through the evacuation and relocation of army bases in prime locations. Still, land is a scarce resource, especially in high demand areas such as Tel Aviv and the Centre district. A better public transport provision could widen the commuting area and increase accessibility, even for housing units that are located further away from economic centres. First steps in this regard have been taken with the strategic housing programme that addresses the interdependencies of housing, transport and employment opportunities.

Most land related policies in Israel are focused towards state-owned land and can therefore bypass certain areas. Even though the share of privately-owned land is low, it is not randomly distributed across the country, but mainly located in municipalities that were founded before 1948. National policies that incentivise development of publicly owned land can significantly impact urban growth resulting in complex land-use challenges at the local level. Chapter 3 will describe policy incentives for local authorities that affect land use for the case of Netanya. The city showcases how national policy programmes incentivise development of publicly owned land while private plots of land in the geographic centre of the municipality remain undeveloped. Further, discrepancies between local incentives for urban development and national objectives of reducing the housing shortage highlight the need to align policy objectives across levels of government and across policy sectors. Integrated spatial planning that jointly considers spatial, economic, transport and social development is needed to realise a comprehensive vision for the city.

Cities in Israel with a high share of Arab population are characterised by high shares of private or shared land ownership. Similarly to development across Israel, population growth in those cities has outpaced housing supply. However, national housing programmes in the past have not acknowledged the specific local characteristics of cities with a predominantly Arab population and did not adapt to the lack of developable state owned land. As such, they have not been effective in addressing the need for housing in

those cities. Only recently, housing programmes that accommodate the specific needs of localities with high shares of Arab population have been introduced. In Chapter 4, the case for Umm al-Fahm describes how housing and planning policies have affected – or not affected – the development of the city. As will be highlighted, the absence of suitable plans and housing programmes for several decades has resulted in many challenges for the city that include planning and planning related issues, but also social and economic development. Although land related policies and tools provided within the regulatory system have recently been broadened, there is still a need to be more flexible to accommodate local specifics such as high shares of privately owned land.

Notes

1. Special public land tenders intended to achieve the lowest housing price offered by competing developers in addition to public land price discounts.

2. Eligible population includes couples and unmarried individuals over the age of 35 that do not own a home.

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Chapter 3

Land use and spatial planning in Netanya, Israel

This chapter provides a case study of the governance of land use in Netanya. It describes the major socio-economic features of the city and recent developments of land-use planning. The new developed vision for the city is described and major challenges facing plan implementation are reviewed.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Stretching along the Mediterranean Coast, Netanya is the main economic centre for the surrounding region of the Sharon Plain. The city has been established around 1930 as garden city with a spatial layout that is still present today. The spatial form of the historic core splits the city into tourism and public spaces along the coast, residential and commercial development in the centre and industrial and agriculture to the east. Over the past years, the development of high-rise residential development mainly in the South created a discontinuous urban fabric as plots of land in the geographic centre remain undeveloped. Spatial segregation is evident across Netanya's neighbourhoods with respect to socio-economic characteristics, a trend that is reinforced by uniform urban development within neighbourhoods.

Reducing spatial inequality is part of the newly developed vision for the city. Urban renewal and regeneration programmes are used to increase housing diversity and residential quality within older neighbourhoods. A better walkability within the city and the prioritisation of pedestrians and bicyclist are envisioned to support social interactions. Further, a higher quality of life of its residents is targeted through better provision of public space and amenities, which are also expected to create a competitive advantage for reviving Netanya's status as tourism city. The plan that is currently under development has to be evaluated within the general framework and incentive structure for involved parties. Understanding the drivers of different types of development in the city is crucial as a beautiful plan does not result in a beautiful city if it is not implementable.

This chapter describes the land-use challenges faced by Netanya, including an assessment of the tools and instruments available affecting land-use outcomes. First, the social and economic context of Netanya is described followed by a brief overview of past planning strategies and challenges. The main strategic vision for Netanya is described after, together with the main challenges for plan implementation. The chapter concludes with summarising the key findings and provides basic recommendation.

Setting the scene for Netanya

Netanya is located at the Mediterranean Coast between Tel Aviv and Haifa in the Central District of Israel. With a population of 207 900 inhabitants by the end of 2015, it is the 7th largest city in Israel and the main city in the Sharon plain – a northern sub-district of the Central District [Central Bureau of Statistics (CBS), 2015a]. Atop a unique limestone cliff that is up to 54 meters high, the city stretches 11km along the shoreline and covers in total an area of 34.5km^2 (Information provided to OECD by Netanya Municipality).[1] The city of Netanya can be divided in several distinct areas. Along the coast, public open space and hotel buildings dominate the scene. The historic centre of Netanya is located in the Northern part, featuring low residential buildings with up to 4 floors of which many were built in the 1950ies. To the South, the development of the recent decades is made up of sparsely dispersed high rise buildings alongside three large older neighbourhoods. The urban fabric of the northern and southern part of the Netanya is disconnected by undeveloped plots of land in the geographic centre. Further, the national Highway 2 and the railway connecting the North and South of Israel divide the city of Netanya into East and West. The area east of the transport corridors provides occupational and commercial space for Netanya, which is connected to the residential area in the west by four bridges and interchanges.

The city of Netanya is the main economic centre within the surrounding Sharon Plain, a region that features rural settlements and a predominantly agricultural and rural landscape. The immediate neighbours of Netanya are three regional councils, including

about 80 000 inhabitants across more than 70 settlements (CBS, 2015a).[2] Buses connect the city with the surrounding region, as well as to larger cities throughout Israel such as Haifa, Jerusalem or Tel-Aviv. There also exist two train stations in Netanya that directly connect the city to Tel-Aviv by suburban train service. During the week, trains leave twice an hour, with a scheduled travel time of 30 minutes. Thus, Netanya acts not only as an economic centre within the surrounding region but also as secondary employment area to the metropolitan area of Tel-Aviv.

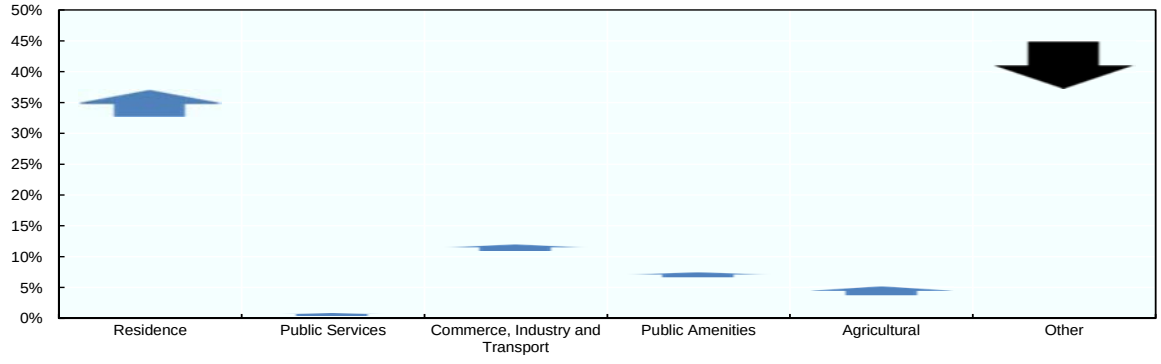
Over the last years, the administrative area of Netanya was enlarged increasing the surface area available for residential and commercial development. In total, the city now covers about 34.5km^2, including the enlargement of about 2km^2 at expense of the bordering regional councils and another 4km^2 stretching into the Mediterranean Sea. Being located on a cliff that suffers from constant erosion from the sea, the city is challenged by cliff collapse and the loss of its beach. The extension of the jurisdiction allows the city to construct detached breakwaters, that - in combination with systematic conservation programmes – should stabilise the cliff (Amir and Kirshenboim, 2013). While the enlargement towards the surrounding regional councils allows for residential and commercial development, the touristic and real estate value on the top of the coastal plateau is high, resulting in a constant pressure to develop and invest in these areas offering tourist and recreational facilities that run counter to long term plans for coastal protection (Portman, 2012; Jakar and Razin, 2013).

Netanya has a growing residential economy

The composition of land use within the city has changed over the last decade, both as a result of a different land composition due to the municipal enlargement as well as changes in the way it has been used. In line with a continuous annual population growth between 2-3%, the share of the area covered by residential use has increased from about 33% in 2003 to 37% in 2013 (see Figure 3.1) (CBS, 2015a, 2015b, 2014, 2013a, 2012, 2011, 2010, 2008a, 2007a, 2005). Most significantly, the increase in land used for residential purposes was accompanied by a proportionate decrease in the share of undeveloped area.

Figure 3.1. **Change in the use of land in Netanya**

2002-2013

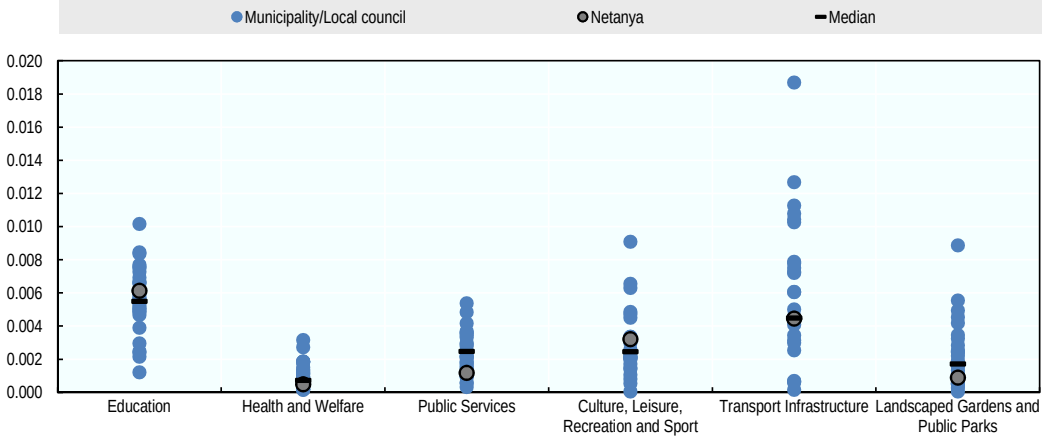


Notes: 1) Due to changes in the categories between 2002 and 2013, the information for Commerce, Industry and Transport are aggregated. The different categories are defined as follows: Residence categorises areas used for housing and built up areas not classified for other uses; Public Services are areas used for emergency and rescue services, public administration and religious services; Commerce refers to land used for commerce (e.g. shopping malls and commercial centres); Industry includes Industrial areas, mines and quarries as well as Infrastructure sites (e.g. airports, harbours, sewage treatment plants and landfills); Transport refers to areas used for parking lots, gas stations, train and central bus stations; Public Amenities categorise land for education (schools, universities, kindergartens and community culture centres), health or welfare purposes (e.g. hospitals, medical clinics and old-age homes), Culture, Leisure, Recreation and Sport (e.g. theatres, museums, public libraries, zoos and archaeological sites, land used for tourism and recreation, such as hotels, restaurants and amusement parks, land used for sport such as stadiums and swimming pools) and public open spaces (landscaped parks and gardens, swimming beaches); Agriculture combines areas used for agricultural buildings, such as greenhouses and fishponds, as well as cultivated fields and plantations; Other defines open space areas not classified for any other uses as well as forests and scrubs. 2) Information on land for different types of usages is derived from a raster layer prepared by the CBS with a cell size of 100mx100m based on different data sources. As such, the land-use categories might be subject to data conflicts and discrepancies and should be interpreted carefully. For example, certain areas could be identified with more than one land-use category. In order to resolve these conflicts, a hierarchy was assigned to the different land-use categories. Areas that had more than one possible land-use category were uniquely identified according to the highest relevant category in the hierarchy. More information on the underlying data and land-use assignment is available at www.cbs.gov.il/hodaot2006n/env-compendium.pdf for 2002 and http://mapi.gov.il/gisForum/tzevet_technology/1.pdf for 2013.

Source: CBS (2015a), "הרשויות המקומיות בישראל 2014 - מסד" [Local Authorities in Israel 2014 – database], www.cbs.gov.il/hodaot2016n/24_16_110nispach.xls (accessed May, 2016); CBS (2005), "הרשויות המקומיות בישראל 2005 - מסד" [Local Authorities in Israel 2005 – database], www.cbs.gov.il/www/publications/local_authorities2005/excel/t1.xls (accessed May 2016).

Figure 3.2. **Areas for public amenities (m^2 per capita) – Netanya and its Israeli peers, 2014**

Municipalities/Local councils with more than 50 000 inhabitants



Notes: 1) Information on land for different types of usages is derived from a raster layer prepared by the CBS with a cell size of 100mx100m based on different data sources. As such, the land-use categories might be subject to data conflicts and discrepancies and should be interpreted carefully. For example, certain areas could be identified with more than one land-use category. In order to resolve these conflicts, a hierarchy was assigned to the different land-use categories. Areas that had more than one possible land-use category were uniquely identified according to the highest relevant category in the hierarchy. More information on the underlying data and land-use assignment is available at www.cbs.gov.il/hodaot2006n/env-compendium.pdf for 2002 and http://mapi.gov.il/gisForum/tzevet_technology/1.pdf for 2013; 2) Median is weighted by city population.

Source: CBS (2015a), "הרשויות המקומיות בישראל 2014 - מסד" [Local Authorities in Israel 2014 – database], www.cbs.gov.il/hodaot2016n/24_16_110nispach.xls (accessed on 20 June 2016).

The quality of life in cities increases with the availability of public amenities and services, as well as employment opportunities (OECD, 2015a). Changes with respect to land used for public services, public amenities, commerce, industry and transport indicate a marginal increase, which can be the result of the changed composition of land due to the enlargement of the administrative area. The availability of public amenities per capita in comparison with other similar sized cities can provide some insights into Netanya's urban design towards service provision and liveability (see Figure 3.2 above). Compared to cities across Israel with 50 000 inhabitants and more, Netanya allocates more space for education, culture, leisure, recreation and sport per capita than the median city. In contrast, the area for other public services[3] is one of the lowest among cities with more than 50 000 inhabitants. Also the area of landscaped gardens and parks is slightly below the median city within this sample.

The growing population spurs demand for affordable housing

The city of Netanya expects to continue to grow and to provide home to a population of 350 000. The population growth of the last decade was accompanied by an increasing number of residential units (CBS, 2015a). Although the numbers for population and residential units do not indicate a significant housing shortage within the city, there might still be a mismatch of demand and supply for certain types of residential units. For example, more than 50% of housing starts between 2006 and 2015 have 5 rooms or more, whereas smaller sized apartments with 3 rooms or less only made up about 7% of all housing starts (CBS, 2017). The development of housing prices however suggests that there is also demand for smaller sized and thus more affordable apartments. While overall housing prices in Netanya have increased since 2010, the price for used dwellings with 3 rooms showed with 34% a larger increase than it was observable for a 4 room (24%) or for a 5 room (18%) dwelling (Ministry of Construction and Housing, 2016a).[4]

Housing affordability is a challenge in Netanya since the city focused for years on the construction of large housing units in an effort to out-weight the number of small housing units in the old neighbourhoods. This policy was introduced to attract higher income households as well as families that want to benefit from the proximity to Tel-Aviv at relatively more affordable prices. In contrast, the public housing stock in Netanya consists of 1 840 housing units that belong to the governmental public housing company that rents these units to the people entitled for public housing by law (Box 3.1). While housing for those who are most in need is to some degree addressed through public housing, young individuals forming their own household might still lack affordable housing solutions. In the first half of 2015, only 29% of purchases in Netanya were first time purchases, compared to 35% at the national level. The share of buyers who were upgraded from their former apartment is 35%, which is not significantly different from the national average. About 26% purchased a home in Netanya for investment purposes. Those homes often stay in the market because owners rent them out to recover their mortgage payment. In contrast, about 9% (compared to 2% at the national level) of housing purchases in the first half of 2015 were by foreign residents who mainly use these apartments as vacation homes (Ministry of Construction and Housing, 2015). Such apartments are concentrated close to the beach and are not in use all year round. Excluding these "ghost apartments" from the (rental) housing market adds to the affordable housing challenge.

Box 3.1. **Eligibility criteria for public housing in Israel**

The availability of rental apartments in Public Housing in Israel is extremely limited, especially in the centre of the country. Therefore, they are primarily intended for those in financial or functional distress, who do not own a home, lack housing and meet the following eligibility criteria.

- Families with at least three children, who have a limited earning capacity and who receive an 'Assured Income Allowance' from the National Insurance Institute (NII) or whose income does not exceed the periodically updated income entitlement sum.
- Families (including single parents) who have at least three children and who have accumulated 1,400 points or more, and who for the 24 months prior to submitting an application request, have received income support and subsisted on 'Assured Income Allowance', or who subsisted on income from employment together with an 'Income Supplement' allowance from the NII for a period of twelve months prior to submitting the application.

In addition, disabled individuals who meet at least one of the following requirements are eligible for public housing:

- A family in which one of the couple is wheelchair bound, or a single who is wheelchair bound, conditional on their income not exceeding the average wage.
- A family consisting of a married couple with two or more children, in which one partner is disabled and entitled to a 75% fixed 'Unfit for Employment' allowance from the NII as a family unit, and where the sum of the families' income does not exceed the income entitlement sum for public housing.
- A married couple in which one partner is disabled and entitled to a75% fixed 'Unfit for Employment' allowance from the NII as family unit, and where the sum of the family's income does not exceed their 'Entitled Income' qualifying them to an apartment in public housing, and who have at least one child who receives 100% disability benefits from the NII.
- A couple who is married for over five years with no children, in which both partners are disabled and entitled to a 75% fixed 'Unfit for Employment' allowance from the NII.
- A married couple in which each of the couple is disabled and entitled to 75% fixed "Unfit for Employment" allowance and who have at least one child (excluding pregnancy).

Requests are only granted in the city of residence of the applicant. The allocation of public housing for veteran immigrants (that is immigrants that arrived a while ago) and ordinary citizens is under the authority of the Ministry of Construction, while apartments for new immigrants are allocated by the Ministry of Immigrant Absorption.

Source: Ministry of Construction and Housing (2016b), www.moch.gov.il/English/housing_assistance/public_housing/Pages/public_housing.aspx.

Netanya has significant areas for commerce and industry that contribute to the city's local revenues

While the main stock of residential housing is located in the West of Netanya, the industrial and commercial areas of the city are located east of Highway 2 and the railway. The existing area for commerce and industry covers about 9% of the municipality's area,

with two main centres of which one is located to the north and the other towards the south. The employment area "Kiryat-Eliezer" in the north is the older one, consisting mainly of traditional industries. In contrast, the employment area in the South provides space for more commercial, High-Tech, entertainment and start-up use. The diversity of the present industries is also reflected by the main industries workers were employed in. About 16% of those aged 15 and older who worked in 2008, were working in the wholesale and retail trade sector, followed by 15% in Real estate, renting and business activities and another 15% in the manufacturing sector (CBS, 2008b).

Table 3.1. **Municipal tax rates in Israel for different types of property ("Arnona")**

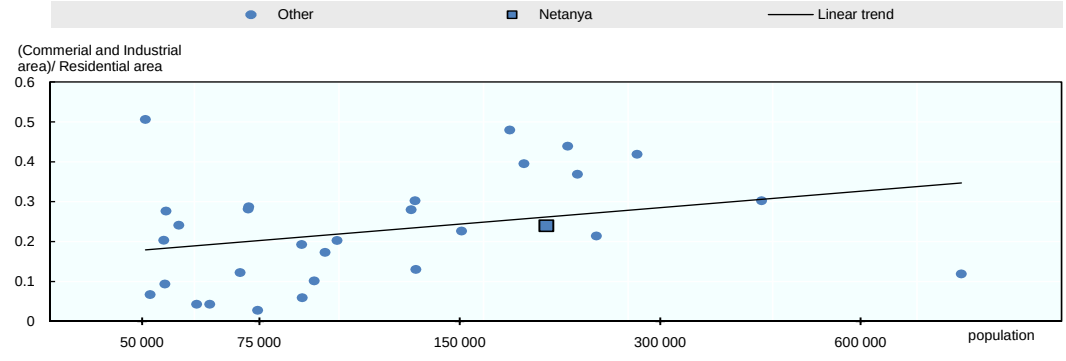
For independent local authorities, 2014

	Minimum rate per m²	Maximum rate per m²	Weighted rate in Netanya
Residential	32.78	113.58	57.38
Offices	64.35	363.87	158.85
Banks	437.61	1310.49	1239.22
Industry	23.46	156.82	120.15
Hotels	36.22	137.69	84.78
Farmland	0.01	0.63	0.06
Parking	1.34	63.43	21.72
Other assets			51.38
Joint industrial zone			67.09

Source: Ministry of Interior (2013), www.moin.gov.il/localgovernment/public/documents/ארנונה/table-taarifey-arnona-2014.pdf (accessed July 2016); Local Authority of Netanya (2015), Annual audited financial statements as of December 31st 2014 – Netanya, http://rashoyot.moin.gov.il/handlers/showdocument.ashx?id=60065&m=d (accessed July 2016).

Figure 3.3. **Commercial and industrial area in relation to residential area: Netanya and its Israeli peers, 2014**

Municipalities/Local councils with 50 000 inhabitants and more



Note: The x-axis is displayed in log-scale.

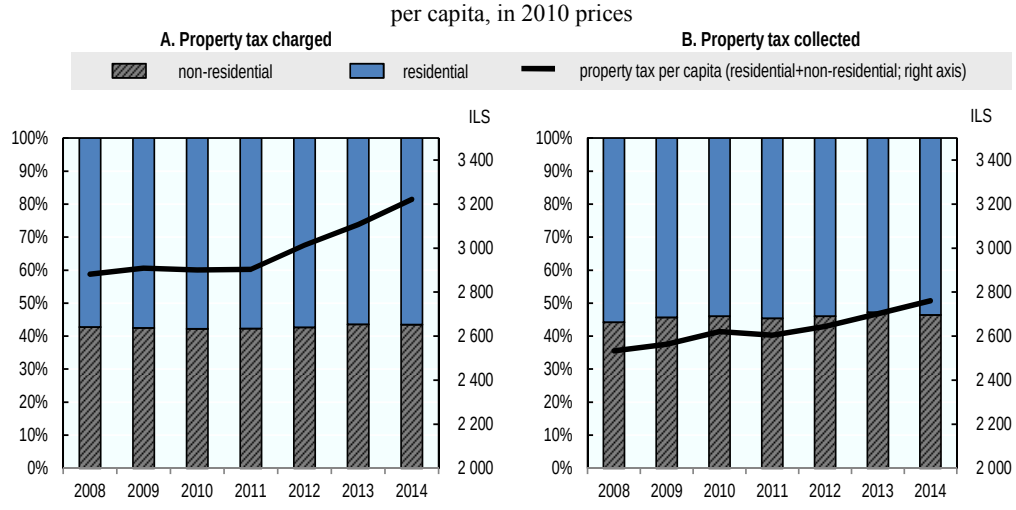
Source: CBS (2015a), " 2014 הרשויות המקומיות בישראל" [Local Authorities in Israel 2014-database], www.cbs.gov.il/hodaot2016n/24_16_110nispach.xls (accessed June, 2016).

Commercial and industrial areas do not only provide employment opportunities for the residents, but are also the main determinant for the municipalities own source revenues. Municipalities determine property tax rates for different land uses within a given range set by the central government. In 2014, the average rate charged for offices in Netanya per m^2 was almost three times higher than the average residential use (Table 3.1 above). Figure 3.3 above shows the ratio of residential area compared to commercial and industrial area in cities with 50 000 inhabitants and more. Netanya's ratio is just below the average, and several similar sized cities such as are Bnei Brak and Holon; Ashdod, Petah Tikva have a significantly higher residential to commercial and industrial area ratio.

Municipalities face structural incentives to favour business development over residential growth

Municipalities favour developments with the highest returns in order to balance their budget. Housing in general is a loss for a city because there is not an appropriate ratio between the taxes that residents pay on residences and the needs and services that the municipality provides to residents and must subsidise. Further it should be noted that residents with low income can receive tax breaks resulting in less own revenues for the city. Attracting higher income households to the city stems from the objective to minimise the net loss each household implies for the city. According to Sherman and Ben-Iulu (2014) the average annual expenditure in Netanya between 2006 and 2011 per household was ILS 17 618 in contrast to the average annual revenues per household of ILS 10 130 (in 2013 prices). Thus, without the addition of commercial real estate to bridge this gap, every additional household contributes to the deficit which creates incentives to not develop residential areas.

Figure 3.4. **Property taxes in Netanya – charged and collected 2008-2014**



Source: CBS (2015a, 2015b, 2014, 2013a, 2012, 2010), Local Authorities in Israel various years (2008-2014).

A higher share of own source revenues translate into greater independence from state transfers. In Netanya, property tax revenues per capita have been increasing since 2008 with about 45% of property taxes from trade and industry and about 55% from residential use (Figure 3.4). In 2014, total revenues from property taxes per capita were about ILS 2 965 and thus higher than the national average of ILS 2 688 (CBS, 2015c). In Netanya, the residential property tax collection rate in 2014 was above 80%, above the average of 74% for cities with more than 50 000 residents (CBS, 2015a). The higher the

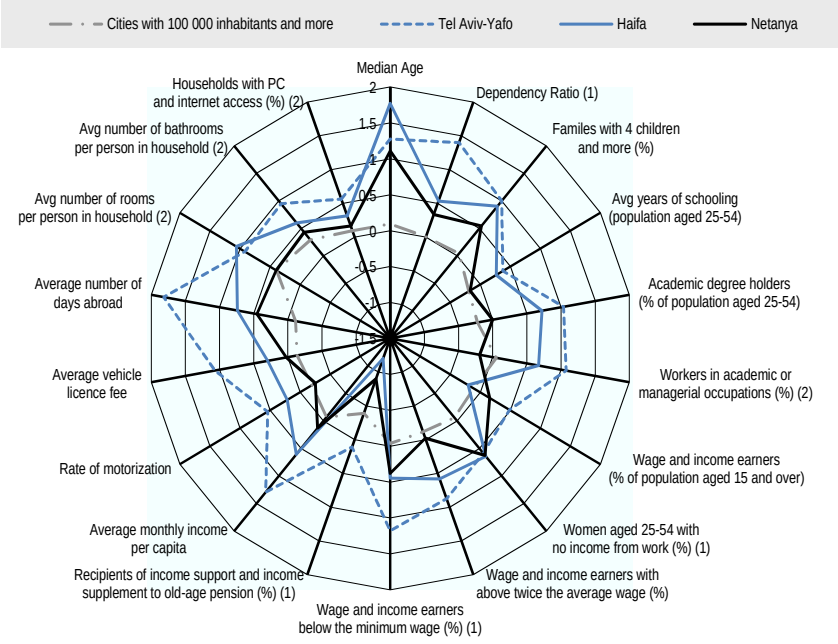
own source revenues per capita are, the more funds are available to support the functioning of a local authority. Being able to provide better services and infrastructure can create a competitive advantage that allows the city to attract new residents and businesses.

Netanya ranks lower on the socio-economic index than its surrounding regional councils

Netanya's socio-economic profile is similar to other mid-sized cities in the region but lags behind that of nearby metropolitan cities. The Israeli socio-economic index ranks Netanya in cluster 6 out of 10 and therefore lower than Haifa (7) and Tel Aviv (8) (CBS, 2016a). In a sample of cities with a population of 100 000 and more, Netanya has a slightly older population with a median age of 34 compared to 32. This also translates into a slightly higher share of income support and income supplement to old age pension recipients which is with 5.3% about one percentage point higher. With respect to the share of wage and income earners aged 15 and older, Netanya performs slightly better than Haifa and the average city with more than 100 000 inhabitants, but lags behind with respect to average monthly income per standard person (Figure 3.5).

Figure 3.5. **Socio-economic-index – Netanya and its Israeli peers**

municipalities and local councils with 100 000 inhabitants and more, 2013 or latest available year



Notes: 1) indicates that the category was multiplied with (-1) to obtain a positive correlation with the index. 2) indicates that the numbers refer to 2008 as latest available year. The figure shows aggregates of the standardised values for municipalities and local councils with a population of 100 000 inhabitants and more. The national average based on all local authorities in the respective category is 0.

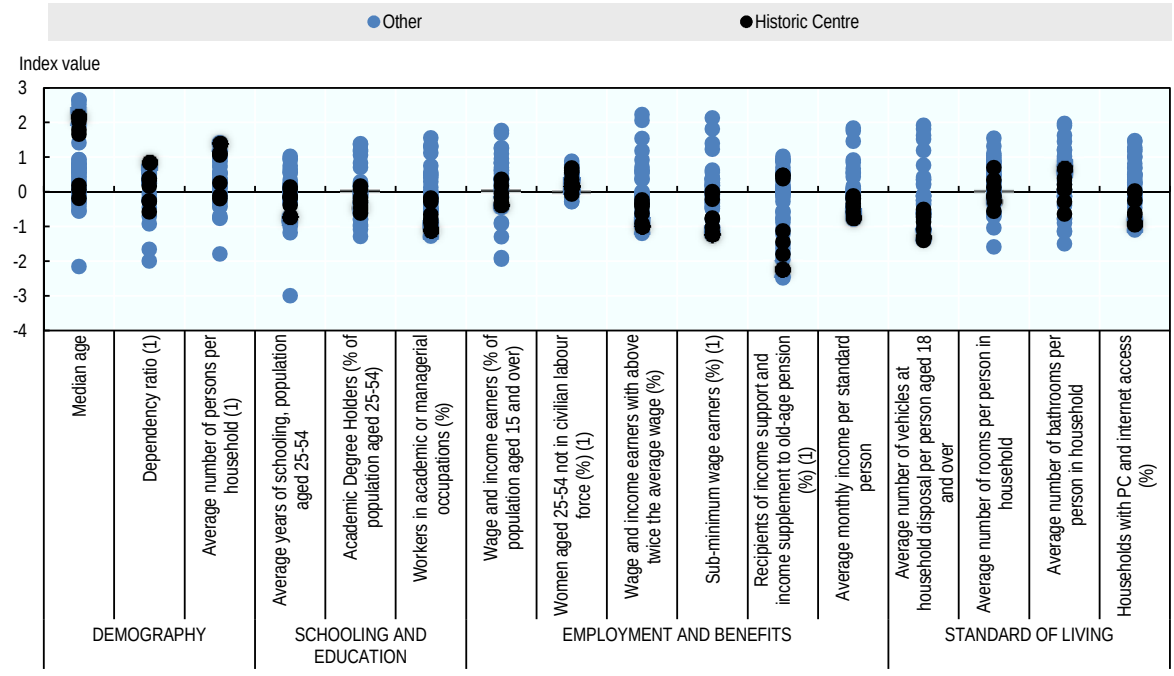
Source: CBS (2016a,2013b), Characterization and Classification of Local Authorities by the Socio-Economic Level of the Population 2013 (www.cbs.gov.il/reader/newhodaot/hodaa_template.html?hodaa=201624330); "Characterization and classification of geographical units by the socio-economic level of the population 2008," calculations based on Table A1 (www.cbs.gov.il/publications13/1530/pdf/tab01_01.pdf).

In the close surroundings of Netanya, the regional councils perform better than the city with respect to the socio-economic index. All regional councils that border Netanya

rank in cluster 8 out of 10, with residents that have on average a better standard of living, higher average monthly income per standard person, less benefit recipients and a higher share of academic degree holders. These numbers can be explained by the relocation of wealthier households to the surrounding area following the last immigration wave in the 1990 that increased the population of Netanya by about 45 000 (Information provided to OECD by the local authority of Netanya). Even today, higher income households are attracted to the suburban areas as it allows them to benefit from the location close to Netanya while enjoying the advantages of a suburban lifestyle.

Figure 3.6. **Socio-economic characteristics of neighbourhoods in Netanya, 2008**

by statistical areas and population weighted average



Note: (1) indicates that the category was multiplied with (-1) to obtain a positive correlation with the index. Statistical areas are small geographic units within a locality, as homogeneous as possible, with unique features. Netanya was grouped into 44 areas, each with a population of 2 000 residents or more. In total, there are 1616 statistical areas in Israel.

Source: CBS (2013b), "Characterization and classification of geographical units by the socio-economic level of the population 2008," calculations based on Table B1 (www.cbs.gov.il/publications13/1530/pdf/tab02_01.pdf).

Within the city of Netanya, neighbourhoods show signs of spatial segregation with respect to some dimensions of their socio-economic characteristics. The neighbourhoods in the newly developed South rank fairly well, scoring a socio-economic index in cluster 8 out of 10. In contrast, the neighbourhoods Ne'ot Shaked (Azorim) and Ramat Yadin that were built in the 1950s- 60s in the geographic centre of the city perform poorly and are ranked 2 out of 10. The historic centre in the North of Netanya ranks in the clusters 3 and 4. In Figure 3.6, the neighbourhoods of Netanya are displayed with respect to the components of the socio-economic index 2008 and neighbourhoods of the historic centre are highlighted in black. As more smaller sized and affordable apartments are located in the North, socio-economic characteristics reflecting income and standard of living tend to be worse than in the newly developed areas in the South and the East that are featuring

large apartments. However, with respect to some characteristics such as average years of education, women in the labour force and age there seems to be a greater mix across neighbourhoods.

Planning in Netanya

The History of Planning in Netanya

The layout of the city of Netanya is a relic of planning design in its early years. Founded in 1928, Netanya started out as a small rural settlement that attracted soon many new residents. Already four years later, the 1932 census recorded a population of about 253 for Netanya (Mills, 1932). In these early years, Netanya was planned to be a coastal garden city that aimed to attract tourists with the creation of great public spaces such as squares and a promenade. The first urban plan for the city developed under the town planning ordinance of the British Mandate divided the city into three sections with tourism along the coastline, housing and commerce in the centre, and agriculture and industry to the east (Local Authority of Netanya, Nt/100 and Nt/114)).

Following these early years, Netanya quickly developed into one of the largest cities in Israel. Immigrants arriving in Israel settled in Netanya and by the time of the establishment of the State of Israel in 1948, the city had grown to about 11 600 residents (CBS, 2007b). A continuing inflow of new residents to Netanya required fast housing solutions which resulted in the construction of 3-4 level housing with small sized dwelling units of about 50m^2 in today's North of the city. The construction was carried out by the Ministry of Housing and Construction. With the development of the local master plans Nt 7/400 and Nt 100/sh that were approved in 1982 and 1985 respectively, apartments with a minimum size of 100m^2 became the new standard. Further, developments of hotels near the coastline were advanced, continuing the trend that was already established in the 1930ies. Tourism gradually increased and being home to the diamond industry, the city became known as tourism and diamond city. At its peak in the 1980ies, about 10% of the national tourism was in Netanya. Ever since, tourism visits have slowed down after the diamond industry moved away and "government budgets were redirected toward developing new tourist areas such as the Dead Sea and […] Eilat" (Cohen-Hattab and Shoval, 2004:69).

In the 1990s, the wave of immigration from the former Soviet Union resulted in an increase of more than 45 000 new residents requiring large scale housing construction (CBS, 2016b, Local Authorities Netanya).[5] To accommodate the large inflow of immigrants throughout the country, the law was temporarily amended to create Commissions for the Construction of Housing and Industry (*Valal*) in each district. Those operated in parallel to the district planning committees and were provided with the authority to approve large-scale local plans of at least 200 new housing units (Alterman, 2001). Until 1995, the Valal planning bodies served as a fast track that facilitated the change of land use and in certain cases allowed building on agricultural land.

The inflow of immigrants, combined with high income residents settling in single family houses in surrounding municipalities put the city of Netanya under economic pressure. Thus, in the early 2000, a 110m^2 apartment policy was implemented in order to attract young families and high income earners to the city. While this policy received great objections from entrepreneurs that wanted to build (more) smaller apartments, it led to the building of 6 000 housing units in the east part of Netanya ("Kiryat Hasharon") and large housing units in other parts of the city (Local Authorities Netanya). Nowadays, the

city gradually allows smaller and more affordable housing units, especially in the historic city centre as part of the city's urban renewal and regeneration efforts complemented by amendment 101 that requires at least 20% of small units of 80m^2 or less in plans that cover 100 or more units.

Towards a new Local Comprehensive Plan for Netanya

Netanya is developing a local comprehensive plan that aims to replace the current master plan from 1982 and sets planning objectives for a population of 350 000 inhabitants. The plan was initiated in 2010 and by the end of 2016 it was in a statutory stage towards approval for being released for deposit.

The Local Comprehensive Plan in the hierarchical relationship to other plans

The development of the local comprehensive plan has to comply with national master plans, such as the NMP 35 that defines the municipality of Netanya as urban pattern, the national road infrastructure plan (NMP 3), the national railroad plan (NMP 23), the coastal protection plan (NMP 13), the waterways and drainage plan (NMP 34), as well as the plan for national parks, nature reserves and landscape preservation areas (NMP 8). Further, the local comprehensive plan has to be in concordance with the central district master plan (DMP 3/21 and DMP 3/21/8), which designates most of the area of Netanya as an urban development area. Moreover, the central strip east of Highway 2 is designated as secondary metropolitan employment area.

The local comprehensive plan also has to take approved lower level plans into consideration. The local comprehensive plan incorporates the principles of the following major plans, the Metropolitan Core Master Plan, the Southern Seafront plan and the Secondary Employment area plan. The Metropolitan Core Master Plan covers about 0.8km^2 in the geographic centre of Netanya, and plans for 4 000 residential units as well as designates about 0.25km^2 for employment (primarily office space), a park and civic centre amenities. A new public transport system consisting of trains and BRT-systems is planned to support the development of the space benefiting also the older neighbourhoods. For example, it can support further upgrading of the neighbourhoods of Ramat Yadin, Neot Shaked and Kiriat Nordau which experience gentrification and constitute target areas for urban renewal projects through NMP 38 and vacate-and-reconstruct projects. The Metropolitan Core Master Plan has been recommended by the local planning committee for deposit at the district level in 2014 and once the local comprehensive plan takes effect, the approval of complying lower level plans will be possible under the authority of the local committee.

Another local plan whose principles have to be incorporated into the local comprehensive plan is the Southern Seafront plan (Nt/620), which has been approved by the district's committee in 2015. The plan addresses three specific problems for the development of Netanya. First, an old inactive waste site in the city centre poses an environmental hazard and prevents the development of the area. The plan calls for a full evacuation and removal of this waste site using a new mining technology that allows for a partial recycling. Second, the local master plan allowed the construction of five hotels in the centre of the natural reserve Iris Ha-Argaman. Under the new plan, the already approved building rights for these hotels can be transferred to designated land outside the natural reserve, on the waterfront reclaimed from the waste site. Third, the plan addresses better linkages between the city area and the sea. The cliff at the waste site has been irreparably damaged and the plan uses this as an opportunity to designate the dug-up area

near the beach for the location of terraced hotel buildings with ocean view. Besides these three key issues, the plan also addresses residential use, tourism, public open space and amenities and environmental aspects. It provides for 1 842 new housing units in high density (30 units per 1 000m^2) and high-rise (up to 19 floors) structures instead of the mostly single family homes in the previous plan. The local planning committee can issue building permits based on this plan only upon the full evacuation of the waste site. While the plan's objectives are measurable, they do not need to be reported on.

The secondary metropolitan employment (Nt/1 000) plan is a local plan under development that covers the industrial area east of Highway 2. Its preparation was mandated by the district master plan to develop a unified vision in the area connecting the existing employment areas in the South-East (Kiryat Sapir and the science park east of Kiryat Sapir), the North-East (Kiryat Eliezer, Kiryat Yahalom (planned) and the "middle strip" between Highway 2 and the railway lines. This area is planned to serve as a reserve of development potential which will be implemented in line with transportation and civic improvements. The building rights in the area will be considerably intensified covering an area of up to 6.5 km^2. It is prepared as a master plan at a scale of 1:5 000 providing land uses and maximum building capacities and serves as a basis allowing the local planning committee to approve detailed plans. The plan addresses many aspects such as employment, commerce, transportation, residence and environment. For example, the improvement of accessibility to the employment area is addressed by strengthening the linkage with other parts of the city. The plan also sets a variety of building densities, allowing additional building rights closer to public transport centres. Once the plan is approved by the district's planning committee, it will be deposited for objections from the public.

Main objectives of the Local Comprehensive Plan

The local comprehensive plan (408-0242412) provides the framework for principles and trends for local spatial planning processes for the next decades. The vision of the plan is to strengthen Netanya as a recreation, sports and tourism city as well as an economic metropolitan centre and create one continuous, sustainable urban unit. The plan includes a definition for the capacity of building rights and also provides planning guidelines to the different land uses and municipal design. Since Netanya is an independent special committee, once the local comprehensive plan is approved, it provides the basis for approval of complying local master and detailed plans by the local planning committee. As this approval can be granted without the involvement of the district committee, a speeding up of the planning and construction procedure is to be expected.

The local comprehensive plan addresses several policy matters of the city, ranging from housing to transportation, commerce, employment, natural assets and environment. A main policy objective outlined in the plan is the provision of sufficient housing units for a population of about 350 000 residents (see Table 3.2). While the emphasis is on large housing units, different sizes of residential unit are planned to balance the existing available housing in order to prevent the ageing of neighbourhoods and to create a social mix. In total, the plan includes a capacity of at least 111 000 residential units, out of which 61 500 are existing units and approximately 13 500 units are included in already approved plans. About an additional 3 500 housing units are accounted for in approved vacate-and-reconstruct plans. The future potential of 32 500 housing units are considered in the plan and many of them are already in the planning process. A large part of those units should be created by means of densification and intensive development in the old part of the city through urban renewal programmes, and infill along the main streets and

mass transit lines. Most local master plans that are currently underway already implement the planning principles of the local comprehensive plan. Overall, the plan is focused on quality issues such as connectivity between neighbourhoods, mixed uses and public transit rather than on the quantitative change.

The creation of a continuous urban unit is proposed to be achieved through infill development on undeveloped plots and the development of a new central business district in the geographic centre between the existing parts of the city. Increasing the capacity and variety of employment opportunities in order to develop Netanya as a secondary metropolitan employment centre to Tel-Aviv is one strategy set out in the local comprehensive plan. The plan includes the capacity for doubling the current office and commercial space to about 7.8km^2 aiming to attract firms from high rent areas such as the centre of Tel-Aviv and Haifa. The plan further provides incentives for mixed use development such as additional building rights for adding commerce in the main streets. By integrating residential areas with the occupational and commercial areas, the plan aims to reduce the need for commute and private vehicle dependence.

A higher quality of life is aimed for in the local comprehensive plan by a better integration of public urban space into the city fabric. Existing public space is to be changed to the benefit of pedestrians and cyclists by creating designated wide pedestrian pathways, bike lanes and adding trees and other vegetation. A greater accessibility to the public and the development of a continuous system of open public spaces is expected to create a more walkable city. Focusing on increased walkability of the city, a network that includes a hierarchy of streets with a commercial front that host varied urban activities is outlined in the local comprehensive plan. Further, the city's open areas are extended by about 2.5km^2 and are together with the existing natural reserves integrated in walkable green routes creating an urban fabric that connects the occupational, residential and open areas.

Improvement of roads as well as public transport linking different parts of the city to improve accessibility is another main objective illustrated in the plan. The two separate transport corridors dividing the city are planned to be combined such that the highway is adjacent to the railroad. The current highway is planned to be turned into a boulevard with an active urban frontage and wide sidewalks that are lined with trees. In general, the plan prioritises public transport, pedestrians and bikes over private vehicles. It proposes the change of street sections with respect to parking needs as well as the narrowing of car lanes and the increased development of bicycle lanes. Further, the city's transit service level is subject to upgrading, with a focus on the development of the public transit network, the addition of bus stops and integrated transit complexes outside of the city centre. These improvements are expected to allow a maximum accessibility between different areas of the city, linking east and west, commercial and residential area and the sea by developing longitudinal axes. Not only inner city transit, but also public transport connections of occupational and commercial areas with the metropolitan area of Tel-Aviv are considered.

Sustainable development of the beach area is planned to reinforce Netanya's status as resort city. The accessibility to the beach from the city, as well as the development of coastal attractions such as a marina bay for urban activities, cafés, restaurants and water sports should attract tourists to the city. The plan maintains a capacity of 7 700 hotel rooms, of which most have already been approved. While expanding the public beaches with commercial activities, the plan also aims to preserve and protect the cliff. Thus, the plan proposes the reclamation of land by creating sea walls which would protect the

beach from the expected rise of the sea level, and would also allow the development of a beach promenade with tourist infrastructure.

Table 3.2. **Quantitative objectives defined in Netanya's local comprehensive plan**

	Population	Offices (km²)		Dwelling units	Hotel rooms	Open areas (km²)	Public building (km²)	East-West connections	Transport centres	Railway stations
		Total (km²)	Of which are commerce (km²)							
A. Existing	207 900	0.75	0.12	61 500	1 300	3	2.3	4	1	1
B. Approved (as of December 2016)		3.56	0.23	17 000	5 700	0	0.2	0	0	1
C. planned or potential		3.49	0.64	32 500	700	2.4	0.4	2	3	1
(A+B+C)	350 000	7.8	0.99	111 000	7 700	5.4	2.9	6	4	3

Source: Netanya Local Comprehensive Plan, Based on information provided to the OECD (December 2016). An older version can be accessed here: http://mavat.moin.gov.il/MavatPS/Forms/SV4.aspx?tid=4.

The objectives of the local comprehensive plan are measurable. As the local comprehensive plan still needs to be approved by the district's planning committee, reporting on and evaluation of the objectives are not yet defined. However the plan includes a standard form for management and monitoring specifying the variables which need to be periodically measured and reported. It is possible that close to 2035 there will be either changes or a full replacement of the plan.

Planning Procedure for the Local Comprehensive Plan and Public Participation

The preparation of the local comprehensive plan for Netanya started in 2010 and approval of the district committee was initially scheduled for May 2012. However, mayoral elections, personnel changes in the district, a change of the city engineer and changes of the planning authority in the local planning committee as a result of amendment 101 prolonged the process. Co-ordination issues between half a dozen existing steering committees that are responsible for different issues further added to the process. With the concept of the local comprehensive plan only being introduced in 2014, there remains a lack of clarity on what it should include even though the planning administration was part of the steering committee and involved in the whole process. In addition, amendments to the NMP 38 and the NMP 35 during plan preparation allowed for increased densities which needed to be incorporated in the local comprehensive plan.

The planning procedure was planned in seven stages, involving public consultation throughout the whole process. In the initial stage, a focus group was created to conduct a survey and provide an analysis of the economics and demographic trends of the city. Based on the findings, a set of objectives were formulated and evaluated with feedback from the public on the vision for the city. A set of alternatives was developed and after evaluating public responses to the alternatives, selected adjustments were incorporated. The comprehensive plan has been submitted to the district committee in 2016, but has not

yet been approved. After the approval of the district committee, the public can raise objections which will be subject to a public debate before the final approval of the plan.

The local planning committee

The local planning committee consists of the local council of Netanya as the city is the only local authority in the planning area. With amendment 101 in 2014, the Minister of Interior authorised Netanya as special independent local planning committee which gives greater planning authority to the local level. The actual planning workload is carried out by a sub-committee elected by the committee from its own members. The sub-committee for planning is formed by the mayor or the deputy mayor, and no more than ten members of the Council. In Netanya, the sub-committee consists of 11 members, including the chairman. As the council management committee does not represent all parties, two members out of the 11 represent factions which are not in the coalition.[6] After the sub-committee has made a decision, a report including the decision will be sent to all members of the local committee, including representatives with advisory capacity and published on the municipal site within three days. Each member of the local committee or representative may raise objections in writing within seven days after receiving the decision which will be discussed at the next meeting of the local committee. Subject to the provided arguments, the committee will decide on that matter. Any two committee members acting together or any two delegates in advisory function are entitled to appeal any decision of the sub-committee or the full committee before the District Appeals Committee, which in turn may confirm the decision of the local committee, modify or annul it.

Main challenges for plan implementation in Netanya

Development of private land in the centre of the city

The new local comprehensive plan envisions the development of the geographic urban centre as an area of mixed use and open space creating an axis that connects the city with the beach. Most of this plan requires the development of privately-owned land which cannot directly be influenced by the state or the municipality. In Netanya, about 20% of the municipal area is privately owned and about 3% are under mixed ownership (Information provided to the OECD by the Planning Administration, ILA data for 2013). While there used to be a national tax on vacant land that increased over time, this tax was discontinued in 2000. In the absence of incurring costs and in an environment of increasing land prices, private land owners might in fact speculate for increasing prices deferring the development of the land. Not only private land owners have a disincentive to advance development, but also municipalities as they are responsible for providing the infrastructure connecting the newly developed area. While local authority can collect development levies from the developers and the land owner's for infrastructure development and construct public buildings from the revenues of the betterment levies, their own source revenue often does not allow providing the up-front payments for the infrastructure (see Chapter 2).

Owning most of the land in Israel, the government creates policies and programmes targeted towards state-owned land. Thus, on state-owned land the development of new neighbourhoods is supported by transfers from the Ministry of Housing and Construction and the ILA for the development of the necessary infrastructure and for parts of the welfare and community buildings. In Netanya, about 12 000 housing units are planned under the so-called "Frame agreements" (Israel Land Authority (ILA), 2016). These are

high-level agreements between the government of Israel and the local authorities on high profile developments and their financing (Box 3.2). The frame agreement in Netanya encompasses several plans throughout the city. It will enable the advancement of the neighbourhoods' developments regarding housing and employment. Furthermore, the frame agreement covers citywide infrastructure and public facilities in addition to basic infrastructure serving the development area.

Box 3.2. **Israel's Frame agreements for financing high-profile developments**

Frame agreements are drawn up between the Government of Israel and the local authorities that have a potential for building more than 5 000 residential units in their area according to already approved or expected to be approved plans. The agreement provides a comprehensive framework according to the needs of the new neighbourhood for public institutions, roads and all the necessary infrastructures.

The agreements are based on the assumption that the expected revenues from the marketing of the land will cover the costs and expenses related to the development works and the construction of public buildings required for the neighbourhood. The local authorities start – either themselves or through others acting on their behalf - the planning and construction of the development works and the public structures via pre–financing, which will be provided by the Israel Land Authority (ILA) on account of incomes from future sales. The agreement will be accompanied on a regular basis by a steering committee that supervises the project, whose members are representatives of the government and the local authority. The full mobilisation of the Israel Land Authority (ILA) and promotion of the plan to the top of the list of priorities ensures the creation of a high level of certainty amidst the developers and the potential buyers.

Up until now, the government has signed frame agreements with more than 10 local authorities with a total volume of about 140 000 new housing units, and discussions are being held for signing further agreements with about 10 other local authorities which will bring the volume of construction to above 210 000 housing units.

Source: Ministry of Construction and Housing (2016c: 19-20), "Israel Housing Market – Emerging Opportunities," Jerusalem.

Reducing spatial segregation within the city

Spatial segregation in Netanya is reinforced by the recent development of high rise constructions in the south of the city that provide exclusively large apartments. In general, as previously mentioned municipalities that aim to maximise their own source revenue try to attract high income households rather than lower income households that can benefit from property tax breaks. The local comprehensive plan of Netanya plans for 111 000 residential units of which 61 500 are already existing and another 17 000 – have already been approved. While the creation of diversified neighbourhoods with mixed use is highlighted in the local comprehensive plan, it therefore seems to be applicable only for the not-yet-approved or existing 30% of the targeted housing stock. The existing spatial segregation has therefore to be overcome within this margin.

The main planning tools for reducing social spatial inequality are urban renewal and regeneration programmes. The NMP 38 incentivises property owners to earthquake-proof the building if it was built prior to 1980 by allowing them to add an additional 2.5 floors to the building or raze the building and reconstruct it. The sale of the additional units should cover the expenses for the reinforcement of the building, and at the same time increase urban density. Another tool used for urban renewal is the vacate and reconstruct

programme, which targets the renewal of old housing stock no longer reflecting the surrounding land values or densities. Within this programme, housing can be demolished and reconstructed with as many new housing units as required to make the project economically feasible without compromising the integrity of the surrounding urban fabric. Thus, the programme enlarges the housing stock and replaces the old housing stock with, modern, high quality and larger housing units. In Netanya, four neighbourhoods in the historic centre with low socio-economic status are subject to these urban renewal efforts. For example, the old neighbourhood "Ramat Hertzel" is declared as "vacate-and-reconstruct" area and housing units are expected to increase from 153 to 560. There are nine such regeneration areas that have been formally declared or are underway throughout the city. As the volume of urban renewal and regeneration programmes is significant, increased social mixing might be successfully introduced at least in the older neighbourhoods affected by these plans. Regarding future large scale developments, amendment 101 introduced the requirement to provide smaller sized apartments in plans with more than 100 residential units. Thus, at least 20% of housing units need to have a size of about 80m^2 and according to frame agreements even up to 30%. As for the existing recently developed high rise neighbourhoods the comprehensive plan provides special mechanisms for social mixing through infill development - however the practical implementation and success of those measures is yet unclear.

New developments in the south of Netanya lack affordable housing solutions, and house purchases by foreign residents as investments result in unoccupied apartments for most of the year. The developments close to the beach attract investors to buy an apartment as a vacation home. In the first half of 2015, about 9% of purchases in Netanya were by foreign residents (Ministry of Construction and Housing, 2015). Some of these apartments that are concentrated close to the beach often stay empty through most of the year and are referred to as "ghost apartments". Not only does this negatively affect the urban character of the neighbourhood, it also adds to the housing crisis by reducing the number of housing units in the market. To address this issue, the Israeli government allows municipalities to charge an increased property tax rate for unoccupied residential units since 2014. Municipalities can set rates between ILS 32.25 and ILS 223.58 per m^2 in contrast to ILS 33.25 and ILS 115.55 per m^2 for used residential units and owners have to prove that they occupied the apartment for more than 9 month with utility bills such as for water. At the moment, Netanya is not employing this measure. Some studies (e.g. Hemmings, 2014) have questioned the viability of this tax in reducing the number of ghost apartments as it can easily be circumvented by setting up automated watering or lighting systems. Further, owners who are content with leaving apartments unrented for most of the year can also be expected to be insensitive to such a low increase in costs. While it would be an efficient revenue-raising base, the negative impact on the neighbourhood's character remains.

A high accessibility of employment opportunities and public services can reduce spatial segregation within a city. One tool highlighted in the local comprehensive plan is the creation of a comprehensive public transit system to provide better accessibility to the local employment areas. In the short term, the development of the BRT line and a third train station is planned as well as increasing the number of transport centres from currently two to four. An increased connectivity between the residential and the employment areas is targeted by the addition of two new interchanges. Within the city, there already exist several bus lines, but modal shares indicate that public transit is not competitive. Thus, according to the Social Survey 2014, only about 6% of respondents living in Netanya stated that they were very satisfied with public transport in their area,

and another 37% that were satisfied (CBS, 2016c). The great majority however was not satisfied or did not use public transport. These numbers also translate into the means of getting to work. Thus, about 52% of the respondents live and work in Netanya, but only 20% of respondents used a public bus or a taxi to get to work. While about 48% of respondents work in a different locality than Netanya, and the train station provides suburban connections to cities in the South and North, only about 3% stated that they use the train to commute to work. Using a private vehicle to commute to work is the main mode, resulting in congestion and long travel-times. As a result, more than half of the respondents living in Netanya stated that they were bothered by the time it takes them to get to work. An integrated and competitive supply of public transport connecting not only neighbourhoods with employment areas and transport centres, but also different neighbourhoods could help with reducing spatial segregation. Improving inter-city connections can further increase the employment opportunities for the residents of Netanya as other employment centres become more accessible.

Reviving its status as tourism city by following the basic principles of new urbanism

While Netanya was successful in attracting tourism until the 1980s, the city has lost its competitive advantage ever since. Tourism slowed down and at present, the city's tourism infrastructure is characterised by developments that originated in the 1950s. The local comprehensive plan aims to revive Netanya's status as recreation, sports and tourism city. In order to attract tourism and develop in line with the plan's objective, Netanya has to be attractive as a city, inviting tourist to explore diverse neighbourhoods that are walkable and provide mixed use (see Box 3.3).

Several ideas on how to create more attractive neighbourhoods following the basic principles of new urbanism are described in the local comprehensive plan. For example, the plan entails areas designated for mixed use, increased densities and prioritises development for pedestrians and bicyclists. Not only would this be expected to strengthen the city's status as a tourism city but also to create a greater quality of life for its residents. To shift towards a more walkable city, safe sidewalks and places in walking distance to go to, such as restaurants, shops, parks, employment and public transport are needed. In the local comprehensive plan, mixed land use is allocated along the main transport corridor, as well as on two axes connecting the East of the city with the shoreline. The northern East-West axis goes through the historic city centre along the Herzl-street aiming to revive the old city. The second axis goes through the geographic centre breaking up the strips of housing that are segregated with a park and by combining housing and employment opportunities.

Box 3.3. **Becoming a tourism city to spur urban development: the case of Antalya, Turkey**

Governments that are aiming to develop tourism in cities usually follow a broader strategy of promoting urban economic growth and competitiveness. Tourists bring capital to a city, and the more they spend, the more investments in goods and services, buildings and infrastructure follow (Erkuş-Öztürk and Terhorst, 2015). But the design of tourist areas can significantly impact urban development. In their study from 2012, Erkuş-Öztürk and Terhorst highlight that the urban tourism strategy usually fits more into a more general urban development strategy when tourists mix with local inhabitants rather than restricting themselves to purpose-built spaces. The city of Antalya (Turkey) has been very successful in attracting tourism and creating spill-over effects for the whole local economy.

Similar to Netanya, the city of Antalya is located along the Mediterranean coast atop of high cliffs. Following increasing efforts of the Turkish state to stimulate Antalya's development as tourism city, the importance of this sector for the local economy has steadily grown since the 1980s. Over the years, the city has become the most important tourism region in Turkey, seeing a sharp increase in visitors following the years after 2005.

A recent study by Erkuş-Öztürk and Terhorst (2015) find that Antalya is in an ongoing process of diversification of economic activities that are directly and indirectly related to tourism. Thus, the city has competitive advantages with respect to accommodation, food and restaurant services, arts, entertainment, culture, recreation and sports, and administration and supportive services when compared to national and regional values.

Source: Erkuş-Öztürk, H. and P. Terhorst (2015), Economic diversification of a single-asset tourism city: evidence from Antalya. Current Issues in Tourism, pp.1-18; Erkuş-Öztürk, H. and P. Terhorst (2012), "Variety of urban tourism development trajectories: Antalya, Amsterdam and Liverpool compared", *European Planning Studies*, Vol. 20/4, pp. 665-683.

The success of shifting towards a more walkable neighbourhood depends on two main criteria: First, developers need to construct mixed-use buildings and second, businesses have to locate in these areas. While the construction of mixed-use is allowed in the designated areas, developers per se have little incentives to actually supply mixed-use buildings. Not only is it easier to construct single use only, developers may also fear that dwelling units above commercial units will be less profitable. For example, store owners may have fewer incentives to maintain the property at a standard that is expected by future apartment owners. The city of Netanya addresses this issue by incentivising developers with additional building rights. Thus, if the ground floor is for commercial use, the developer can build an additional floor for residential use. No negative incentive or sanction is applied if the developer chooses not to build mixed use constructions. In instances where mixed use buildings are developed, businesses still need to locate in that area. For them to make it profitable, they have to meet the critical mass of customers. Space syntax theory suggests that the social, economic and environmental performance of places – from the scale of the entire city to the scale of the individual street and building – is influenced by the interaction of two key properties of urban areas: a slowly changing physical system that consists of buildings linked by streets, roads and infrastructure and a more rapidly changing human system made up of movement, interaction and activity which is influenced by the geometry of the street network and the location, size and type of different land uses (Hillier, 2009). Thus, the likelihood of customers passing by is also influenced by the general layout of the city and the natural walking flows of the residents

within the city and the neighbourhood. As the spatial layout of Netanya is characterised by an area that is about 11 km long, but only up to 4 km wide, the city is to a degree less walkable than similar sized cities with a more radial structure. The creation of hierarchical street networks prioritising pedestrians as well as creating more than one centre as highlighted in the plan could support the initial incorporation of mixed use in the city if already existing natural ways of movement are taken into account.

Planning challenges within the broader regional context

Netanya is located in the central district which stretches across 1 242 km^2 and has a population of 2.1 million distributed across 40 cities and municipalities. In addition, the central district is part of the Tel-Aviv metropolitan area and as it loops around Tel-Aviv, this proximity renders it a high demand area for housing and commercial use. Netanya is subject to the central district master plan 3/21 which was approved in 2003 and challenges and competing uses for land within the district therefore also affect the city of Netanya. While there were no predetermined housing target numbers for the district up to 2010, the state policy of developing housing changed towards more active provision of residential units creating tensions between the protection of green spaces and provision of area for development. The central district committee attempts to focus on infill development to increase the density within existing cities.

The Central district is relatively narrow and at some parts only 15km wide covering the entire east to west area of the State of Israel. The size and the shape of the district prove to be challenging for regional planning, as all of Israel's north to south infrastructure has to go through this small corridor. For Netanya, this has resulted in a highway and a railway separating the city into East and West. Throughout the district, a focus on the development of roads has resulted in insufficiently developed public transport infrastructure to accommodate the need of the growing population. Inter-city connections by public transit are often not competitive with the ease of private cars, resulting in increasing congestion during rush hour.

Netanya is the main central city in the northern part of the district. Surrounded by regional councils featuring small villages, Netanya is a main economic centre within the area and the city is highly interconnected with the rural surroundings. These linkages can take several forms, such as governance systems, migration and labour market flows, investment and economic transaction, environmental and ecosystem preservation and enhancement, or infrastructure and service provision. The linkages create a functional region that is not reflected by administrative boundaries (OECD, 2013). While the functional region is not limited to the administrative area of Netanya, but stretches well beyond to settlements in the surrounding regional councils, a framework that supports urban-rural partnerships is lacking. In contrast, there is a high degree of competition between the smaller and medium-sized municipalities surrounding Netanya that affects the economic status of the city and indirectly influences the planning priorities which are shaping the city.

The trend towards suburbanisation continues with wealthier households moving from the city to the rural surroundings. While the regional councils attract households that prefer to live in a more rural setting with a single family detached house and garden, they also face the challenge of protecting open space. For example, the regional council of Lev HaSharon, bordering Netanya, faces high pressure to develop agricultural land as it is located close to Tel Aviv, a high demand area for housing. In addition, although the NMP 35 (amendment 1) increases the minimum density from 10 to 15 housing units per

1 000m^2 in Netanya, it also plans for a higher housing density within the rural texture of Lev HaSharon (Planning Administration, 2016a, 2016b). Since 2014, regional councils are also developing plans covering the whole area adding to their previous responsibilities of service provision. Co-ordination between Netanya and the surrounding regional councils in addressing overarching land-use challenges that affect the functional region is weak. For example, public transport provision connecting the rural surroundings with the city of Netanya is based on informal co-ordination but has resulted in unreliable and infrequent service that is not competitive with private transport modes increasing the negative externalities of traffic. As is the case in most areas across the OECD that are part of a larger functional region, the question on how to share the costs for services that spill over municipal boundaries is essential and can create major controversies that are centred on financial capabilities and revenues of local authorities (OECD, 2015b).

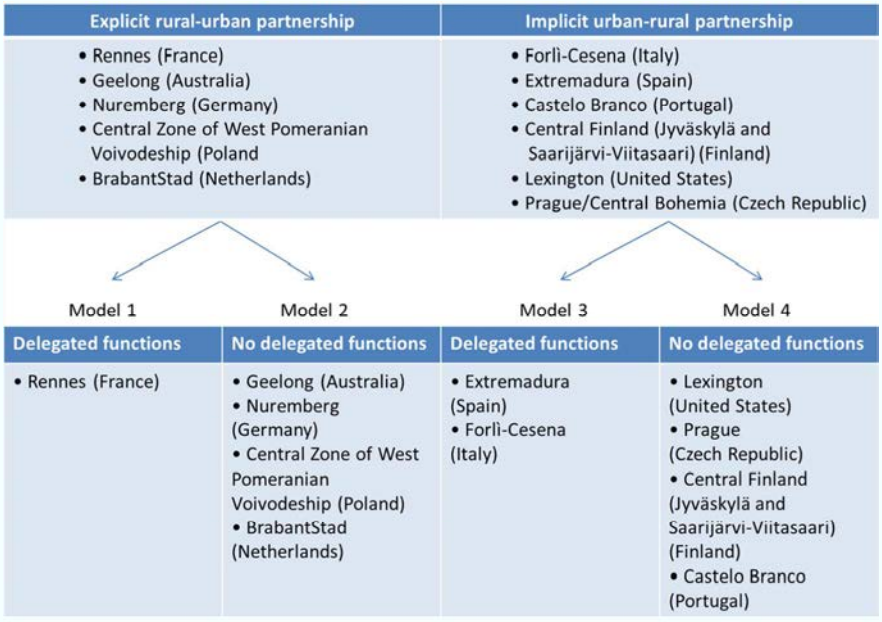
The competition between Netanya and surrounding settlements originates from the perception that higher income households leave the city, but still take advantage of the services and amenities its provides. They would also commute to the city for employment, thus adding to traffic congestion and wear on municipal infrastructure. The rural areas surrounding Netanya have shifted from mainly agricultural industries to commercial activities on the main roads leading towards Netanya as well as commercial and service activities in existing areas designated for traditional industrial areas. As they can afford lower municipal tax rates, they have a competitive advantage ultimately affecting Netanya's own source revenues (Local Authorities Netanya, 2011). This again results in a higher prioritisation of the development of commercial areas to counteract the effect on own-source revenues. While each local authority follows and succeeds with its own strategy, they may collectively miss out on creating competitive advantages for the entire functional region. Overcoming this issue often requires creating mechanisms to co-operate with other governments across scales - local, regional and national. A recent OECD (2013) study has shown that rural-urban partnerships can provide a framework that can support co-ordination and co-operation between actors and is adaptable to the specific characteristics of a region (Box 3.4).

In Israel, agreements on revenue sharing that could be implemented to address inequalities in the tax base and resulting conflicts that impede co-operation between local authorities are subject to the order of the Minister of Interior. At the district level, the aim is to create equal employment areas and to distribute the "wealth" by means of income distribution agreements. However, local authorities generally prefer to be responsible for their own employment area. Not only does this allow them to enjoy the full revenues, but also to adjust employment opportunities with respect to their residents' skills. As the competition increased the economic pressure on Netanya, the city appealed to the state aiming to increase its administrative area to participate in the revenues from bordering regional councils. Netanya highlighted the point that its socio-economic status is lower than the one of the surrounding councils (see above), and that the income from their industrial areas is at the expense of Netanya. Further, the city stressed that Netanya suffers from a lack of land for industrial, road and tourism infrastructure as well as leisure activities when compared to other similar-sized cities (Ministry of Interior, 2012). Based on the recommendation from an independent committee, the Minister of Interior decided in 2014 to agree to an expansion of the municipal area and also included an income distribution agreement with the surrounding councils (Ministry of Interior, 2014).

Box 3.4. **Governance frameworks for rural-urban partnerships**

A recent study on rural-urban partnerships conducted by the OECD (2013) revealed that cities and surrounding rural regions are increasingly connected through the movement of people and the exchange of labour, capital and goods. Regions that facilitate the co-ordination and co-operation among different actors have shown to increase their economic potential and increase the overall competitive advantage not only of the city, but the functional region as whole.

In case studies of 11 rural-urban partnerships in a range of OECD countries, four different ways to approach rural-urban collaborations emerge. Each reflects the specific institutional and cultural context of the country. This framework divides the partnerships observed into an admittedly simplified schema, to tease out key aspects that can guide policy development and support (see figure below for a summary).



The categories explicit and implicit are used to highlight an important distinction between the 11 rural-urban partnerships analysed. The "explicit" rural-urban partnerships (five in total), deliberately set out to cultivate a rural-urban partnership or manage rural-urban relationships. This "intent" is reflected in the objectives of the partnership agreement. This rural-urban dimension is a core aspect for the partnership that is deliberately pursued, either through the issues identified, initiatives realised and/or stakeholder involvement.

In contrast, the "implicit" group (six cases) shows no such overt objective. In these cases, the collaboration that emerged was driven by other local development objectives mandating the involvement of urban and rural areas. The second layer sub-divides the two groups further, based on the partnerships' delegated authority. Delegation of authority means division of authority and powers downwards. This means the partnerships have some semblance of recognition, such that they have been entrusted with the responsibility to act. This provides clues to the level or recognition (by other levels of government), its ability to realise objectives (implementation tools) and financial acumen.

Box 3.4. **Governance frameworks for rural-urban partnerships** (*cont.*)

Each type presents various advantages and disadvantaged. On the topic of spatial planning, the case of Rennes, France offers a unique approach—it is an inter-municipal structure called the *Rennes Métropole* with a dedicated revenue source that elaborates a common spatial plan for the territory that's is then binding for local land-use plans. The Territorial Coherence Plan (*Schéma de cohérence territoriale*, or SCoT) allows the *Rennes Métropole* to directly manage rural and urban issues and present a unified voice on behalf of the region. It is able to effectively incorporate and then work with smaller peri-rural municipalities towards the realisation of an overall vision for Rennes. The partnership is also able to take advantage of its large organisational structure and stakeholders. Nonetheless, there can be some drawbacks, such as less local autonomy—municipalities agree upon joining to cede certain powers, which they are no longer authorised to exercise.

Source: OECD (2013), Rural-Urban Partnerships: An Integrated Approach to Economic Development, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264204812-en.

Key findings and recommendations

The city of Netanya is characterized by a perforated urban fabric. North and south of the city are disconnected by large plots of undeveloped land in the geographic centre, and east and west of the city are divided by a highway and a railway running through Netanya. The physically separated neighbourhoods also exhibit signs of spatial segregation of the residents by socio-economic characteristics. In the North, the historic centre of Netanya, neighbourhoods are characterised by small-sized apartments and houses with up to four floors. Residents in this area have on average a lower standard of living and lower income. In most parts of the south of the city, newly developed - spatially dispersed - high rise buildings with large apartments dominate the scene. Residents in the South have on average a higher income and a higher standard of living. East of the transport corridors, the city's main employment areas are located, providing space for traditional crafts and industries in the north-east, and for high-tech, start-ups and entertainment in the South-East. The East and the West of the city are connected by four bridges spanning across the highway and the railway tracks.

Spatial segregation is evident across Netanya's neighbourhoods and enforced by uniform developments in certain areas. While a mixed supply of housing with respect to sizes and prices can be achieved with urban renewal and regeneration programmes such as the NMP 38 and the "vacate-and-reconstruct", these programmes mainly target the area in the older parts of the city. Further, significant parts of the targeted housing units planned under the new local comprehensive plan have already been approved, rendering the recent high rise developments that dominate the south of the city with their exclusively large apartments separate from the rest of the city. To counter these uniform developments, Netanya's comprehensive plan creates a special mechanism for the intensification of development rights in built up areas which is supposed to serve as an incentive for diversification. The plan itself is not yet approved, but has been serving as a policy guide for recent detailed plans. In addition, new large scaled residential developments have to also provide small apartments in certain circumstances defined by amendment 101 to the Planning and Building law and in the frame agreement.

Undeveloped land within the city is often privately owned and the targeted development of these areas is difficult for municipalities. For one, the tax cities are allowed to collect from residential property is not sufficient to cover the expenses for service and infrastructure provision for residents. Thus, municipalities prefer to develop commercial and office areas that create greater revenue. Second, large-scale housing programmes on state-owned land are incentivised through national government policies by providing the necessary infrastructures. In contrast, for developments on private lands, the municipality has to provide the basic infrastructure for the development, covering the costs up front. Thus, municipalities often face financial constraints even though there might be an existing plan. As the development of private plots is crucial for creating a contiguous urban fabric envisioned in the local comprehensive plan, alternative financing mechanisms should be considered. For example, municipalities could be provided with bridge financing mechanisms that allows them to build infrastructure necessary to develop private land. Alternatively, a legal framework could be created, that allows shifting the financial responsibilities of providing infrastructure to the developer.

Until recently, developments focused on the construction of roads ran counter to the planned objectives of the local comprehensive plan. At present, the dispersed development of high rise buildings in the new neighbourhoods of Netanya leads to car use while urban renewal and regeneration programmes plan for wider roads to accommodate the needs of an increasing population. Both might be in conflict with the ambition of a walkable city. A change of vision is advanced in the comprehensive plan. The plan promotes "active" street fronts and densification and high-rise development along major streets and mass transit routes. In addition, in order to develop a continuous and accessible public open space, the comprehensive plan requires a change in the cross-section of existing streets by widening sidewalks at the expense of the motorway. A focus on integrated planning of housing and public transport infrastructure, combined with principles of transport oriented development could reduce the need of private vehicle usage and support the shift towards a sustainable, less car oriented city.

The local comprehensive plan that is in its final stages of development aims to revive Netanya's status as recreation, sports and tourism city. In order to attract tourism, it has to be attractive as a city, providing diverse neighbourhoods that are walkable and provide mixed use. A shift towards more recent approaches of urban planning and taking elements of the "new urbanism" planning philosophy into account will not only create a better chance to attract tourism to Netanya, but also create a more liveable city for its residents. While the local comprehensive plan entails many ideas on how the city should look in the coming decades, the plan should also provide guidelines for plan implementation. This requires a careful evaluation of main challenges in a multi-disciplinary fashion and the designing of tools to address them. Monitoring urban development and plan implementation with appropriate indicators can further support the identification of unforeseen challenges and addressing them subsequently can be essential for achieving the plan in the long term.

The city of Netanya is interconnected with the surrounding rural regions. Being the largest city within the region, it provides employment opportunities and services that spill over municipal boundaries. In exchange, Netanya benefits from the supply of labour from residents outside the administrative area. Mechanisms that facilitate and incentivise co-operation and co-ordination across local authorities are lacking resulting in competition and sub-optimal outcomes for the entire functional region. Flexible rural urban partnerships that address common objectives for the entire region have been successful in several OECD areas. For example, while Netanya aims at increasing its size (mainly

through commercial development), the bordering regional council of Lev HaSharon is concerned with protecting its open space. Creating a solution where Netanya increases its population density targets to reduce the pressure of development on agricultural land and is compensated from the surrounding regional councils to provide financial means for the service provision of the "additional" residents would seem beneficial for all involved.

Notes

1. The municipal area includes the most recent change in municipal boundaries in 2016.
2. The regional council Emeq Hefer is located north-east of Netanya including 44 settlements and about 41 100 residents. To the East, the regional council of Lev HaSharon borders the city of Netanya covering 19 settlements and a population of about 22 700. In the south, Netanya adjoins the regional council Hof-HaSharon with a population of 14 400 distributed across 14 communities.
3. The area for other public services refers to uses such as cemeteries, administration, emergency and religion.
4. Prices for used dwellings are indicated, as the market for newly developed small size apartments is negligible, and therefore no data on housing prices are available.
5. About 5% of the immigrants from the former Soviet Union settled in Netanya. Between 1990 and 2000, in total about 874 740 immigrants from the former Soviet Union arrived in Israel.
6. Further, a representative of the Israel Fire and Rescue Services, with training in fire safety and rescue, will be regularly invited to attend the meetings of the subcommittee, and will have an advisory capacity in matters relating to fire safety and rescue. The Planning and Building Law 1965 defines that representatives of the Minister of Finance, Minister of Environment, the Minister of Housing and Construction, the Minister of Health, the Minister of Public Security and the Minister of Transport, a representative of the Israel Land Authority, a representative of a professional organization dealing with architecture or engineering (registered), two representatives appointed by the Minister of Finance who are well versed in matters of planning and construction and have a college degree in architecture, engineering or urban and regional planning or the social sciences, representative of the Minister of Agriculture from the regional council, and a representative from the Nature and Parks Authority should be invited regularly to the meetings in an advisory capacity.

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Chapter 4

Land use and spatial planning in Umm al-Fahm, Israel

This chapter provides a case study of the governance of land use in Umm al-Fahm. It describes the major socio-economic features of the city and recent developments of land-use planning. The final section details the major land-use pressures facing the city and its challenges in implementing its land-use plan.

This document, as well as any data and any map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Nestled in a valley overlooking the Wadi Ara, Umm al-Fahm is a social, cultural and economic centre for the region. With more than 50 000 inhabitants, it is the third largest city in Israel with a predominantly Arab population. Throughout the past, Umm al-Fahm has developed in the absence of suitable plans to the local needs which is reflected and related to some of difficulties the city is facing today. As the city has grown from a village, developments have climbed the hills of the valley along winding roads and often steep inclines. Infrastructure investments, services and amenities have not kept pace with residential developments owing to several factors such as Umm al-Fahm's comparatively large share of privately owned land, the development without suitable plans and socio-cultural factors. Due to the high persistent nature of land use, existing buildings and infrastructure limit the transition to new ones. The local economy is weak and the area's residents, like much of the minority sectors, face poorer employment prospects, lower rates of education and have lower incomes than of most their counterparts in Jewish and mixed settlement communities.

Land-use issues are at the heart of the challenges that the community faces. With a growing population and limited resources of developable land, residents face an increasing shortage of housing. Businesses and industries have little space to start up or expand and the majority of the population commutes to neighbouring locales for employment. Low income residents are concentrated in the city's historic core, whose small, twisting streets limit accessibility. More effective and efficient uses of land will be critical for the area's future economic development and residents' well-being.

The government is increasing its efforts in addressing the growing economic and social disparities between Jewish and Arab population. In addition to massive investments to support economic development and improve infrastructure and public facilities, a main focus of these efforts is the support of planning at the local level, which resulted in strengthening of planning capacity and expertise in Umm al-Fahm. In addition, a number of governmental resolutions and amendments focus on promoting applicable plans of high density new neighbourhoods on both state and privately owned land and new planning tools aiming to address the unique needs of the cities with a high share of Arab population. In the wake of the dynamic process that the planning system is currently undergoing, tools that start to acknowledge the specifics of these cities in general, are getting implemented, although challenges are yet to be met. For example, in contrast to many cities with a Jewish or mixed population, cities with a predominantly Arab population are characterised by a higher share of privately-owned land, a lack of land registration and the absence of a land and housing market. Providing instruments and tools to address these key issues is crucial for the implementation of any plan covering the area.

This chapter charts the land-use issues facing Umm al-Fahm, including the tools at its disposal to shape land-use outcomes. It first describes the challenges facing Arab-majority communities in Israel in general, before delving into the specificities of Umm al-Fahm's social and economic development and history. Following this, the city's planning tools and framework are described and the major planning challenges are discussed. The chapter concludes with assessment and recommendations on how to improve upon the current system.

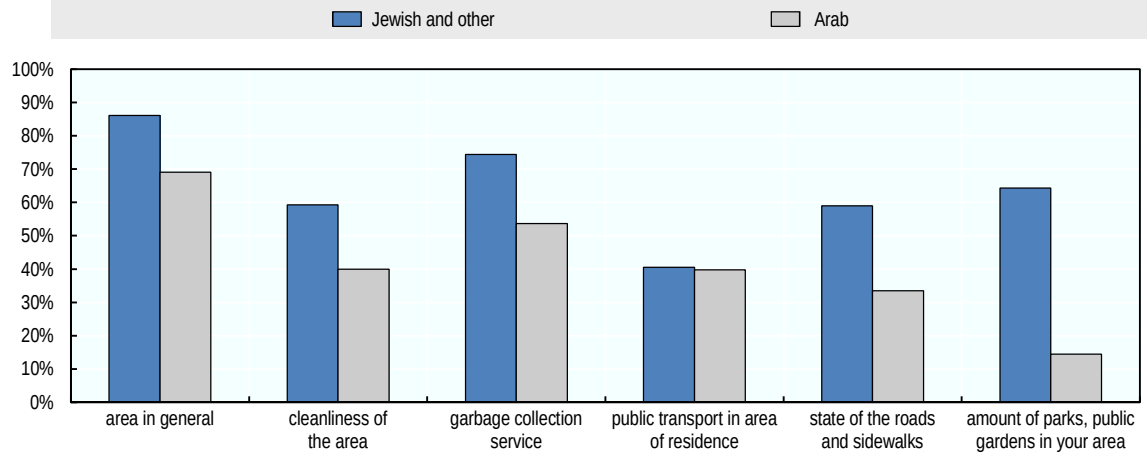
Overview of the Arab minority sector in Israel

Localities with a predominantly Arab population tend to have higher levels of poverty and unemployment and poorer infrastructure and public services than non-Arab ones

Arab-Israelis are the largest minority group in the country - representing a fifth of the national population. The vast majority of this group resides in cities or villages where they constitute the majority, one of them being the city of Umm al-Fahm. With a population of 51 400 in 2014, it is the largest city with a predominantly minority population in the Haifa district, and the third largest in Israel after Nazareth and Rahat (Central Bureau of Statistics, 2015a).[1] Cities in Israel with a predominantly Arab population perform better than surrounding Arab countries. For example, GDP per capita in 2006 amounted to about USD 5 400 in Lebanon, to about USD 2 700 in Jordan and to USD 1 400 in Egypt (World Bank, 2016), whereas GDP per capita in localities with a predominantly Arab population in Israel was much higher with about USD 8 000 (Prime Minister's Office, 2016). But within Israel's economy, large gaps remain and the Arab sector is characterised by a significantly lower GDP per capita than their peers with national GDP per capita amounting to about USD 19 000. In most of these localities poor living conditions prevail and the residents are characterised by low levels of income and education, and high levels of unemployment and poverty (OECD, 2016a). According to the Socio-Economic Index conducted by the Central Bureau of Statistics (CBS, 2013b), those localities are overrepresented among low-ranked clusters. Thus, about 86% of localities ranked in the bottom three clusters are localities with a predominantly Arab population and none are represented in the three top performing clusters.

Figure 4.1. **Satisfaction of Israel's population with their area of residence**

Share of respondents that were satisfied or very satisfied, by population group 2014



Notes: The question asked were: i) Are you satisfied, in general, with the area in which you live?; ii) Are you satisfied with the cleanliness of the area in which you live?; iii) Are you satisfied with the garbage collection service in your area of residence?; iv) Are you satisfied with the public transportation in your area of residence?; v) Are you satisfied with the state of the roads and sidewalks in your area of residence? e.g., the width of the roads and sidewalks, lighting, signage, etc.; vi) Are you satisfied with the amount of parks, public gardens or greenery in the area in which you live?. Possible answers ranged from "not satisfied at all", to "not so satisfied" to "satisfied" and "very satisfied".

Source: CBS (2016a), Social Survey Table Generator http://surveys.cbs.gov.il/Survey/surveyE.htm (accessed July 2016).

Localities with a predominantly Arab population often suffer from a lack of basic infrastructure, which is in turn illustrated by their dissatisfaction with their community's amenities and services. Results from the 2014 Social Survey (CBS, 2016a) reveal distinct disparities between population groups in terms of residents' satisfaction with core municipal services (see Figure 4.1). A far lower share of Arab respondents report being "satisfied" or "very satisfied" with garbage collection, the state of roads and availability of parks compared to Jewish or other populations. This reflects that infrastructure, such as paved streets, sewage disposal and public spaces, are usually less well developed in those localities (Alfasi, 2014). It is only with respect to the satisfaction of public transport that the discrepancies between population groups diminish. However, this is mainly a sign of public transport being equally poor across the country as a result of public under-investment over the past decade, as opposed to an indication of satisfaction with the service (OECD, 2016b). Some recent government initiative address the latter issue, providing significant investment to public transport in general (Resolution 1838) and to the Arab sector specifically (Resolution 922, see Box 4.1).

Communities with a predominantly Arab population express low levels of social trust towards all levels of government

Low levels of trust towards the government create fewer incentives for public participation and engagement. About 42% of Jewish respondents to the 2015 Social Survey (CBS, 2016b) expressed their confidence in the Israeli government opposed to only 28% of Arab respondents. Trust in the Israeli Parliament, the Knesset, was for both population groups even lower at 40% and 25% respectively. The low degree of representation of the Arab population at the state level could be one explanation for this result. However, even at the local level where representation of the Arab population is higher, only a slightly higher share of Arab respondents (35%) stated that they trust their local authority. In contrast, Jewish respondents expressed a much higher degree of trust in their local authorities - at approximately 66%. The lower level of trust within the Arab population translates to their lower belief that they are able to influence government policy and the policy of the local authority. Thus, about 82% of Arab respondents stated that they believe that they "cannot at all" influence government policy, and 73% stated that this also holds for policies at the local level. In contrast, 63% of Jewish respondents believed that they "cannot at all" influence government policy and about 50% believed that this was also true for the policy of local authorities. These numbers could explain the lower levels of public participation of the Arab population with respect to shaping their neighbourhood. In 2014, only about 44% of Arabs in the sample responded that they think that people can influence and improve the quality of life in their residential areas, opposed to 71% of Jewish and other respondents. The beliefs about competencies translates directly into actions: approximately 18% of Arab respondents stated that they have acted together with other residents in order to change or improve something in the area of their residence, as opposed to 27% of Jewish and other respondents (CBS, 2016a). The low levels of social trust between residents and different levels of governments represent an obstacle to the planning environment because spatial development objectives require community buy-in and support in order to be successful.[2]

The present socio-economic patterns in localities with predominantly Arab population and their residents' mistrust towards government and government decisions are in part related to Israel's early historic development. Following the establishment of the State of Israel in 1948, the Arab population was placed under military rule (Jabareen, 2014). Further, Arab villages that had undeveloped agricultural land in private land ownership

faced partial losses of these areas through expropriation or similar mechanisms (see Forman and Kedar, 2004, for a literature overview on this issue). Moreover, Israel followed a policy of population distribution in its early years (see e.g. Sharon Plan 1951/1952) and while facing the arrival of tens of thousands of Jewish-Israelis from all over the world, parts of the new localities were created on formerly Arab owned land. Moreover, the population growth of the Arab population since 1948 has - until recently - often occurred in the absence of appropriate plans and policies hampering the socio-economic development of residents in cities with predominantly Arab population.

Many localities with a predominantly Arab population grew quickly and informally, in the absence of plans suitable to local needs

Localities with a predominantly Arab population have been transitioning from villages to dense urban areas, often in the absence of appropriate planning procedures. An increasing density mainly in the historical city centre within these localities left them highly dependent on planning decisions made for them often by planning bodies that lack representation of the Arab sector at the district and national levels. In general, local master plans that were approved in the past and that were supposed to manage land usage and address the needs of the residents with respect to housing and infrastructure, were – if at all – only depicting the existing status by the time of plan preparation and were rarely updated. In the context of a rapidly growing population with unregulated construction, the lack of residential areas and public spaces arises especially in the historical cores of the cities', leading to insufficient infrastructure and ultimately in a deterioration of quality of life of the residents (Baana and Swede, 2012). In Umm al-Fahm, this mainly affects residents in the historic core and its surrounding outer ring, whereas the situation in newer neighbourhoods tends to be better. As will be discussed in this chapter, over the last decade, the Israeli government has increased its efforts to provide comprehensive solutions to minority cities, including updated local master and local comprehensive plans and the improvement of planning capacity and devolve authority to the local level.

A high share of privately-owned land in localities with a predominantly Arab population limits the scope of implementation of government planning policies. In contrast to municipalities with a Jewish population, localities with a majority of Arab population are usually characterised by a high degree of private ownership. On privately-owned land, the development patterns are characterised by multi-generational single-family-detached housing that are developed gradually according to the priorities of the family. In the context of missing local comprehensive and suitable detailed plans—combined with a cultural prevailing view that construction on one's private land is, or should be, legal—building adjustments, and even the construction of entirely new buildings proceeded sometimes without a building permit. This development often clashes with government planning policies that try to utilise the development, avoid "leap-frogging" into agricultural land, and aim to upgrade public infrastructure and services.

There is significant housing demand, but the housing market is almost non-existent

The housing crisis of Israel is also evident in localities with a predominantly Arab population. Land owners in the Arab sector are attached to their land and are sensitive about planning law and development controls. Holding on to privately owned land provides some certainty to accommodate present and future housing needs for the family.

In general, Arab land owners prefer not to transact land, resulting in the almost non-existence of a formal market, and hardly any construction for sale. Land owners prefer to gradually develop their property according to the family's need. This incremental and needs-based approach however can lead to instances where to existing building permits are not utilised to their full potential. Thus, potential new housing units for the market are not being built adding to a lack of affordable housing alternatives on the market. This is increasingly becoming a problem, especially for non-land owners such as young couples. Thus, housing in the Jewish sector might not be easily accessible to the Arab population, and in the Arab sector their needs are not sufficiently addressed. Addressing this need for affordable housing solutions is challenged by the preference towards single detached housing rather than higher density developments. Over the next 25 years, it is estimated that Arab sector housing needs will be between 12 000 to16 000 each year, totalling to about 380 000 housing units (National Economic Council, 2016).

In recent years, the Israeli government became increasingly aware of the need to address the growing socio-economic gap between the Arab and the Jewish population in order to improve the country's overall performance. Special task forces have been set up to analyse the situation in the Arab sector and, as a result, special programmes to address the gaps and develop the economy and the housing sector in localities with a predominantly Arab population have been introduced (Box 4.1).

Box 4.1. **Israeli government initiatives to address economic development and housing in the Arab sector**

Over the past few years, the government has made increasing efforts to address the issues facing the Arab sector in a broad, multidisciplinary fashion. Initiatives have been adopted in such areas as culture and education, employment (strengthening female employment), economic development, housing, safety and security.

As part of these efforts, a special task force was established in December 2014 to map housing problems and challenges in minority communities and recommend priority actions and reforms. The key issues that identified the "120 days task force" were:

- the lack of state-owned land for development;
- the presence of privately-owned land that is not registered in the names of the current owner;
- a lack of planning independence in minority localities in combination with outdated or missing local master plans and detailed plans;
- high development costs and limited financial abilities funding;
- illegally constructed homes and buildings.

Based on these key issues, the task force recommended several aspects, amongst others the strengthening of local planning by establishing local planning committees in some of the localities with a predominantly Arab population, and providing them guidance and assistance and capacity building training in order to allow them to become a self-standing planning committee (section 18 to the Law). Further, it recommended a set of tools, in order to supply significant amount of residential units and more specifically, high density and high quality neighbourhoods, on both public and private lands. Therefore the recommendations included tools for. promoting large scale housing plans, funding of public buildings and infrastructures) and also statutory and policy changes as well as other complementary suggestions such as the quick promotion of planning in the Arab sector to address the lack of housing. The establishment

Box 4.1. **Israeli government initiatives to address economic development and housing in the Arab sector** (*cont.*)

of special district sub-committees in the Northern, Haifa and Central district with the authority to approve plans for up to 50 housing units and ease the usual regulations for plan approval. The task force further recommended the establishment of a committee aimed to examine the feasibility of municipal boundary changes in the Arab sector. The issue of land ownership registration is recommended to be addressed by reducing the accumulated tax debt on the property that is registered for ownership. Presently, this accumulated debt creates a major disincentive for land registration [Knesset (2015) provides a detailed list of further recommendations]. First results are increased provision of housing through the Vatmal programme, which was adopted to allow a feasible number of housing units also on privately owned land in cities with a predominantly Arab population. At the end of 2016, 33% of areas declared as preferred for housing were in minorities' cities. This translates to about 22 housing areas (50 000 housing units) which amount to 22% of the total housing unites included in plans under the Vatmal track.

In order to advance economic development in the Arab sector, the government adopted several other resolutions, the main one being a five-year economic development plan that was approved in December 2015. This comprehensive plan will allocate approximately ILS 15 billion (new Israeli Shequels) towards the development of localities with a predominantly Arab population in various fields such as education, transportation, welfare services, employment and housing over the following 5 years. In 2016 alone, the government funds for this resolution passed the ILS 2.2 billion mark. The plan instructs relevant ministries to provide – within their budget - special budgetary allocation to predominantly Arab settlements. For example, the Ministry of Economy will allocate approximately 42% of all funds to new industrial developments in those localities and to regional industrial areas in which at least one of the localities is Arab. The development of such revenue producing areas is expected to advance economic development in minority settlements. The Ministry of Transportation will allocate 40% of its development budget, or at least ILS 100 million a year, towards developing public transportation in localities with a predominantly Arab population, with the objective to create equal coverage in all population sectors by 2022. Further, about ILS 1 billion will be allocated for long term development plans and immediate assistance for Arab local councils and municipalities, and an additional ILS 350 million will be given for development of excelling Arab local councils that will meet a set of government criteria.

Source: Information provided to the OECD by the Planning Administration; and Knesset (2015), Government Resolution number 922, from December 30th 2015 (in Hebrew) www.pmo.gov.il/Secretary/GovDecisions/2015/Pages/des922.aspx.

Setting the scene for Umm al-Fahm

An important hub city that, over time, has grown to climb the steep hillsides that surround it

The city of Umm al-Fahm is located south-east in the Haifa District close to the West Bank. Most of the towns with a predominantly Arab population in the Haifa District are located in the area surrounding Umm al-Fahm, in Wadi Ara. The city of Umm al-Fahm sits on a cluster of hills overlooking the Wadi Ara, surrounded by small settlements and forests. The whole municipal area is bisected by deep valleys with a difference in altitude to up to 370 meters (CBS, 2005). The city is characterised by a historic core that features detached family buildings that were adjusted gradually to the needs of the family over time. New constructions surrounding the historic core still focus on providing space for the whole family, but are increasingly planned as 3-4 level buildings from the onset.

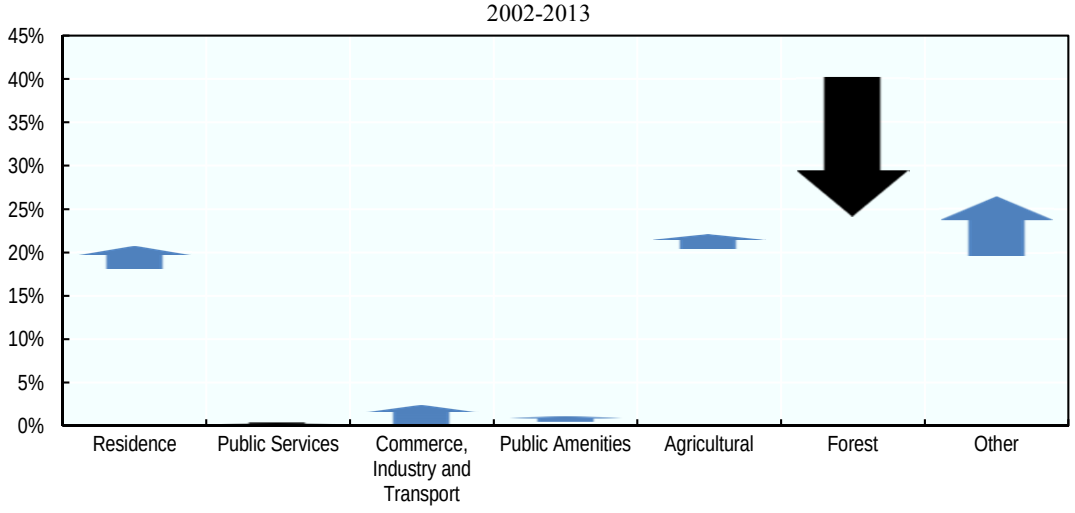
Umm al-Fahm is situated along a major road (road 65) which is in fact an ancient trading route. Today the road - a major artery for the region - links the cities Hadera in the south-west and Afula in the north-east. Overall, Umm al-Fahm serves as an economic and cultural urban centre in the region.

The municipal area for Umm al-Fahm covers about 27 km^2 (CBS, 2015a). About a third of the area is state-owned land, 45% is privately-owned land and the remaining area is shared land (18%) or land with unknown ownership (3%). The concept of shared land dates back to the Ottoman era, when Arab villages often had their land registered under shared ownership (*musha'*). Thus, the whole of the property in the village is held in common with each shareholder owning a fractional share in the village, where there is no separate parcel of land allotted to an individual in proprietary right (Fruchtman, 1986). While the administrative area of Umm al-Fahm remained mostly unchanged, amendment 1 to NMP 35 in 2016 expanded the development area by about 1.6 km^2.

Residential developments have increased over the past decade, while undeveloped land has decreased

A slight increase in the size of the municipality in 2005 by 4km^2 affected the proportions of how land is being used between 2002-2013 (see Figure 4.2). The forest area surrounding the urban built-up area dominates the land used of the municipality, but has relatively decreased from 40.2% in 2002 to only 24.2% in 2013. The percentage share of the jurisdiction with respect to commerce, industry and transport infrastructure has slightly increased (from 0.3% to 3%); however the land used for public services and amenities has remained the same, at 1% or less of the area, which is a low level. The land covered by residential uses has however increased, from 18% to about 21% of the jurisdiction.

Figure 4.2. **Change in the use of land in Umm al-Fahm**



Notes: 1) Due to changes in the categories between 2002 and 2013, the information for Commerce, Industry and Transport are aggregated. The different categories are defined as follows: Residence categorises areas used for housing and built up areas not classified for other uses; Public Services are areas used for emergency and rescue services, public administration and religious services; Commerce refers to land used for commerce (e.g. shopping malls and commercial centres); Industry includes Industrial areas, mines and quarries as well as Infrastructure sites (e.g. airports, harbours, sewage treatment plants and landfills); Transport refers to areas used for parking lots, gas stations, train and central bus stations; Public Amenities categorise land for education (schools, universities, kindergartens and community culture centres), health or welfare purposes (e.g. hospitals, medical clinics and old-age homes), Culture, Leisure, Recreation and Sport (e.g. theatres,

museums, public libraries, zoos and archaeological sites, land used for tourism and recreation, such as hotels, restaurants and amusement parks, land used for sport such as stadiums and swimming pools) and public open spaces (landscaped parks and gardens, swimming beaches); Agriculture combines areas used for agricultural buildings, such as greenhouses and fishponds, as well as cultivated fields and plantations; Forest includes areas used for natural and planted forests and unspecified forests; Other defines open space areas not classified for any other uses.

2) Information on land for different types of usages is derived from a raster layer prepared by the CBS with a cell size of 100mx100m based on different data sources. As such, the land-use categories might be subject to data conflicts and discrepancies and should be interpreted carefully. For example, certain areas could be identified with more than one land-use category. In order to resolve these conflicts, a hierarchy was assigned to the different land-use categories. Areas that had more than one possible land-use category were uniquely identified according to the highest relevant category in the hierarchy. More information on the underlying data and land-use assignment is available at www.cbs.gov.il/hodaot2006n/env-compendium.pdf for 2002 and http://mapi.gov.il/gisForum/tzevet_technology/1.pdf for 2013.

Source: CBS (2015a), "הרשויות המקומיות בישראל 2014 - מסד" [Local Authorities in Israel 2014 – database], www.cbs.gov.il/hodaot2016n/24_16_110nispach.xls (accessed May, 2016); CBS (2005), "הרשויות המקומיות בישראל 2005 - מסד" [Local Authorities in Israel 2005 – database], www.cbs.gov.il/www/publications/local_authorities2005/excel/t1.xls (accessed May 2016).

There are limited housing options for non-land owners, and public infrastructure is inadequate

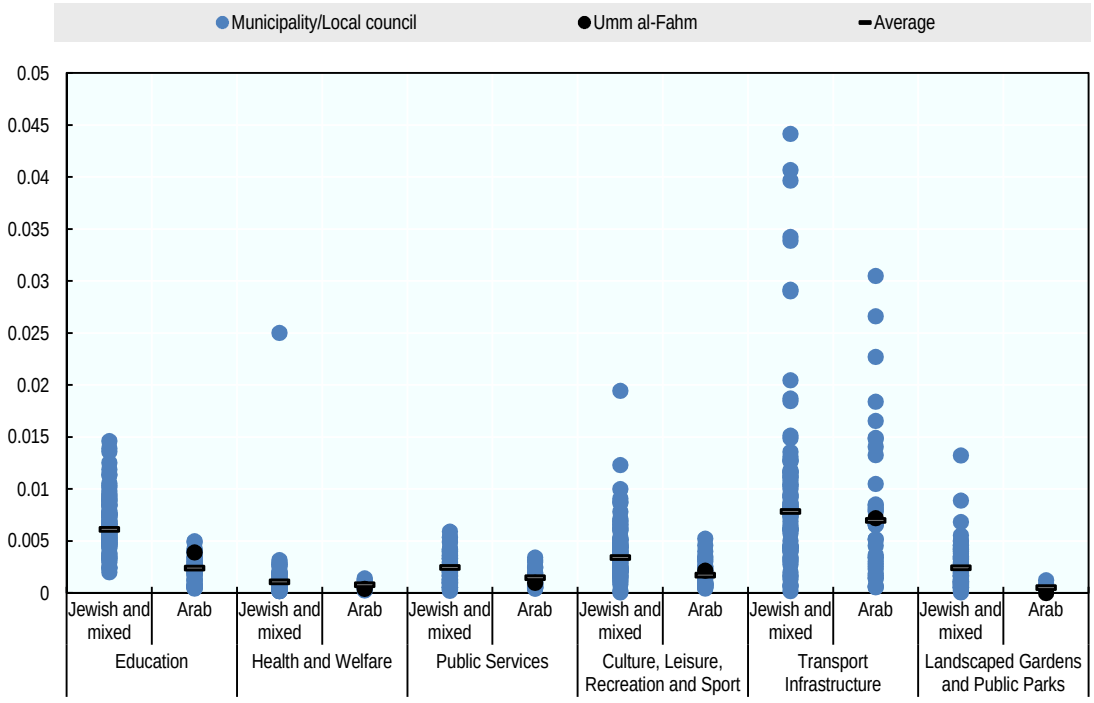
The demand for housing and public facilities in Umm al-Fahm remains an important issue to be addressed. From 2002 and 2014, the city's population increased by 33% reaching 50 600 (CBS 2015a, 2005). A growing population in the absence of a functioning housing market has resulted in an increasing lack of housing solutions for non-land owners. While there is theoretically a sufficiently large supply of housing units in approved detailed plans, plan implementation fails due to land re-adjustments, private land owners following own priorities, funding issues and infrastructure developing needs can avoid the execution of the plans. New housing units that are currently planned under the Vatmal, including both state and private land as well as necessary land readjustment processes, will fill a critical void. However, until these housing units are developed, non-landowners are faced with a lack of affordable housing solutions. Indeed, since 2005, more people have left Umm al-Fahm than have come to the municipality (CBS, 2015a, 2015b, 2014, 2013a, 2012, 2011, 2010, 2008a, 2007a, 2005). While being only one determinant in individual's mobility choice, the lack of affordable housing solutions may contribute to the outmigration of the city's population.

Land allocated to public infrastructure did not keep pace with the rapid population growth. While land-use plans may designate similar per capita areas for public use in cities with Arab and Jewish and mixed population, the generally lower share of state-owned land is reflected in the distribution of land actually used for public amenities and infrastructure as a result of more difficult plan implementation on privately owned land. Figure 4.3 shows the area used for different public amenities per population for Umm al-Fahm in relation to municipalities with an exclusively Arab, exclusively Jewish and mixed population of 10 000 and more. Even though about one third of land in Umm al-Fahm is state owned, the area used for public services and infrastructure measured in per capita terms is below that of Jewish and mixed municipalities and often just in the mid-range of other municipalities with a predominantly Arab population. While Umm al-Fahm has slightly more area per capita for educational institutions than the average across these localities, it also has a higher share of youth. It should also be noted that public buildings such as schools and community centres are usually built on

state land which is often located at the periphery of localities with a predominantly Arab population. This can limit the accessibility of these amenities and services for residents.

Figure 4.3. **Areas for public amenities (m^2 per capita) – Umm al-Fahm and its Israeli peers, 2014**

Municipalities/Local councils with more than 10 000 inhabitants



Notes: 1) Information on land for different types of usages is derived from a raster layer prepared by the CBS with a cell size of 100mx100m based on different data sources. As such, the land-use categories might be subject to data conflicts and discrepancies and should be interpreted carefully. For example, certain areas could be identified with more than one land-use category. In order to resolve these conflicts, a hierarchy was assigned to the different land-use categories. Areas that had more than one possible land-use category were uniquely identified according to the highest relevant category in the hierarchy. More information on the underlying data and land-use assignment is available at www.cbs.gov.il/hodaot2006n/env-compendium.pdf for 2002 and http://mapi.gov.il/gisForum/tzevet_technology/1.pdf for 2013; 2) Median is weighted by city population.

Source: CBS (2015a), "הרשויות המקומיות בישראל - 2014 מסד" [Local Authorities in Israel 2014 – database], www.cbs.gov.il/hodaot2016n/24_16_110nispach.xls (accessed May 2016).

A lack of space for commercial and business development is hampering the local economy and the city's fiscal capacity

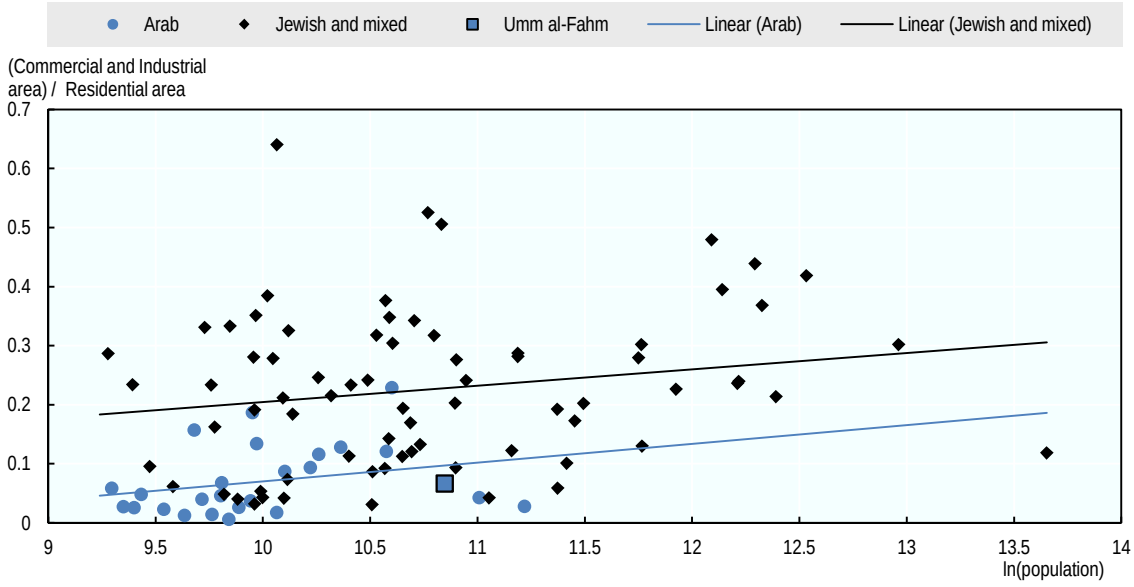
The quantity and quality of municipal service provision depends on local financial capacities. Areas for commerce and industry not only provide places of work for residents, but are also the main sources of income for local authorities and enable its proper functioning. In Israel, the main source for own source-revenues is property tax, and tax rates vary for different properties (Hemmings, 2014). Municipal tax rates that can be charged for property on commercial and industrial areas are higher than for residential property. For example, in 2014 Umm al-Fahm charged a property tax for residential property of 32.68 and for office space, a property tax of 64.18 per m^2 (Local Authority of Umm al-Fahm, 2015). A greater share of residential property thus not only implies fewer revenues from commercial areas, but usually also higher expenses because services have

to be provided to a larger population. Thus, the ratio between land allocated for commercial and residential use significantly affects the economic strength of municipalities.

Umm al-Fahm has less commercial and industrial area per residential area than similar sized peers in the non Arb sector. Figure 4.4 shows the commercial and industrial area in relation to residential area in a given jurisdiction by its population size. On average, municipalities with a predominantly Arab population have less built-up area with commercial and industrial use in relation to their residential area. This is also true for Umm al-Fahm, where the ratio of commercial and industrial land to residential land is even slightly below the average of municipalities with a high share of Arab population. Consequently, the areas for employment within the municipality are limited and approximately 55% of employees commute to work in other cities on a daily basis (Information provided to the OECD by Local Authorities of Umm al-Fahm).

Figure 4.4. **Commercial and industrial area in relation to residential area – Umm al-Fahm and its Israeli peers, 2014**

Municipalities/Local councils with 10 000 inhabitants and more



Note: The x-axis is displayed in log-scale.

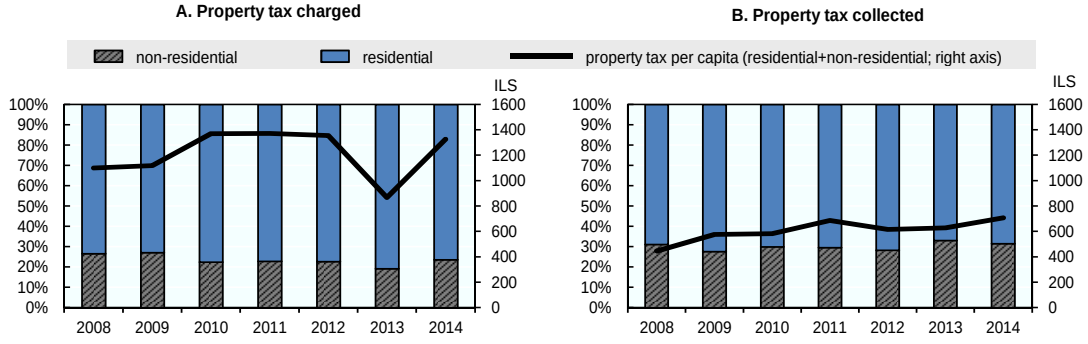
Source: CBS (2015a), "הרשויות המקומיות בישראל 2014 - מסד" [Local Authorities in Israel 2014 – database], www.cbs.gov.il/hodaot2016n/24_16_110nispach.xls (accessed May 2016).

A lower rate of commercial and industrial area per residential area affects the competitiveness of Umm al-Fahm, and more generally localities with a predominantly Arab population. The range of property tax rates used to be set by the local authority, but for the last decades, any changes need the approval of the central government. Thus, residents and firms in weaker municipalities might face the same property tax rates as stronger municipalities without receiving the same quantity and quality of services. To incentivise companies to locate in weaker municipalities, the Ministry of Economy provides subsidies for developing land in addition to income tax discounts. However, in instances where land designated for commercial use is not available, these subsidies can be expected to have little or no effect.

Beyond property taxes from commercial and industrial land, residential property taxes remain a major source of revenue for municipalities. Figure 4.5 shows the composition of property tax charged (left panel) and the collected property tax by residential and non-residential property taxes (right panel) for Umm al-Fahm. While the non-residential property tax charged in Umm al-Fahm is below one third of all property taxes throughout the 2008-2014 period, the ratio is not yet sufficient for the city to be considered economically independent. In addition, not all residential property taxes that are charged are also collected. Tax collection remains an issue despite some positive trends; the collection rate for residential property tax in Umm al-Fahm increased from 19% in 2012, to approximately 59% in 2014. The socio-economic profile of residents can also affect contributions to own source revenues. Low income residents can benefit from property tax rate cuts. Umm al-Fahm, like many municipalities with a predominantly Arab population, has a larger share of low-income residents than its counterparts in Jewish and mixed municipalities (see Figure 4.6 below). It therefore tends to have lower revenues from residential property taxes.

Figure 4.5. **Property taxes in Umm al-Fahm – charged and collected 2008-2014**

in 2010 prices



Source: CBS (2015a, 2015b, 2014, 2013a, 2012, 2010); Local Authorities in Israel various years (2008-2014).

A lack of fiscal autonomy hampers economic development and quality of life in the community

The difference of municipal economic performance does not only rely on the ratio between residential and non-residential property tax, but is also reflected in the city's relative dependence on government transfers. While the regular budget for municipalities that are considered to be performing strongly consists of about 70% of independent income (mainly property taxes), weak (in recovery plan) municipalities only have an independent income of about 22% (Lehavi and Romano, 2016). The ratio of independent income in Umm al-Fahm for its regular budget is about 30% (CBS, 2015a). Without governmental transfers and interventions, cities like Umm al-Fahm find themselves in a vicious circle: i) revenues from residential property taxes are lower due to a higher ratio of low-income residents; ii) revenues from commercial and industrial property taxes are lower as there are fewer areas designated for these land uses than in other similar sized municipalities with a non-Arab population; iii) the services that can be funded with the available resources might be inferior to that of municipalities with a stronger economy and therefore the locality is less competitive than its peers.

Less employment opportunities in the city compared to similar-sized cities in Israel not only affect the economic soundness of the municipality but also the quality of life of resident in Umm al-Fahm. Even when compared to localities with a predominantly Arab population, Umm al-Fahm ranks poorly in several socio-economic dimensions. The socio-economic index created by the CBS (2016c, 2013b) takes into account information on income, housing, home appliances, level of motorisation, education and further socio-economic characteristics and demographics. Overall, Umm al-Fahm ranks in the bottom 20 of all 255 local authorities in Israel. Figure 4.6 shows the components of the index aggregated for exclusively Arab local councils and municipalities, Jewish and mixed municipalities and local councils with more than 10 000 residents and for Umm al-Fahm. The values are represented as standardized values such that the national average represents 0 and therefore negative values indicate a performance below and positive values above the national average. Umm al-Fahm is not only outperformed by most cities and local councils with a Jewish and mixed population, but also by most towns with a predominantly Arab population. In all categories, Umm al-Fahm ranks in the bottom quintile and performs particularly poor with respect to labour force indicators. Most notably, only 11 localities have a lower share of women aged 25-54 that are in the civilian labour force than Umm al-Fahm (18%). Further, the city shows a high share of sub-minimum wage earners (54%) and a comparatively low employment rate (50%) (CBS, 2016c). Most of the male workers are employed in the construction sector (38%), followed by wholesale and retail trade (13%) and manufacturing. Female workers are predominantly employed in the Education sector (51%) and in health services, welfare and social work (15%) (CBS, 2008b). The industries located in Umm al-Fahm include food processing, production of building materials, woodworks, carpentry and furnishings. While the city's crafts industry has historically provided the daily economic needs of the area's residents, nowadays the main employment growth occurs in carpentry and furniture production.

Umm al-Fahm has a large and growing youth population

Umm al-Fahm has a significantly younger population than the national average. In 2014, about 47% of the city's population were aged 19 or younger, compared to about 36% at the national level (CBS, 2015a). Thus, for each 1 000 potential income producers in Umm al-Fahm, there are about 1 001 dependents in the non-productive age ranges (younger than 20 or older than 64). Taking into account the low employment rate, the dependency ratio can even be considered to be higher. Population projections suggest continuing growth, especially in the younger age cohorts. The highest share of growth is projected for 22-40 year olds at 35%, followed by 0-5 year olds with 12.5%. Overall, Umm al-Fahm is projected to grow to a population of about 70 000 in 2020 and to 80 000 by 2030 (Information provided to OECD based on the local comprehensive plan). This increasing youth cohort will need good services and amenities, quality housing and, critically, employment opportunities in order to thrive in the area.

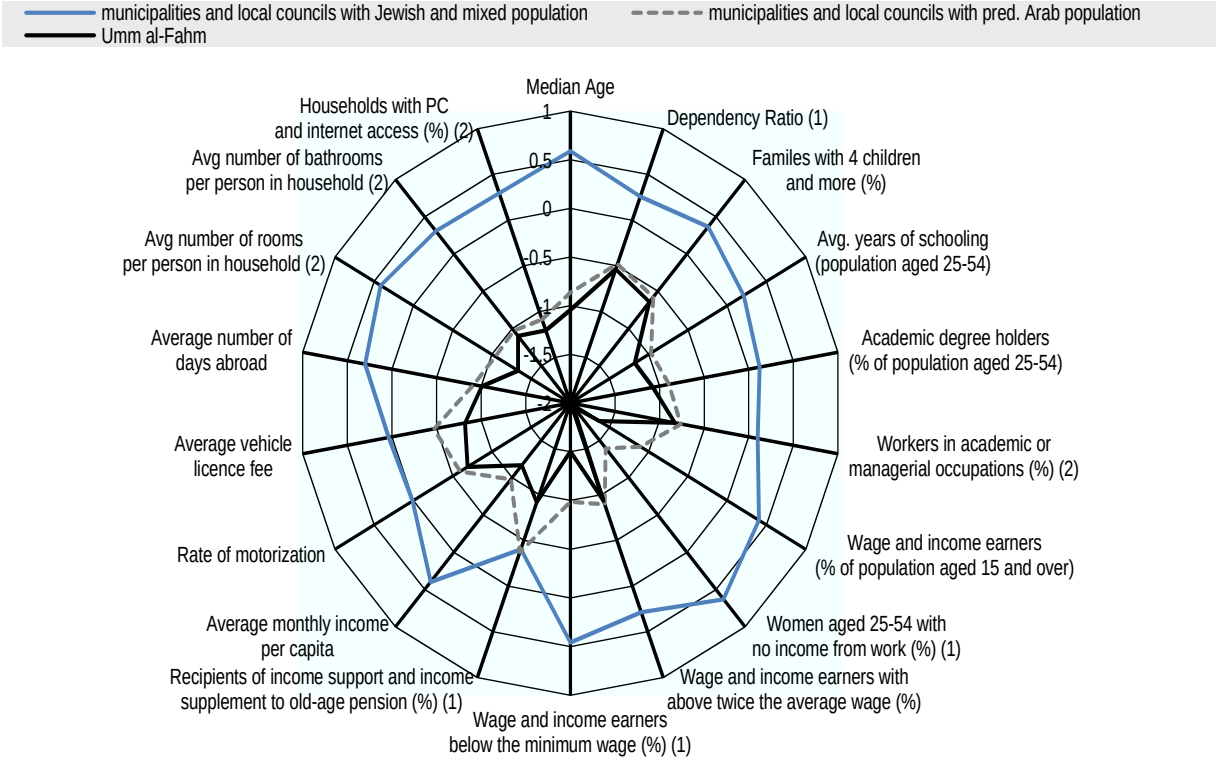
Umm al-Fahm ranks low across every socio-economic indicator

From the percentage of sub-minimum wage earners to the average years of schooling of the population and household access to the internet, Umm al-Fahm ranks significantly lower than its counterparts in Jewish and mixed municipalities and local councils (Figure 4.6). However, Umm al-Fahm also ranks lower than its counterparts in municipalities and local councils with a predominantly Arab population across a number

of indicators such as the average monthly income per person, the percentage of academic degree holders and the proportion of women aged 25-54 who are not in the labour force.

Figure 4.6. **Socio-economic-index – Umm al-Fahm and its Israeli peers**

Aggregated information of municipalities and local councils with 10 000 inhabitants and more; 2013 or latest year available



Notes: 1) indicates that the category was multiplied with (-1) to obtain a positive correlation with the index. 2) indicates that the numbers refer to 2008 as latest available year. The figure shows aggregates of the standardised values for municipalities and local councils with a population of 10 000 inhabitants and more. The national average based on all local authorities in the respective category is 0.

Source: CBS (2016c), "Characterization and classification of geographical units by the socio-economic level of the population 2013"; CBS(2013b), "Characterization and classification of geographical units by the socio-economic level of the population 2008", calculations based on Table A1, (www.cbs.gov.il/publications13/1530/pdf/tab01_01.pdf).

The divide between cities with predominantly Arab and predominantly Jewish population is also apparent when comparing cities of similar size within the region of Umm al-Fahm. For example, Afula, a Jewish city of a slightly smaller size (43 000 inhabitant) located just 20 km away from Umm al-Fahm, ranks 5 in the socio-economic cluster out of a scale 1-10 (Table 4.1). Tiberias, another city with a majority Jewish population and 42 300 inhabitants, comes in at a rank of 4. Meanwhile, Nazareth ranks slightly better than Umm al-Fahm at 3, performing worse than its Jewish peers in the region.

Table 4.1. **Socio-economic ranking 2013 of similar-sized cities in Israel surrounding Umm al-Fahm**

City	Socio-economic cluster (1-10)	Rank (1-255)	Arab population	Distance to Umm al-Fahm
Umm al-Fahm	2	19	100	-
Afula	5	129	0	20 km
Tiberias	4	99	0	60 km
Nazareth	3	87	100	30 km
Hadera	6	155	0	30 km

Notes: The lower the ranked cluster, or the general rank, the worse the performance. Distances are rounded driving distances calculated with Stat's command traveltime3.ado.

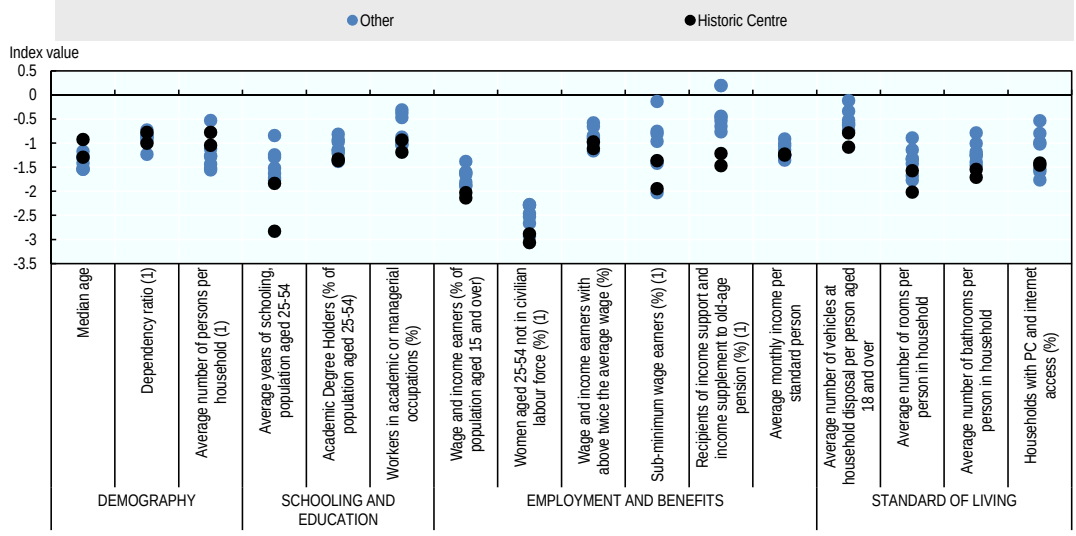
Source: CBS (2015a), Local Authorities in Israel 2014, database.

The city faces spatial segregation, with poverty concentrated in the historic core

The neighbourhoods of Umm al-Fahm show signs of segregation with respect to certain socio-economic characteristics. The different components of the socio-economic index 2008 by statistical areas for Umm al-Fahm are displayed in Figure 4.7. The poorest area of the city is the historic core (highlighted in Figure 4.7), manifested by an ageing population, overcrowding and a below-average standard of living. The historic core is also characterised by poor infrastructure and insufficient public services. However, other concentrations of poverty can be found in some of the outlying satellite neighbourhoods, which are poorly connected to the urban core, such as Swisa, Abu Sabri, Rubzat, Kauian and El-Biyar. Newer neighbourhoods are more desirable for residents since they are characterised by modern construction, better infrastructure and closer proximity to municipal services (Information provided to the OECD by Local authorities of Umm al-Fahm).

Figure 4.7. **Socio-economic characteristics of neighbourhoods in Umm al-Fahm, 2008**

by statistical areas and population weighted average



Notes: Statistical areas are small geographic units within a locality, as homogeneous as possible, with unique features. Umm al-Fahm was divided into 9 statistical areas, each with a population of 4 000 residents and more. In total, there are 1616 statistical areas

Source: CBS (2013b), "Characterization and classification of geographical units by the socio-economic level of the population 2008," calculations based on Table B1 (www.cbs.gov.il/publications13/1530/pdf/tab02_01.pdf).

Planning in Umm al-Fahm

The History of Planning in Umm al-Fahm

The early years…planning without a plan

Like many towns in Israel with a predominantly Arab population, Umm al-Fahm has undergone a gradual transition from a pronounced rural village to a dense urban fabric in the absence of plans suitable to the local needs and a holistic planning strategy. The current land-use issues along with the resulting economic and socio-demographic consequences are best understood in the context of the city's planning history. The city's historical roots date back to the 11th century and according to oral tradition it was named "*Mother of Charcoal*" because its population produced coal from the surrounding forest (Spatial Planning Committee Wadi Ara, n.d.). Over time it grew from a small town to a population of approximately 2 000 by the time of the British Mandate. According to census results, Umm al-Fahm recorded a population of about 2 200 in 1922 and about 2 400 in 1931 (Barron, 1922; Mills, 1932).

Prior to the British Mandate's introduction of its Town Planning Ordinance in 1921, the area was governed by the laws of the Ottoman Empire. No planning legislation existed, although municipalities had some minor powers to, for example, widen streets and construct public buildings (Gouldman, 1966). Cities at this time were not planned. Instead, they developed gradually according to a socio-cultural code of construction that is anchored in Muslim tradition. The historical core of Umm al-Fahm still reflects the main principals of this urban code. Thus, the basic social unit was the home of the extended family, and additions were made to residences when families expanded. The literature refers to the protection of visual and acoustic privacy in the living spaces as well as the privacy of women as main requirements. Further, the protection of the home's entrance from outside observation was another strict unwritten rule (see Alfasi, 2014 for a literature overview).

Planning in Umm al-Fahm during the formative years of the State of Israel

In 1948, when the State of Israel was founded, Umm al-Fahm had a population of approximately 4 600. Until 1960, the city was under military rule and during this period it lost some of its land. During the early years of formation of the State of Israel, the planning legislation of the British Mandate was kept in place in order to avoid a legal vacuum. Therefore, Umm al-Fahm was covered by the Regional Outline Scheme S-15. This plan was last updated by the British Mandate in 1945 at a time when Umm al-Fahm was a village of less than 5 000 inhabitants. By the end of the military rule in 1960, Umm al-Fahm received the status of a local council and had grown to a population of about 7 500 (CBS, 2007b).

Following the establishment of the Planning and Building Law in 1965, the local master plan covering the entire territory of Umm al-Fahm was adopted based on the town ordinance of the British Mandate. This plan was a general layout plan that distinguished between high density areas also including residential areas and lower density residential areas but did not have a lot of detail. It did not account for the urban, economic and commercial needs of the community nor its function as urban centre within the region. By 1980 the plan was outdated and the actual development of Umm al-Fahm extended beyond the specified borders. While a local master plan for Umm al-Fahm was started in the 1972, it was never approved due to difficulties and objections between the local

council and the district planning committee, which decided to deposit the plans several times. After several attempts to get the plan approved, it was shelved in 1990 (Forester and Raphael, 2012). The plan – though not being approved - still served as a policy guideline for planning decisions. In the meantime, the population of Umm al-Fahm continued to grow, and by 1983, it exceeded 20 000 for the first time, receiving city status shortly after in 1984 (CBS, 2015a). However, being prepared in the 1970s, the plan reflected the needs of a village and not of the city Umm al-Fahm has been become.

Until 1995, Umm al-Fahm was dependent on the Local Planning Committee or the District to initiate a local master plan. Detailed plans, however, could be initiated by anyone with a given interest in the land including some government unit, the local planning committee, the local authority or land-owner. In the absence of a statutory local master plan, detailed plans may even enact provisions which are usually the subject of a local master plan (see Chapter 1). Come the late 1980s, the city engineer started preparing detailed plans for Umm al-Fahm to address the local needs (Forester and Raphael, 2012). Although these plans were initiated with the aim to promote and advance building in the absence of a master plan, these plans were mainly developed for already existing neighbourhoods and only captured the status quo. These detailed plans were then pieced together resulting in a mosaic of small plans. Those, however, did not address the needs of the city as a whole, nor did they provide a strategic vision for the years to come.

Recent Advances in Planning in Umm al-Fahm

In recent years, amendments to the Planning and Building Law created greater independence for local authorities and governments recognised the need to address planning in the Arab sector. Changes in the planning law include amendment 43 which granted local authorities and – more generally everyone with a given interest in the land – the right to initiate a local master plan. Amendment 76 serves as basis for providing more power to local authorities if they have a local comprehensive plan that complies with upper level plans. The decentralisation process was continued with amendment 101 in 2014. In minority settlements, such as Umm al-Fahm, amendment 104 to the Planning and Building law further resulted in two important changes: Firstly, special subcommittees were created at the District Planning Committees dedicated to minority localities for approving ownership registration plans or minor development plans with up to 50 housing units. Secondly, deviations of up to 30% of development rights to an existing building as well as certain density violations were legalised. The combination of amendment 104 measures allows retroactive approval of much of the unauthorised construction in a way that is sensitive to the local tradition and the needs of the residents.

The changes in the Planning and Building law complemented ongoing efforts to advance local planning in the Arab sector. In the early 2000, the Ministry of Interior launched a large scale project to prepare and update outdated local master plans, which led to 50 approved master plans and 40 plans currently in different stages of the planning process. A regional plan for localities in the Wadi Ara was started in 2003. This non-statutory plan which delineates general principles for planning, building and development in the region was finally adopted in 2011. This plan serves as a concept plan which analysed interrelations between municipalities to identify possible efficiency gains in infrastructure and public service provision and to simplify municipal co-operation. Subjects that were covered in this comprehensive plan are amongst others infrastructure and transportation systems, public facilities of regional nature and their spatial dispersal as well as regional employment centres and their locations. Further, this plan placed regional public functions such as health, culture, administration, education, engineering

and infrastructure to strengthen the role of Umm al-Fahm as the main city of the Wadi Ara. Within this framework, the preparation of a local comprehensive plan covering the entire municipal territory of Umm al-Fahm was initiated in 2011 after the regional plan was adopted. The preparation of the Plan was funded by the Planning Administration and edited by an inter-ministerial committee, composed of representatives from the Ministry of Housing and Construction, the Israel Land Authority, the Planning Administration, the Ministry of Finance, the local planning committee and the local authority. The content was determined jointly by the municipality, the local planning committee and planners from the Planning Administration and the District Planning Commission. As of December 2016, the plan has been approved by the steering committee, the city council and the local planning committee, and approved for deposit by the District Planning Committee.

The Local Planning Committee

The Wadi Ara (Ma'ale Iron) local planning committee is responsible for planning in Umm al-Fahm and surrounding villages. As the planning region includes seven local authorities, the Planning and Building Law states that the committee should consist of 17 representatives from the local authorities proportional to the population distribution in the area. The Wadi Ara planning area covers seven local authorities, the city of Umm al-Fahm, the city of Baqa al-Gharbiyye, Jat, and the local councils of Ma'ale Iron, Basma, Ara-Arara, and Kafr Qar'a. Representatives of several national government ministries are invited to participate in advisory function. According to the Planning and Building Law 1965 (State of Israel, 1965: Art 18D), any two from the representatives with advisory function are entitled to appeal to any decision of the local planning committee before the Appeals Committee which may confirm the decision of the local committee, modify or annul it. Normally, delegates from the national level are represented by the district offices and other governmental representatives. In the past, the local planning committee often ran into conflicts with these representatives as challenges and policies of the two levels did not align.

Table 4.2. **Main characteristics of local authorities in the Wadi Ara planning area**

	Umm al-Fahm	Baqa al-Gharbiyye	Jat	Ma'ale Iron	Basma	Ara-Arara	Kafr Qari'a
Type of municipality (CBS)	City	City	Local council	Local council	Local council	Local council	Local council
Population in 2015 (CBS)	52 500	28 100	11 200	100 14	8 900	000 24	17 700
Jurisdiction Area in km² (CBS)	26.060	9.06	7.03	6.13	4.01	9.13	7.82
Socio-economic Status (CBS)	2	3	3	2	2	2	4
Approved local master plan (date of approval) (IPA)	non statutory master plan	Yes (1995)	Yes (1987)	Yes (2007-2011	Yes (2014-2015)	Yes (1996 for Ara, 2006 for Arara)	Yes (1983)
New comprehensive plan (IPA)	In progress	In progress	In progress			In progress	In progress

Note: Date of approval shows range when the local council covers more than one town/village and each of the local master plans was approved at a different time.

Source: Information based on Central Statistical Office and on information provided by the Planning Administration (IPA).

The changes to the 1965 Planning and Building Law through Amendment 101 grant greater planning authority to local planning committees, albeit the Wadi Ara planning committee is categorised as a regular planning committee (see Chapter 1). Within the planning region, Umm al-Fahm is the only municipality without an approved statutory local master plan. Most of the other localities either have an old local master plan that is under the process of being updated or being replaced by new local comprehensive plan. Once the local comprehensive plans have been approved by the district planning committee, the Wadi Ara planning committee will be able to approve complying detailed and local plans that conform to the comprehensive plan.

Towards a new Local Comprehensive Plan for Umm al-Fahm

The Local Comprehensive Plan in the hierarchical relationship to statutory plans

The local comprehensive plan has to comply with upper level statutory plans and accommodate already approved detailed plans. At the national level, Umm al-Fahm is located in an area classified by the National Master Plan 35 as urban pattern, whose area was expanded in July 2016 through the first amendment. In addition, sectoral national master plans such as the plan for roads (NMP 3) regarding Road 65, the plan for forests (NMP 22) and the railways (NMP 23) pose further constraints that have to be accommodated in the local comprehensive plan of Umm al-Fahm. At the regional level, the District Master Plan for Haifa (DMP 6) that was approved in 2013 defines the areas for urban development. It allows for urban development on the east side of Road 65. To the north-east and the south-west, natural open areas are protected by the District Master Plan, and to the south, the District Master Plan covers parts of the jurisdiction of Umm al-Fahm by a metropolitan park. All approved detailed plans, which cover about 80% of the actual developed area and 60% of the area designated for development in the district master plan for Umm al-Fahm have to be accommodated in the local comprehensive plan (estimated numbers from district and local spatial committees; Information provided to the OECD).

Main objectives of the Local Comprehensive Plan

The local comprehensive plan for Umm al-Fahm contains the obligatory documents such as a land-use map on a scale of 1:7 500 and a set of regulations, as well as non-obligatory directives, mostly in the form of plan appendices, and a background map of the statutory land uses prior to the plan. The latter serves to illustrate the changes brought about by the current plan. The specialised appendices in the plan deal for example with environmental aspects such as landscape, drainage and storm-water management and earthquake threats. While the obligatory documents are binding by law, other plan documents serve as guidance and, with proper justification, can be departed from.

The local comprehensive plan provides the basic structure for future preparation of detailed plans. It contains provisions dealing with transport planning by determining Umm al-Fahm's road network and its connection to the national network as well as transit solutions within the municipal boundaries and its connections to regional transit facilities. Land-use categories in the plan are generalised, with each land-use category allowing a variety of uses. Particular locations for those uses will be determined with the future adoption of detailed plans. The implementation of the plan is carried out by the city of Umm al-Fahm, which can initiate detailed plans. These plans are approved but the local

planning committee if it has shown sufficient professional capacity, or by the district planning committee otherwise.

The plan is intended to set the planning framework for the development of Umm al-Fahm until 2030 and beyond. Population projections within the plan assume a natural growth rate of 3.6% with no in- or outmigration. Based on the population projections, the plan aims to provide the long-term needs of the city in housing, employment, transportation, public facilities, open space and leisure time opportunities. At the same time, natural resources and local heritage areas should be protected while improving environmental quality and the quality of life for the residents.

Monitoring of Plan Implementation

There are several indicators of development intensity employed in the plan, the primary ones being the total sum of development rights in each designated planning area and the density of dwelling units per area. In new planning areas, minimal average density is set at 32 dwellings per acre, whereas in existing development areas, the average density varies according to the respective location. In addition, dwellings may be allowed beyond density limits if not all development rights within a planning area have been exhausted. Overall, the plan considers an average density for the entire municipality of 32 dwelling units per acre. A variety of building types are permitted with up to 9 floors, with local and specific decisions regarding building height being determined in detail plans that consider the location, the fabric of the surroundings and the topography.

The plan is expected to be evaluated based on measurable objectives. The city engineer of Umm al-Fahm is required to submit a report summarizing the approved area for public facilities added to the stock each year to the local planning committee. Once every five years, the city engineer is required to report the development regarding the objectives set out in the plan to the district planning committee. Thus, the pace of population growth is set into relation to the development of land used for the resulting need with respect to housing, employment and public uses. Based on the reports, the district planning committee is required to re-evaluate the plan and if necessary to initiate an update of the local comprehensive plan.

Procedure for approval of the Local Comprehensive Plan

The local comprehensive plan needs approval of the district planning committee. At the initial stages of the plan approval, the plan is formally discussed at meetings of both the city council and the local planning committee. Comments regarding all aspects of the plan are then forwarded to the district planning committee as the approving body who is required to respond to the comments made at the local level. The draft plan is deposited for 60-90 days for review prior to approval. Anybody objecting to the plan or some of its provisions must file the objections with the district planning committee during this deposit period. Subsequently, people who filed objections are invited to voice those objections at a public hearing. If the objections are numerous, the district planning committee may choose to employ a hearing officer to hear the claimants and to recommend appropriate avenues of action.

By December 2016, the local comprehensive plan was approved to be deposited, but mainly due to disagreements about the industrial area and a few unauthorised houses that do not have a solution within the plan, it was not yet deposited. The local comprehensive plan contains development along the Road 65 and an industrial zone to the north-east of city. The district committee decreased the development areas for industry, as the

industrial zone is located in a forest area and would contradict sustainable development objectives. Instead, the district committee proposed, based on expected future needs, additional commercial activity along Road 65 where urban development exists and within the city, as well as a joint industrial zone and a revenue sharing agreement with a neighbouring Jewish municipality. Fearing that the local population would not sufficiently benefit from employment opportunities in the industrial zone, in combination with fewer revenues than under the local comprehensive plan, the city of Umm al-Fahm stated that it is not willing to agree to the local comprehensive plan if the industrial zone is not accepted.

Main challenges for plan implementation in Umm al-Fahm

The approval of the local comprehensive plan will be an important stepping stone towards advances in local planning for Umm al-Fahm. The ability to initiate local detailed plans on basis of the local comprehensive plan can be expected to speed up and facilitate the procedure to get a construction permit. As the local authority of Umm al-Fahm played a significant role in the preparation of the plan, unique characteristics of the city were taken into account which is expected to facilitate plan implementation in the long term. In contrast to many other cities with a predominantly Arab population, Umm al-Fahm has some state land available that can be used for development in the short to medium term. Well planned development on state land can help to increase the trust of local residents towards government authorities which is crucial for changes with respect to urban development in the long term. While land owners cannot be forced to develop their land, they should be incentivised to participate in the planning process and in the development of a housing market.

Lack of land-ownership registration

The lack of land registration of privately-owned land is one major challenge for plan implementation. While the state is responsible for advancing the land registration process, the initiative for proper registration of land lies with the landowners. In the absence of penalties, land registration is subject to bureaucratic, political and economic barriers that may deter landowners from taking this initiative (Sar Shalom and Weinschenk-Vennor, 2010). Unregistered land has several negative implications for development, as applications for building permits have to include documentation of the ownership based on the land registry. The lack of ownership can result in delayed planning and construction processes, but also impact urban form and functionality when public service and infrastructure planning is organised around unregistered land. There are however recent efforts to make the building permit process more flexible, while in parallel, efforts are being made to register more land.

A large part of land in predominantly Arab settlements is not registered to the names of the actual owners. Although land registration dates back to the Ottoman Era, the system was not updated as many land transactions occurred informally. Thus, land in historic centres of these cities that had already been developed prior to 1948 was - if at all - registered under shared ownership (*musha'*), although it was actually divided between families based on informal agreements. In other instances, misinformation and incorrect land registration resulted in land belonging to more than one owner. Although this system was not optimal with respect to identifying the rights to land, the Ottoman system remained for the most part in force throughout the Mandate period and under the Israeli law (Fruchtman, 1986). Still, in Umm al-Fahm, about 18% of the municipal land is

registered under shared ownership and for 3% of municipal land the owners are unknown. Areas that were developed following the British Mandate and the formation of the State of Israel are more likely to be registered, but as a result of informal inter- and intra-familial transfers over the last decades, the name of the registered owner is often not up to date. In addition, in some cases – as in the historical core of Umm al-Fahm land is not formally measured in the officially measured land in the Survey of Israel, further complicating the registration process.

Land owners in the Arab sector face several disincentives to register their land, which range from a lack of trust in the government to a complicated registration process in the case of many land owners and taxes that can be avoided by not registering. Land transactions involve various taxes, such as capital gains tax on real estate, purchase tax, sales tax or land excise tax which can be avoided when transferring the land informally. In addition, property tax was charged for vacant, non-agricultural land until 2000. In order to register their land, owners used to have to provide information that they have paid their past property tax debt, preventing many Arab citizens from registering their land. Only recently, government resolution 346 (approved in 2015) separated the land registration process from reporting past transaction and tax payments. While past tax debts are not forgiven, they are no longer considered as condition to register land (government resolution 346). Besides financial burden of tax debts from the past, welfare payments or support allowances are often withheld from landowners. Especially for low income persons that inherited their land, the loss of welfare payments transfer might be a relevant disincentive to register the land. In cases where many land owners are involved, the registration process might require consolidation and land readjustment work which involves costs and resources with respect to planning, measurement, assessment and legal work that individuals might not be able to finance (Sar Shalom and Weinschenk-Vennor, 2010).

Illegal construction on privately-owned land

Approximately half of the housing in Umm al-Fahm was constructed without the required permits. While construction on unregistered land can explain some of that development, the lack of suitable local and detailed plans for almost half a century have certainly contributed to this development. As mentioned above, only after Amendment 43 to the Planning and Building Law was passed, land owners have the possibility to initiate detailed plans, which are the precondition for building permits. Before the city engineer of Umm al-Fahm initiated a more systematic coverage through detailed plans in the 1990s, it was difficult for land owners to obtain a building permit and thus housing was constructed illegally. Today, about 80% of the developed area in Umm al-Fahm is covered by approved detailed plans, but often they refer to and regulate an existing situation and only the newer plans provide the necessary flexibility for future developments. But even some of the newer plans may not include land re-adjustment which is necessary in order to get a building permit. Until the approval of the local comprehensive plan, the district planning committee is responsible for the approval of most of the adjustments exceeding the allowed variances to detailed plans or new detailed plans. As the approval of the plan together with the building permit process can be long, owners might start a construction illegally, expecting that it will be legalised after. Indeed, locally elected politicians and the local committee are extremely reluctant to handle enforcement with respect to illegal construction (Information provided to OECD by local authorities of Umm al-Fahm).

Illegal construction does not only affect the cityscape, but also the living standard of their owners. For example, many illegally constructed houses lack legal electricity connection because the law prohibits their connection to the grid. While there used to be a regulation that separated the legal status of the house from the connection to the electricity network, this regulation was cancelled in 2007. In order to minimise friction with the Arab minority, the Israeli government is attempting to make new proposals for legal electricity connection and partial legalisation.[3]. Numerous cases of illegal construction include smaller-scale infringements such as additional floors or closures on (legal) buildings. Amendment 104 to the Planning and Building law regards an additional building percentage of up to 30% to an existing building in minority settlements that were built up until 2014 as acceptable (i.e. as not deviating from the plan) and can therefore be approved by the local planning committee. Further, with the enactment of amendment 101 in 2014, light weight structures such as pergolas or storage sheds are exempt from a permit requirement. In addition, fast tracks for structures that relate to building addition such as small rooms, elevator or porches were introduced. Speeding up the procedure for building permits with respect to these adjustments might lower the bureaucratic burden to initiate the formal process of permit application for land owners.

Land readjustment to free up space for development

Umm al-Fahm suffers from a lack of basic infrastructure, predominantly in the historic centre. For example, roads are either not developed at all or are too narrow to serve the area with public transportation. With most of the land in the historic centre being privately owned, owners would have to give up land in order for the city to be able to provide basic infrastructure. To obtain land for public use, a municipality can either purchase, confiscate or re-parcel land plots (Chapter 1). Many land owners in localities with a predominantly Arab population are attached to their land. They see land not as an economic asset, but rather consider it a family asset that ensures housing for future generations. This perception of land is reinforced by the limited availability of new land for development within the community and the absence of a functioning housing market. Thus, even if the city has the funds to purchase land, it might not be able to do so as a result of no supply. In the context of geopolitical sensitivities, low trust in government and strong cultural attachment to land, land expropriation is an extremely sensitive issue, leaving land readjustment as the main alternative. In the process of land readjustment, plots of land are united and re-divided among owners to “free up” land for development for public infrastructure.

The process of land readjustment is fairly new in the Arab sector. While efforts to readjust the land in Umm al-Fahm - and more generally in the Arab sector - have increased, the process can be cumbersome, especially when many landowners are involved. Over decades, land owners often have conducted informal land readjustment on their own within the family or other owners. In cases of already developed land, the land readjustment process becomes even more complicated. Thus, land readjustment is unlikely to come to an agreeable solution when initiated by an individual land owner and requires the local authorities to step in. This is, however, an expensive, long and capacity intensive process and local authorities often lack the resources to pursue this approach. Recent government funded planning includes re-adjustments on private land and local authorities are increasingly aware that land re-adjustments are a critical part of creating solutions for developing their cities.

Addressing the housing crisis in the absence of a housing market

In contrast to other cities with a predominantly Arab population, Umm al-Fahm has relatively more state-owned land where the development of housing units can be initiated more easily than on private land. Indeed, an increasing number of housing units are planned for development on state-owned land. Most recently, about 600 housing units are being developed following a detailed plan initiated by the Israel Land Authority in 2002 (Ministry of Construction and Housing, 2016b). Another 4 500 housing units on combined state and private land are re-planned and promoted under the Vatmal track.[4] These recent developments will help to ease the housing shortage, and provide affordable housing alternative for non-land owners. In addition to providing additional housing, the developments on state owned land may help with changing the perception within the city of higher density housing. While single family detached housing dominates the residential housing in Umm al-Fahm, the provision with high quality apartments can be used to provide good examples of higher density developments. A change in perception can help to create a demand for apartment-style housing in the long term.

Housing solutions on state-owned land can only be seen as a first step to address the housing crisis and initiate a housing market. The local planning committee estimates that within the whole Wadi Ara, 1 200 housing units have to be supplied each year, including developments on privately owned land. It should be noted that even in the parts of the planning regions that are covered by a local comprehensive plan, housing permissions cannot be given without the initiation of detailed plans. To address the housing crisis in the whole planning region, detailed plans have to be initiated for an area of 10km^2, of which less than 1km^2 would be in Umm al-Fahm. At present, there are approved plans for about 10 000 dwelling units, albeit some of them require land re-adjustments. Additional detailed plans are already in progress (Information provided to OECD by the Local Planning Committee).

In the absence of a construction market, land owners have to be incentivised to develop their land according to its full potential. With most development on private land in Umm al-Fahm being constructed for own use, the construction market does not have major contractors because the market is very difficult and typically non-competitive. In general, a family will hire a general contractor to build for themselves and there is way less entrepreneurial construction in the Arab sector. Efforts to make the process more competitive, i.e. in form of discounts for infrastructure and grants to encourage 8 unit constructions (mid-rise high density construction) have had mixed success so far and the housing market can only be expected to change gradually.

Key findings and recommendations

Umm al-Fahm is one of the largest cities in Israel with an exclusively Arab population. Over the last 60 years, it transitioned from a small village of about 5 000 inhabitants to a city with a population of about 50 000. This urbanization process occurred for many years under land related policies and a regulatory system that did not sufficiently account for characteristics unique to cities with a predominantly Arab population. A high share of the land in these cities is either in private or shared ownership and plots of land usually have several owners. While lacking the use of tools such as land readjustment and due to other socio-cultural factors, private land owners individually developed their plots according to their priorities, resulting in a fragmented and suboptimal urban fabric, lacking public space and infrastructure. Not only has the limited

accessibility and service provision an impact on the economic performance of the city, but Umm al-Fahm is also facing a shortage of housing.

Umm al-Fahm is currently preparing its first local comprehensive plan as one of the government's efforts to increase the planning expertise and capacity at the local level in cities with a predominantly Arab population. While this plan is a major improvement in addressing the needs of a growing population, several challenges for plan implementations have to be addressed. Most importantly, land has to be registered by the present owners as under the current system a land registration certificate is a pre-condition for applying for a building permit. Further, in order to free up land for the provision with public services, land owners need to be known to perform land readjustments. With parts of the land having been registered more than 70 years ago, land registers are often not up to date. Informal transfers within and between families often resulted in land being owned by multiple and sometimes absent owners. Incentives to register land are low, as they may incur economic disadvantages amongst other. In order to incentivise registration, government resolution 346 was approved in 2015 to separate the land registration process from the reporting of past transactions and taxes payments. However, past accumulated property tax debts are not forgiven. In order to incentivise lower income households to register their land, past property tax accumulated on the property and fees for transfers could be subject to means tested upper thresholds.

Unauthorised construction of housing in Umm al-Fahm is the result of historic circumstances, a cultural and social context as well as a land regulatory system that is not responsive enough to the special needs of cities with a predominantly Arab population. At present, the disincentives for land registration in combination with a lack of suitable detailed plans, low levels of trust, low enforcement and long approval times still lead to land owners developing their land without the required permits. As these constructions usually do not consider external effect on the neighbourhood and can impede on municipal plans to efficiently provide infrastructure, illegal constructions within the city have to be addressed. There is however no silver bullet and different approaches are possible and should be considered. To reduce the emergence of newly build illegal construction, the process of receiving a building permit could be simplified and sped up. First steps are already made with the recent reform to the Planning and Building Law 1965, and the preparation of the local comprehensive plan for Umm al-Fahm, but further temporary simplifications could be considered for cities with a predominantly Arab population in the short term. For example, in specific locations and under pre-determined circumstances, construction in critical areas on privately-owned land that complies with a minimum set of rules, i.e. space between buildings, roads, open spaces and take into account space for future infrastructure could receive a building permit. Once the reforms to the planning system removed all the structural deficiencies, these rules should be adjusted and aligned with the Planning and Building Law.

In the past, the construction of unauthorised buildings was often a necessity to meet the need for housing in the absence of necessary suitable statutory plans. Many unauthorised constructions from the past are the result of lacking regulatory procedures that were suitable for the local cultural and social context. Retroactively approving these units and grandfathering recognitions of buildings on agricultural land, in certain situations, will give the owners certainty and legal property rights. Already, the local comprehensive plan considers existing buildings also on agricultural land which will facilitate the process of retroactively getting a building permit for these units. To avoid increasing spatial inequality within the city, urban renewal with a focus on the provision of high quality infrastructure should be aimed for in the long term. As local authority’s

ability to enforce development in these concentrated areas of unauthorised construction is limited, a framework that provides tool for increased self-planning in the main affected neighbourhoods as proposed by Alfasi (2014) could be evaluated. Such a framework could borrow from the past traditional urban code and be adapted to the needs of a modern society. For example, construction projects could be subject to agreement of residents within the neighbourhood taking into account rules provided by the planning committee for the relationship between buildings, roads, open spaces and public services.

Owning land is considered to provide certainty to have a place for one's family and to accommodate future needs. Subsequently, land owners tend to hold on to their land and developing it only gradually according to their family's priorities and need. As a result, potential building rights might not be utilised, which in turns limits the creation of a formal housing market. The government is increasing its efforts to better understand the housing market and housing demand, including social and cultural housing preferences. Based on these findings, targeted programmes can support building trust between residents and the government. At present, no formal housing market exists in Umm al-Fahm. In light of increasing need for housing, in the short term, housing can be provided on available state-owned lands. This is currently done through the Vatmal programme. Not only can these additional housing units reduce the housing shortage, but by providing high-quality housing together with infrastructure and public space, trust towards the government and their decisions can be enhanced. Further, development on privately-owned land should be incentivised. For example, creating a system of long-term leases, which allows private land owners to lease land to the public sector or developers could help to free private land for development, while taking the cultural resistance against selling land into account. Central and local governments can not only build trust by proving residents their good will, but they can also build trust by increasing the transparency of land planning decisions and by actively engaging citizens in the design of their city. The need to publish all plans, materials and committees decisions online was introduced by Amendment 101 to the Planning and Building Law - this is a crucial step forward in creating more transparency.

The creation of institutionalised resolution mechanisms can create a platform for constructive exchange. In the past, approval of some plans failed due to conflicts between the municipality, the local planning committee and the district planning committee and between citizens in land-readjustment processes. In the case of Umm al-Fahm, the establishment of a mediator proved successful in resolving several key issues that were raised between the district planning committee and the municipality during the preparation of the local comprehensive plan.

The lack of a housing market in Umm al-Fahm creates many questions about the viability of new developments when they do occur. It is unclear if there would be demand for higher density and more affordable multi-family housing units for example because of embedded cultural preferences in the area for single family homes for multiple generations of the same family. This lack of knowledge about housing preferences creates risks for those undertaking such developments. This issue was also addressed by the 120 days task force, which, amongst others, recommended funding marketing and advertising in order to attract entrepreneurs and potential buyers. Public servants should work together with developers to help them understand and respond to the local market. Local studies should be conducted on housing preferences, local demand, and ideally, provide successful examples in comparative contexts to alleviate the risks associated with undertaking such developments. The development of higher density housing units on state owned land could be used to provide such an example that increases the

population's awareness of alternative housing solutions and in the long term creates demand for it. This is critical if Umm al-Fahm is going to meet the growing need for quality housing given its space constraints.

In order for the city to meet the ever growing needs of its residents, a stronger planning process needs to take shape and this requires a foundation in local democracy, citizen participation, trust, accountability and transparency. In effect, community members need to be involved in crafting solutions to the issues that they face and trust in government needs to be fostered. Public engagement is an essential component of good governance. By gathering multiple viewpoints on an issue and creating a space for open deliberation, public engagement efforts are meant to lead to more intelligent policy making by taking a range of views, needs, information and interests into account. This can result in more effective outcomes by negotiating trade-offs and building consensus on issues upfront, before they descend into conflict, including recourse to litigation. The effective engagement of citizens in decision making requires the devolution of power to a certain extent and it is important that senior administrators and municipal politicians take part in and are accountable to the process. It is also important that such activities are well-structured and consistent; that individuals are involved early in the process, that they have the information needed to be effective in their engagement and that the outcomes of such activities are reported and that needed infrastructure is not being blocked. Umm al-Fahm should work together with other levels of government to enhance its public engagement functions and create a positive space for deliberation. Effective communication between local government and citizens will be critical for the successful elaboration and eventual adoption of the comprehensive master plan which seeks to improve condition for its residents.

Notes

1. While the absolute number of Arab population living in Jerusalem is larger, their share on the total population is only 37% and therefore it is considered a mixed city and not a city with a predominantly Arab population (Central Bureau of Statistics, 2015a).

2. The Planning and Building law states that plans should be deposited for public objections, review and comments. However, in recent years - especially in the Arab sector - a wider and more inclusive public participation processes has been adopted in comprehensive plans (voluntarily and not required by law). The planning team is reaching out to the stakeholders and the public in the early planning stages in order to consider and sometimes incorporate their considerations into the resulting plan. In cities with a predominantly Arab population such public engagement and review is particularly critical because of the relatively high share of private land which might affect plan implementation later on. It is also critical in order to ensure that local viewpoints and needs are reflected in the planning documents and helps building trust and consensus on key issues.

3. Since 2014, the Law provides the Minister of Finance the authority to approve the connection of an unauthorized construction with the electricity grid in exceptional cases; For example, when a plan for at least 50 housing units was promoted by the state, the local or the district committee, was deposited.

4. The Vatmal plan does a re-planning of Plan 424/ענ with 4 000 housing units that were approved on this area, and it adds 600 additional units by allowing for readjustment processes.

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