



Palestine Economic Policy Research Institute (MAS)

Toward a National Housing Policy in the Occupied Palestinian Territory

**Samir Abdullah
Mahmoud Dodeen**

2015



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The Palestine Economic Policy Research Institute (MAS)

Founded in Jerusalem in 1994 as an independent, non-profit institution to contribute to the policy-making process by conducting economic and social policy research. MAS is governed by a Board of Trustees consisting of prominent academics, businessmen and distinguished personalities from Palestine and the Arab Countries.

Mission

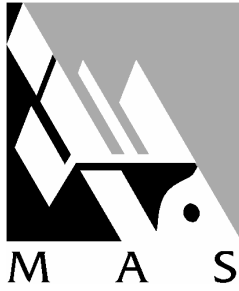
MAS is dedicated to producing sound and innovative policy research, relevant to economic and social development in Palestine, with the aim of assisting policy-makers and fostering public participation in the formulation of economic and social policies.

Strategic Objectives

- ◆ Promoting knowledge-based policy formulation by conducting economic and social policy research in accordance with the expressed priorities and needs of decision-makers.
- ◆ Evaluating economic and social policies and their impact at different levels for correction and review of existing policies.
- ◆ Providing a forum for free, open and democratic public debate among all stakeholders on the socio-economic policy-making process.
- ◆ Disseminating up-to-date socio-economic information and research results.
- ◆ Providing technical support and expert advice to PNA bodies, the private sector, and NGOs to enhance their engagement and participation in policy formulation.
- ◆ Strengthening economic and social policy research capabilities and resources in Palestine.

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Foreword

This is the sixth and last in a series of studies on housing that was carried out by the Palestine Economic Policy Research Institute (MAS) during 2014-2015 within a program which was supported by the Arab Fund for Economic and Social Development. The objective of these studies was to investigate the housing situation in the occupied Palestinian territory with a view to propose a national housing policy, which is the subject of this particular volume. The earlier five studies dealt with: the impact of Israeli violations on the housing sector; the legal framework for the housing sector; evaluation of the quality and the impact of spatial plans on local development; the technologies and costs of buildings for housing purposes; and the housing market in Palestine: supply, demand, and prices. This last study has a chapter dedicated to the financing of housing, and with this we believe that all aspects that reflect on a national housing policy have been covered, which enabled the authors to make well-considered recommendations based on analysis of the various factors that impact housing. This will help in determining interventions that would empower the central government and local authorities to play their respective parts, as well as determine the roles of the private sector and the civil society in this respect. This research effort was supervised by Dr. Samir Abdullah, MAS Director of Research, and concluded with a one-day conference in which the results of all six studies were presented and discussed. I would like to take this opportunity to thank each and every one who contributed to this program: researchers, research assistants, experts who participated in the focus groups, as well as officials, academics and specialists who took part in the roundtable discussions in which each of the studies was presented and discussed. I would also like to thank the internal and external reviewers for their useful comments, which enhanced the quality of the papers and helped in achieving their objectives.

It is my hope that decision-makers in the housing sector will make use of this exceptional effort and of the conclusions and recommendations at which the researchers arrived. The successful completion of this important research project would not have been possible without the unstinting support of the Arab Fund for Economic and Social Development, which I, on behalf of MAS, acknowledge with deep gratitude.

Nabeel Kassis, PhD
Director General

Executive Summary

This study reviewed some of the available literature related to the Palestinian housing sector. To draw lessons, the paper outlined past performance by some Arab and developed countries with effective housing policies. The national joint efforts, coordinated by the Ministry of Public Works and Housing and other stakeholders, aimed at designing a national policy for the sector were critically analyzed by the authors. One of these efforts was the contribution of the United Nations Human Settlements Program (UN-Habitat). The study further summarized the findings of the research papers completed by the Palestine Economic Policy Research Institute (MAS) during 2014 and 2015 on the various aspects of the Palestinian housing sector. A chapter is devoted to evaluating the housing financing system and the legal and institutional barriers that undermine the system's potential to provide housing for low-income segments of the population. The study concluded with the following key policy recommendations:

First: Starting with Realistic Assumptions

The Palestinian national housing policy should not be guided by assumptions of change to the existing political context. Such assumptions would produce a policy for probabilistic scenarios that might be essentially different from the existing context. The product would be a hypothetical policy, which might serve as an academic exercise only. An effective housing policy under the current situation should be part and parcel of the national policies entrusted with strengthening the resilience of the Palestinian people in the face of Israeli policies that seek to uproot them. The policy should focus on providing decent housing, as a fundamental right enshrined in the Basic Law, for those who cannot afford it so as to create for them the right conditions to develop physically, psychologically, culturally, and socially within sustainable communities.

Second: Focus on Specific Segments

- ✧ Families whose homes were destroyed or demolished by Israel in military attacks or for collective punishment purposes, or those that were built without a permit;
- ✧ Families without permanent sources of income, living in unsafe housing, or unable to take advantage of enabling policies. Providing these segments with housing is the responsibility of the Palestinian National Authority (PNA). We recommend using saving methods such

- as cutting down costs, refurbishing/renovating old buildings, and constructing governmental housing for lease with nominal rents;
- ✧ Enabling low-income households that cannot allocate more than 30 percent of their income to pay for a 100-square-meter unit and for a period of no less than 20 years. The access of such households to housing credit should be made possible through the government that can act as a guarantor or at least assist them in registering the property in the Land Authority. It is important to provide incentives to the private sector to provide affordable housing through long-term loans, tax holidays, and land at nominal prices with the needed infrastructure, so that investors can provide affordable housing with specifications and prices agreed upon with the government. It is also important for the government to take further steps aiming at the acquisition of land for public benefit through the imposition of conditions in place to consolidate public benefit, thus making acquisition acceptable and legitimate;
 - ✧ Helping households in Jerusalem to find decent housing, using all available methods, and supporting the resilience of poor households in the Old City of Jerusalem through restoring homes and contributing to paying municipal taxes. The government should help families build homes through financial and technical support in obtaining building permits, providing detailed drawings, building the infrastructure services for areas that can obtain building permits, and providing aid to houses threatened with demolition by Israel.

Third: Focus on the Following Implementable Priority Actions for Developing the Housing Sector

- ✧ Making available land that is suitable for construction, registering it, and connecting it to infrastructure services. Indeed, expediting the processes of zoning, parceling, and registration is an effective mechanism for freeing assets that can generate earnings for low-income households and solves a problem for landowners who cannot otherwise enter into transactions concerning their property. A landowner could then allot a plot of the property for building a house and make the remaining plots available for buyers, thus adding to the supply of reasonably priced plots of land for individuals or developers who wish to invest or build housing units for sale or rent or for personal use. Needless to say, increase in supply of registered land will also help in stabilizing land prices, and make the production of housing units less expensive and more affordable to low income households. Furthermore, central and local authorities stand to

- increase their revenues from fees and property taxes levied on such transactions;
- ✧ Enacting a law that sets standards for appropriating public land, enabling the allocation of land for the poor, within well-defined and transparent procedures, for the purposes of housing construction. It is necessary to build a database of land types, uses, available infrastructure, and types of housing and assure access to it for citizens and investors;
 - ✧ In order to overcome the inherent problems in the housing financing system, effective, sustainable financing channels should be developed. The current mode of financing suffers from different shortcomings. For example, the legal framework does not allow for effective mortgage, and there is lack of large mortgage companies or alternative instruments for long-term housing credit. The present model of long-term bank credit reflects an exceptional situation where only middle-income individuals with substantial guarantee can obtain loans. The loan-access opportunity for lowest income segments, often targeted by housing policies that involve enabling affordable housing strategies that increase effective demand, is close to zero. Modernizing the legal framework for mortgage, together with building companies with capital sufficient to ensure long-term loans to people with low income, is thus urgently needed;
 - ✧ Reforming, modernizing, and harmonizing the legal framework governing the construction sector are badly needed, such as: land law, land use and zoning regulations, parcellation, building code, landlord-tenant law, mortgage financing law, and absentees property laws as well as creating special courts to settle land disputes;
 - ✧ Updating and expanding master structural plans to achieve the UN-Habitat's strategy of setting up sustainable communities;
 - ✧ Building the administrative and technical capacity of all departments and agencies related to the housing sector, especially the staff at the Ministry of Public Works and Housing, as well as the planning and permits personnel in the municipal and village councils, thus enabling them to effectively enforce construction laws and ensure compliance with structural plans;
 - ✧ Building a housing sector monitoring system capable of providing updated data on housing supply, demand, and price indicators;
 - ✧ Granting local authorities greater powers and responsibilities in devising housing policies, at least those located within urban structures, together with procedures allowing municipalities to construct multi-storey buildings for leasing and selling to low-income individuals;

- ❖ Encouraging local building materials manufacturers to utilize cost-effective, environmentally friendly, energy-saving technologies in conjunction with the development of industries producing construction steel and cement. This would lower the cost of construction and maintain high quality. Effective government intervention is needed to remove the obstacles to the use of appropriate technologies and encourage the development of construction methods that reflect a departure from low-yielding, traditional technologies that waste resources and energy, delay construction, and raise housing units prices. It is also necessary to promote investment in the engineering industry: light concrete walls and slabs as well as architectural standards to reduce buildings loads and waste in material and to expedite the process of construction. Instructions and regulations are needed to promote cost-effective, environmentally friendly, energy-saving technologies and link credit given by banks and other lending institutions to commitment to these standards;
- ❖ Putting in place regulations requiring upgrading the skills of workers in the construction sector in addition to encouraging and financing vocational training to build workers' hi-tech capacity and identify the technical specifications and special conditions for contractors, engineers, and technicians. This process will also need regulations that hold everyone accountable for his/her work, so that waste is reduced and quality and sustainability are improved. It is important within this effort to put in place mandatory training programs that target non-qualified workers in sensitive technical jobs, such as building walls, reinforcement, electrical wiring, water and sanitation installments, and others;
- ❖ Increasing building areas' size relative to land area as in housing areas classified as C and D. It is also preferable to increase the floor area and allocate areas for green space and public facilities. A good strategy for encouraging investors is granting exemptions from permit fees for investors provided that they reduce the price of the housing units or allow the government to seize part of the housing units for social renting, particularly in times of disasters and crises;
- ❖ Reconsidering the present classification system of residential areas, abolishing it altogether if possible, and replacing it with general planning policies devised by the body entrusted with planning -the Higher Planning Council (HPC)- in consultation with stakeholders, thus ensuring protecting the environment and historical and archaeological sites. The effort should demonstrate the aspects of land use in general, giving at the same time the municipalities the freedom to regulate the sector as they deem appropriate but within the general

policy framework. This would ensure flexibility in implementing each project independently but in accordance with the detailed plan. The HPC should however retain the powers to approve municipal structural schemes to ensure compliance with the general policy;

- ✧ Increasing the ratio of floor area and number of floors to the total land area within the housing projects outside urban areas, thus encouraging building in rural areas and reducing pressure in towns and cities. Encouraging multi-storey buildings outside city centers requires a system that accounts for public health, safety, and urban planning considerations;
- ✧ Promoting public-private partnerships (PPP) and providing incentives and tax exemptions for PPP joint housing projects;
- ✧ If possible, and within the empowerment strategies, creating a central department that manages and develops policies, strategies, and regulations for the housing sector, and giving this central body all the powers that enable it to provide decent housing for low-income earners.