

The Marketing of State-Owned Land for Development and Construction in Arab Communities – A Summary

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Most land in the State of Israel is public land (93 percent of Israel's territory) that is managed by the Israel Lands Administration (ILA). While some of the public land is owned by the state, a portion of it (approximately 12 percent) is owned by the Jewish National Fund (JNF). Only seven percent of the territory of the State of Israel is privately owned. Approximately half of that is privately owned by Arabs, and half by Jews. Of the municipal land belonging to Arab local authorities, only about 17 percent is public land owned by the state. While the marketing of state-owned land for development and construction in the Arab local authorities deals with the small amount of land resources available in the Arab communities, it still has significant development potential.

Land is one of the most charged subjects in Jewish-Arab relations in Israel, and the Jewish-Arab conflict has had a direct effect on land policy and planning policy in Israel in general and in the treatment of the Arab population in particular. One direct result of this policy is the creation of a severe shortage of available land for development in the Arab communities. However, over the past decade, the ILA has begun marketing state-owned land for development and construction for housing in the Arab communities. **Despite the shortage of available land for development, the tenders for marketing land in the Arab communities have failed repeatedly.**

The goal of this paper is to present a focused look at the marketing process and its factors, analyze the barriers that prevent successful marketing in the Arab communities and provide policy recommendations for dealing with them. A transition from failures to successes in the marketing of state-owned land in the Arab communities is essential for providing solutions to the shortage of housing in Arab society and for promoting equality in the division of national resources.

The Marketing of State-Owned Land in the Arab Communities – The Interested Parties

The marketing of land in Israel is done by the ILA or by the Housing Ministry. We are referring to state-owned land that is available for construction and development, for which a construction plan exists. Because of Israel's land structure and the large amount of land under the management of the ILA, the central government must take measures to make land available for construction and development. These measures are derived directly from a policy that is influenced by the planning situation and the necessities of development.

The relationship to land in general in Arab society and the marketing of land in particular requires that a distinction be made between privately-owned and state-owned land.

Most of the land in the Arab communities – approximately 45 percent – is privately owned, while only 17 percent belongs to the ILA and 24 percent is owned jointly by the ILA and others. Since the latter types of land have multiple owners, it is more difficult to market them for housing development.

Despite the relatively small amount of state-owned land in the Arab communities, it plays a vital role in the development of the communities. There are two reasons for this: 1) most of the privately-owned land belongs to a small number of owners who are not interested in selling it, making such land unavailable to most of the Arabs who are seeking housing, and 2) the need to set aside state-owned land for public use (schools, public buildings, developed areas and so on).

The Housing Ministry promotes planning for land intended for marketing (land owned by the ILA), sets criteria for the development of lots in preparation for construction, and makes contracts with the local authorities regarding the funding of development expenses. The Housing Ministry funds 50 percent of the cost of development only in national priority communities. Generally, while the Housing Ministry invests a great deal in pre-sale planning, **the marketing process in its current form is carried out identically in both Jewish and Arab communities, with no consideration for the specific characteristics of Arab society.**

The ILA defines the type and criteria of the tender and prepares the necessary paperwork. Of the various tender methods that the ILA uses, the two most commonly used over the past decade are 1) tenders that require registration and a lottery for private construction and for the local residents, and 2) tenders that go to the highest bidder. Following is a brief description of two methods that are used in the Arab communities:

Registration and lottery for private housing construction. As part of this method, a minimum price is determined for the land, and a lottery is held at the end of the registration period. The lottery determines those eligible to receive a construction lot. Most tenders of this type also set specific conditions such as who the residents will be, whether the dwellings will be for those who do not own housing, and so on.

Tenders that go to the highest bidder. In this method, a minimum price is determined for the cost of the land (a price that is not published when the tender is issued), which is based on an assessment of the ILA's estimate of the price of land in the area and in the community itself. Once the tender is issued, bids for the land are accepted. The highest bid wins – and of course, it must be higher than the minimum price set in the tender. This method, which is more common in the Arab communities in the central region because of the high demand for land, has come under criticism because it has caused a dramatic increase in the price of land and of housing units in Arab and Jewish communities alike.

The choice of tender type demonstrates the ILA's policy in each district, even if the type of tender varies from place to place and depends on many variables. An analysis of the tenders that were issued for marketing over the years shows that the most common

method is the registration and lottery tender (for private construction and for local residents who do not own housing).

Of the total number of housing units put up for marketing, 66 percent were included in tenders that used the registration and lottery system and were intended for local residents who did not own housing. Thirty-four percent of the tenders went to the highest bidder. It should be noted that tenders for local residents who do not own housing are supposed to serve the needs of local residents and provide solutions for populations that cannot afford housing (those who are not wealthy, possess no land of their own, disabled, and so on). But in many cases, not even these tenders provide solutions for populations in need.

The local authorities are major players, beginning at the planning stage, in providing information about the community and its needs and in making decisions together with the Housing Ministry, the planning institutions and the ILA about the appropriate program for the community. Later on, the local authority plays an important role in making development agreements with the Housing Ministry before the land is put up for sale. The local authority does this by collecting taxes and fees from the residents for use in the program. When the tender is issued (putting the land on the market), the local authority plays a decisive role in the marketing process by encouraging the local residents to enter bids and by explaining the requirements.

Landowners and private entrepreneurs also engage in initiatives of their own, which are usually directed toward the construction of private homes. This is not the sort of private initiative that is familiar in Jewish communities, in which an entrepreneur buys land for development for a housing project intended for several dwellings. Contractor construction (by a private entrepreneur) is not yet widespread in the Arab communities. Entrepreneurs and contractors tend to avoid ILA tenders because they believe that there is no real estate market in the Arab communities and because they do not wish to join a project with a significant economic risk and a small profit. A major reason for this is that contractor construction is required to meet the plan's guidelines for urban construction regarding density and housing patterns that are not customary in most Arab communities. The contractors, who want to promote profitable projects, have difficulty doing so because of the current disparity between the planning guidelines and housing patterns in the Arab communities.

The Marketing Process

The marketing process is comprised of four principal stages: 1) deciding on the planned product (an apartment complex or residential units that are to be sold); 2) preparing the tender (the Housing Ministry and the ILA); 3) issuing the tender (publicizing the tender and opening registration for a given period of time) and 4) the results of the tender (the last stage in which the tender's winners are made public).

Sikkuy's study found that there was almost no information about the results of the registration-and-lottery tenders and that there are gaps in reporting between the Housing Ministry and the ILA.⁶ It was only about a decade ago that the ILA and the Housing Ministry began to put state-owned land up for marketing in the Arab communities. According to Housing Ministry data, from 2005 to 2009 lots designated for approximately 200,000 housing units were planned for marketing and development, of which 30,000 were slated for Arab communities. Land marketing in the Jewish community during these years reached approximately 70 percent of the housing units that were offered, while in the Arab community during that time only about 20 percent of the housing units put on the market were actually marketed. This indicates that there is very little actual marketing of land in Arab society, and as we know, it does not satisfy the growing need for housing solutions.

The results of the tenders (the results in general and those about which detailed public information exists) demonstrate the lack of success in marketing housing units for development into homes on state-owned land in the Arab communities.

Symptoms, Problems and Barriers in Marketing State-Owned Land in Arab Communities

An analysis of the symptoms, problems and barriers resulted in the following findings:

Symptoms that indicate disparity between Jews and Arabs

The high rate of success in the marketing of state-owned land in Jewish communities as compared with the low rate in the Arab communities (70 percent vs. 20 percent)

Problems that cause the symptom

The publication of the tenders' results (which, as stated, is done only in part) shows two major reasons for the failure of marketing of state-owned land in the Arab communities:

Problem 1: A low rate of response to the tenders that are issued – a small number of people offer bids. This major problem has to do with the low response of the Arab population in Arab communities and the tendency to avoid these tenders.

Problem 2: Offered tenders that are found invalid –many tenders that were offered were found to be invalid. The reason for invalidating the tenders were varied. Among them were failure to meet the criteria, improperly submitted paperwork and failure to pay the required amount.

⁶ Sikkuy's intensive efforts to obtain information from the ILA and the Housing Ministry about registration-and-lottery tenders were unsuccessful. Officials of the ILA's information department claimed that these tenders are carried out by name and that in order to protect privacy, they may be publicized only after personal details are hidden, which, as stated, was not done.

Barriers to the marketing of state-owned land in Arab communities

An examination of the barriers – in other words, the mechanisms of the deep causes of the problems in the marketing of state-owned land in Arab society – showed that the barriers existed both in the government ministries and agencies and in the Arab local authorities and Arab society. **It should be emphasized that most of the barriers that were discovered relate to the fact that the marketing process in its current form is carried out identically in Jewish and Arab communities, with no consideration for the specific characteristics of Arab society.**

Barriers

Barrier 1: The lack of appropriate personnel to market land in Arab communities

As of now, no official of either the Housing Ministry or the ILA is specifically in charge of marketing land in Arab society. The lack of such an official (who should ideally be an Arab) to work in this field makes it difficult to market land successfully to the Arab population based on the needs of Arab society.

Barrier 2: The lack of an organized structure for publicizing and explaining the tenders and making them accessible to the public

Neither the ILA nor the Housing Ministry has any organized or built-in structure for holding marketing conventions or providing information about construction options and rights to lots offered for marketing to the public in Arab communities. It should be emphasized that providing this sort of information is obligatory in the Arab communities because the subject of the state's involvement in land matters is a highly sensitive one in Arab society. Sharing information is vital in order to show that this action is good for the country's Arab citizens.

Barrier 3: Difficulty in marketing land that is owned by multiple owners (the ILA and others)

The marketing of land belonging to multiple owners causes conflicts and disagreements, and prevents the public from responding to tenders for such land.

Barrier 4: Lack of appropriate methods and skill in marketing the product, and the existence of irrelevant plans

Most of the plans that are approved for Arab communities are neither updated nor relevant. Often, the existing plans apply to the past, and at times they are not feasible, yet they are put on the market anyway. In addition, not enough attention is paid to consolidating the product that is to be marketed – types of construction, density, public areas and so on. The result is not appropriate for the needs and characteristics of the Arab community.

Barrier 5: The tender does not include appropriate methods for putting state-owned land on the market in the Arab communities

In each of the two most common tender methods, there are barriers that either cause the failure of the tender or limited success in marketing the land. Tenders in which the highest bidder wins are harmful to a weak population, and allow wealthier populations from outside the community to buy land there. A tender that operates through registration and lottery for local residents and those who do not own housing gives priority to demobilized soldiers, thus discriminating against Arab citizens, who are legally exempt from military service.

Barrier 6: Disparity between the views of Arab communities and those of Housing Ministry and ILA officials regarding the development costs

Since the Arab population is not aware of the direct or supplementary costs of land development and sees them as unjustifiably high, in many cases it avoids responding to tenders. The Housing Ministry and the ILA do not make the information available to the public, nor do they explain the components of the cost and their significance.

Barrier 7: Disparity between the views of Arab communities and those of ILA and Housing Ministry officials regarding the burden of development costs

The number of housing units in the lots up for sale is planned according to the tender and the urban construction plan. But in many cases, the lots are bought up by a smaller number of people who register (for example, a lot containing 47 units is acquired by two purchasers). Thus the burden of the development costs per purchaser is much higher than planned.

Barrier 8: Disparity between the views of Arab society and those of the state regarding desirable density levels

The number of housing units per lot (as determined at the time when they are offered for sale) is a significant impediment to the success of the sale because most of the time, it is higher than expected in the Arab communities. This barrier has led to the failure of many tenders because people are reluctant to bid on a tender with such a large number of housing units and also because when the number of respondents is lower than designated in the urban construction plan, the tender is invalidated.

Barrier 9: Marketing land “as is” increases the costs to buyers and/or reduces the size of the lot

Often, the ILA also markets land that is not completely available and contains negative factors such as litterers, squatters and illegal buildings. The conditions of marketing do not include compensation for the evacuation costs, and often the only solution is to reduce the size of the lot intended for housing. This situation prevents many Arab citizens from responding to tenders.

Barrier 10: Faulty communication and coordination between the ILA and the Housing Ministry hurt the marketing process and its results

Housing Ministry officials mention the need to integrate the ILA more actively in everything that has to do with planning and assisting communities before they issue a

tender. The fact that the ILA joins the process only in the final stages, just before the end, undermines the quality of the planning and the ability to arrive at and construct a product that is appropriate for the residents.

Barrier 11: Lack of local leadership in the Arab communities regarding the marketing of state-owned land

The Arab local authorities feel disconnected from the process of planning and carrying out the marketing of land in their communities. At times, they cut themselves off from involvement in the sale of land in their communities, and at times try to change the conditions of the tender for political gain. In extreme cases, the local leadership sabotages the marketing by telling the residents not to respond to the tender.

Policy Recommendations

1. Recruiting and training personnel for the ILA and the Housing Ministry to promote marketing in the Arab communities

As part of this recommendation, we feel that it is very important to appoint an official in the Housing Ministry districts who will coordinate between the various agencies involved in land marketing in the Arab communities, strengthen the connection with the local authorities, assist in planning marketing methods that are appropriate for the community's needs and provide information in the communities. In addition, local representatives who are either from the communities or very familiar with them must be appointed to serve as local channels to provide information, identify barriers and locate parties who are interested in promoting marketing in specific communities. In addition, an increase in the number of personnel in the marketing departments at the ILA and the Housing Ministry, which suffer from an ongoing personnel shortage, will help in general in dealing with the subject of land marketing in the Arab communities.

2. Constructing a plan for the sharing of information and holding marketing conferences in every community where a tender has been issued

Meetings with the local community and the potential population interested in responding to the tenders for the land could calm many fears, remove barriers and delays and increase the chances of successful marketing. We recommend that an organized structure be established to furnish publicity and information concerning land marketing in the Arab communities. This structure, which will be formed in partnership with the Arab local authorities and Arab professionals, will meet the needs and be adapted to the characteristics of the Arab population. We recommend holding marketing conferences in Arab communities at which representatives of the ILA and/or the Housing Ministry will state the conditions of the tender and the correct way to respond to it. These conferences will also be held in partnership with the local authorities and Arab professionals.

3. Promoting the dissolution of partnership in land owned by multiple private owners and the ILA

The planning authorities and the directors of the local authorities must initiate and encourage measures to dissolve partnership in land owned by private owners and the ILA. The dissolution will be carried out with funding from the ILA, after which additional lots will be accepted for marketing to community residents who do not own their own homes.

4. Speeding up procedures to update old plans

Before offering the land for sale, the old detailed plans must be updated to match the planned product in terms of time, place and potential purchasers. We recommend that a government decision be made to speed up the planning procedure and focus mainly on approved plans whose suitability should be examined, and to promote them for marketing.

5. Suiting the method of issuing tenders to Arab residents

The ILA must take a close look at the current tender methods and work to implement a method that is appropriate for Arab communities. It must also realize that the criterion of military service reduces and often prevents the possibility of winning a tender for people lacking homes who are eligible for apartments and did not serve in the military. Arab citizens are legally exempt from military service. Therefore, **the link between receiving public land and military service increases inequality and undermines the relationship between Arab citizens on the one hand and the Housing Ministry and the ILA on the other.** In the immediate future, we recommend changing the criteria suggested in the registration-and-lottery tender method and offering equal opportunities for those who do not own homes and did not serve in the military.

6. Establishing an agency to provide information to the purchasing public about the components and importance of development costs

The ILA and the Housing Ministry, in partnership with the local authorities, should provide information to the residents about the components and importance of development costs. Disparities of this sort, related to providing information, are easy to resolve, and it is essential to do so. Information and transparency regarding land and development costs in the ILA tenders are necessary in order to prevent speculation.

7. Providing information to the residents about the financial advisability of taking advantage of approved building percentages in the lot

The Housing Ministry and the ILA, in partnership with the local authorities, should provide information to the residents about the financial advisability of taking advantage of the full number of living units approved for the lot.

8. Developing an appropriate mix of densities in Arab society

It should be recognized that Arab society, like all societies, is heterogeneous and has various needs and capabilities that require a mix of housing options. Therefore, a housing program that includes a variety of housing types for the varied needs of any community should be developed.

Market surveys must be conducted in communities where land sales are to be held, and social planners who are familiar with the population in the communities should be brought on board. In this way, the plans will be as suitable as possible for the potential buyers.

The term “saturated building” must be avoided as much as possible as it creates resistance and hesitation among the Arab population.

Marketing models that allow groups to make purchases as families and allow contractors to construct at high density, but in a manner appropriate to needs and capabilities, should be promoted.

9. Credit those who receive a lot for the expenses involved in removing pests, squatters and illegal structures

Residents who receive lots (in accordance with estimated costs) should be credited for the anticipated expenditures on removing nuisances and dealing with squatters and illegal structures. In cases where the lot purchasers cannot change the state of the lot and must reduce its size, they should not be charged in advance for the entire lot.

10. Creating a good working relationship between the ILA, the Housing Ministry and the Arab local authorities

A good working relationship must be created and partnership strengthened between the ILA and the Housing Ministry when it comes to marketing in Arab society. Special days for joint training and study must be set for both agencies, and they must work together to strengthen the connection and level of coordination between themselves and the Arab local authorities.

11. Training and support must be given to the local authorities as leaders of the marketing process in their communities

The local authority and its head should take the lead in the processes of marketing and construction, enforcement and supervision, and professional familiarity with the subject of housing and public responsibility. Doing so is one of the keys to successful marketing. **The local authority must convey positive messages to the public, support tenders and encourage the residents to make offers. It must also work for housing solutions in the community, invest in public relations and stimulate public discourse on the subject.** Moreover, the local authority and the establishment must work together to build mutual trust and strengthen their relationship. A change in attitude will enable the creation of professional and productive cooperation between the Arab local authorities and the government agencies and their integration at all stages of the planning and implementation of marketing.

Conclusion

The barriers and opportunities (the policy recommendations) presented here demonstrate that the starting point for dealing with land matters in Arab society must be vastly different from that in Jewish society. **The use of identical tools to market land**

causes marketing failures and diminishes the potential use of state-owned land for housing in the Arab communities. The policy and the tools for carrying it out must be appropriate for Arab society. Sikkuy calls upon the state authorities to adapt marketing policy to the characteristics of Arab society and Arab communities while working together with the Arab local authorities. We also call upon the leaders of the Arab local authorities to take an active part in leading the marketing processes in their communities. **This paper offers detailed and feasible recommendations, for all parties involved, for reaching this goal. If even part of these recommendations are adopted, there will be a significant improvement in land marketing, which will help to alleviate the shortage of land and housing in Arab society.**

Diagram 3: The barriers model – symptom, problems, barriers and policy recommendations – the marketing of state-owned land in Arab communities (in separate file)

