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Institute of Urban and Regional Studies

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Israel's Housing Agenda for the Year 2000

Harvey Fialkoff

Publication No. 24
Jerusalem, 1989

THE HEBREW UNIVERSITY OF JERUSALEM
INSTITUTE OF URBAN AND REGIONAL STUDIES

ISRAEL'S HOUSING AGENDA FOR THE YEAR 2000

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ISRAEL'S HOUSING AGENDA FOR THE YEAR 2000

Introduction

While the principal national housing goal of a decent home and suitable living environment for every family has remained unaltered since the establishment of the State of Israel, the policies employed to implement this goal have undergone considerable modifications during the past 40 years. These shifts are due to Israel's unique historical development, its changing target population, varying criteria of need, and a number of subsidiary aims operating alongside the principal housing goal of an adequate distribution of housing services for the country's citizens. The effect of these changes during the past several years has been a shift from direct government involvement in the areas of housing supply and demand to a more indirect role of regulating the housing market and providing housing assistance for specific population groups.

As we approach the 21st century, new policy measures at the national level will be called for in order to meet Israel's changing housing needs. The agenda for these programs will need to address a number of issues, including:

Promotion of Demand. Reexamining criteria of eligibility for families with regard to mortgages, and developing alternative means of financing mortgage packages;

Management of Supply. Regulating the supply aspects of the housing sector, reducing high vacancy rates, and minimizing the cyclical effects of housing supply and demand on overall economic development;

Rental Options. Expanding the rental market to make it a viable alternative to purchasing, and tying "social rents" more directly to objective measures of socio-economic need;

Improved Standards. Keeping pace with upgraded standards of housing quality, further reducing overcrowding and eliminating substandard housing stock;

Urban Revitalization. Rehabilitating decaying neighborhoods, providing social and economic infrastructure for revitalization, and increasing local responsibility for the selection, implementation and maintenance of these improvements;

Regional Development. Integrating housing incentives with other national programs for economic development, and creating more effective programs to attract population to the country's development regions.

These and other issues will require new forms of involvement by the Ministry of Construction and Housing and other national governmental bodies, local municipalities, and citizens as all these seek to meet Israel's changing housing needs.

Historical Background

Between 1948 and 1952, Israel's population more than doubled as 770,000 immigrants entered the country. In the face of this development, the government's initial housing policy was to provide immediate solutions of elementary shelter for its citizens. Long-range planning was only in its nascent stages of development. Likewise, temporary quarters were quite common as 35 percent of the incoming population settled in makeshift transit and immigrant camps.

Beginning in 1952, the pressures of finding immediate housing relaxed somewhat. During this period, the government began to articulate a new towns (development towns) policy, with housing services being a principal component of the national program. The goals of the development town policy were threefold: (1) to absorb the immigrant population into the nation's socio-economic framework; (2) to provide permanent housing; and (3) to distribute geographically the nation's population. Population dispersal was promoted as a way of counteracting the patterns of agglomerative development in which about 80 percent of the population in 1948 was concentrated in the central coastal plain. Decentralization was also preferred for geo-political and economic considerations, such as

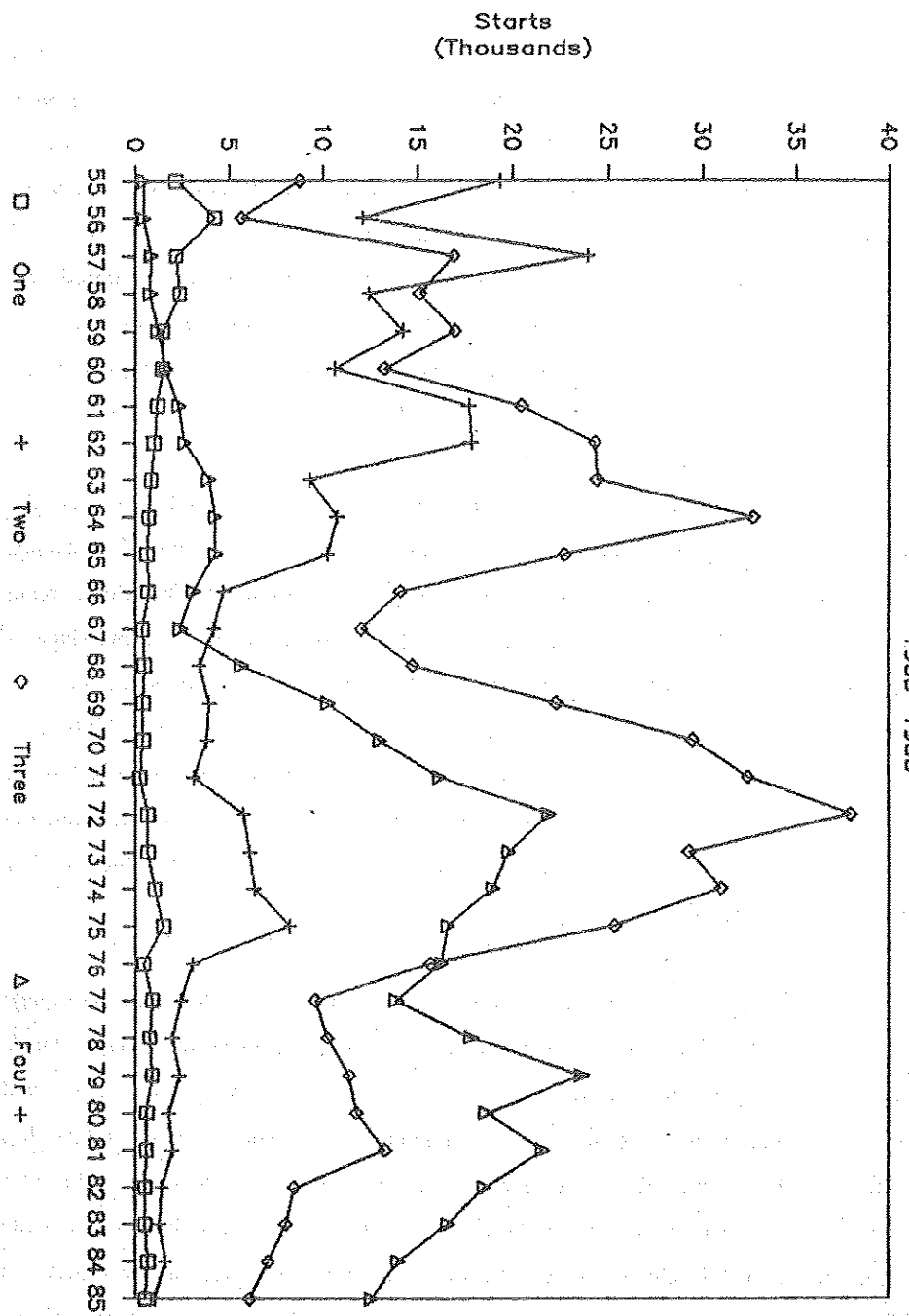
the correction of what was perceived to be an unsatisfactory functional hierarchy of towns -- e.g., too few towns with 20,000 or more inhabitants. Over the course of the next decade some 25 new towns were planned and developed throughout the country's hinterland. Today, a generation later, development towns are home for more than 500,000 persons, accounting for approximately 13 percent of the nation's urban population.

Two main factors helped facilitate implementation of the new towns policy: Because almost 85 percent of the early immigrants required some form of government assistance for housing and/or employment, they were willing to allow various governmental bodies to direct them to new towns. Likewise, because the government owned more than 90 percent of the land in the country (and virtually 100 percent in the peripheral regions), there was no need to undertake an expensive or legally complex process of land acquisition.

Subsequent stages of Israel's housing policy in the mid-1950s and 1960s were directed at providing housing solutions for specific population groups in need. These categories included families relocated from temporary transit camps to new neighborhoods, immigrant families living in overcrowded conditions, and new immigrants arriving from abroad. During this period a significant proportion of housing was publicly sponsored (Fig. 1). The government provided full financing to build the units and then served as the managing agent to rent and maintain them. Housing standards were rudimentary compared to today's conditions, with most units comprising 3 rooms or fewer, not counting kitchen or bathroom (Fig. 2). (Many of these projects were targeted for urban revitalization under Project Renewal in more than 80 neighborhoods throughout the country beginning in the late 1970s.) Standards were regularly upgraded in the 1960s and 1970s and the government continued to be the major sponsor of housing construction in the country. This continued national sponsorship of housing development since the establishment of the State has led to the construction of approximately 500,000 housing units built during the last 40 years, accounting for about 45 percent of the units built during this period.

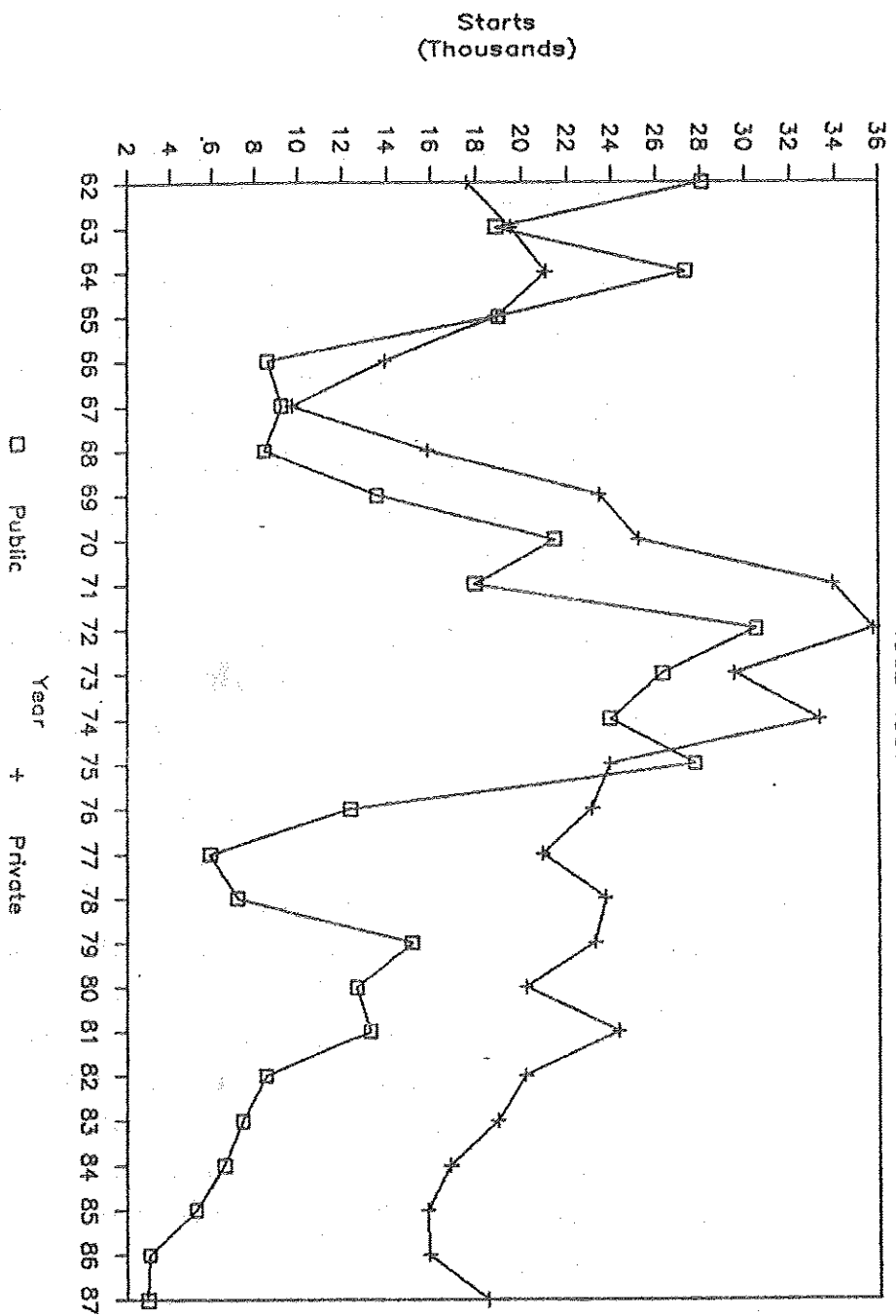
2. HOUSING STARTS BY NUMBER OF ROOMS

1955-1985



1. HOUSING STARTS BY INITIATOR

1962-1987



Mortgage Assistance Programs

Under the provisions of Israel's housing mortgage programs, assistance is not tied to any particular housing unit. Moreover, eligibility for a specific program is determined on the basis of established socio-economic criteria. These criteria, which are modified periodically, delineate a graduated scale of need. In the future we can expect recurrent changes in the administration of these programs. Nevertheless, their underpinnings -- a mortgage based on clearly defined criteria of need and unlinked to a specific dwelling unit -- will continue to support Israel's mortgage assistance program as we approach the year 2000.

The most popular mortgage assistance program is for young couples. Under the Young Couples Program, a "point system" is used to set the amount of mortgage assistance available as well as the monthly payback conditions. The three main components used today to determine need are: (1) number of years of marriage -- as the duration a married couple has lived in rental accommodations or in their parents' home increases, so does the level of need; (2) number of children -- need increases in direct relation to the number of children; and (3) number of siblings of each spouse -- serving as a surrogate measure of the funds available from parents to help in making the initial down payment; the greater the number of siblings, the higher the assessment of need.

The Young Couples Program has been supplemented by additional mortgage assistance programs aimed at meeting the needs of other population groups. These programs are targeted to specific categories such as those living in overcrowded conditions, substandard units or in development towns. Their overall effect has been to extend the umbrella of government housing programs to an even broader population base such that virtually the entire population has become eligible for some form of housing assistance. At the same time, because of the variety of housing programs and the breadth of populations served, the government's ability to harness its housing programs to achieve other socio-economic and settlement-related goals has been somewhat diminished.

Today's mortgage assistance programs continue to cover a number of different target populations. The overall objective of the programs remains the granting of financial aid for the purchase of housing with a minimum of government "interference" regarding the location and type of housing unit selected by the individual consumer. Each program has its own criteria that enable eligible applicants to purchase new or used housing units from either privately- or publicly-initiated construction. The purchase programs include: Young Couples; Development Areas (for citizens residing in, or migrating to, development towns); Improved Housing Conditions (primarily for families living in substandard units and in Project Renewal neighborhoods); Three Plus (primarily for families living in overcrowded conditions); and Purchase of Government-Owned Rental Units by the existing rental tenants. During the past decade, approximately 300,000 loans have been granted to promote the purchase of housing under these various programs (Table 1).

TABLE 1
PROGRAMS FOR THE PURCHASE OF HOUSING
1978 - 1988

YEAR	TYPE OF HOUSING PROGRAM					
	YOUNG COUPLES	DEVELOPMENT AREAS	IMPROVED HOUSING CONDITIONS	IMMIGRANTS	THREE PLUS	PURCHASE OF RENTALS
1978	9384	3276	2040	2916	1488	--
1979	8916	2184	1716	2268	1092	--
1980	13704	2848	1896	3000	936	--
1981	14484	4320	6732	2352	1116	4032
1982	15660	5928	6672	2832	1248	6564
1983	15960	5184	10704	3936	1716	6552
1984	13356	4680	8352	2664	840	3468
1985	10308	4008	4404	2004	444	1428
1986	11772	4608	5592	2376	120	2664
1987	10896	4548	6096	2760	48	1920
1988	12672	4836	6960	3072	48	1644
TOTAL	137112	46420	61164	30180	9096	28272

The variety of national housing assistance programs has advantages for both the residents and the government; because of this, such programs can be expected to remain a mainstay of Israel's demand-side policies toward the year 2000. For the residents, benefits include the following:

Capital Accumulation. Through the mortgage assistance programs, residents can obtain below-market rate loans to supplement their own capital and thereby purchase a home. Personal housing consumption is thus facilitated by augmenting the family's own capital reserves.

Market Choice. Under the loan programs, the resident is given free choice to select the housing unit he/she prefers (with the exception of a maximum square meterage limitation in certain parts of the country). Government intervention in the individual's choice of a specific unit is kept to a minimum, thus allowing market mechanisms to function more freely and personal preferences to be satisfied more directly.

Welfare Criteria. Under the mortgage assistance programs, a portion of the loan package is graduated on the basis of socio-economic need, with the loan ceiling and pay-back terms adjusted accordingly. This arrangement enables residents to take advantage of the loans without undue financial burden.

Benefits for the government can be summarized as follows:

Reduced Need for Direct Construction. Foremost among the benefits is the reduced need for direct government construction projects. Its ability to meet general housing needs can thus extend over a greater proportion of the overall population with the same fiscal investment.

Equity. Since the housing subsidy is granted to the family in need (the resident) and not to the product (the housing unit), the opportunities for providing more equitable housing services are enhanced.

Reduction in Bureaucracy. Administration of the loan packages is handled via participating banks that act as agents of the government. This arrangement reduces the government's bureaucratic involvement and assures a more businesslike administration of housing assistance services to the public.

Although existing programs to encourage the purchase of housing can be expected to continue along the current general trends, the national government will need to reassess the suitability of several key aspects of the mortgage packages for the 21st century and beyond.

Most important, as the scope and number of mortgages granted continue to grow, there will be a proportionally heavier burden on the national budget. Government efforts will need to focus on methods of encouraging greater participation of the private banking system to expand capital reserves for housing finance. Under such an arrangement, the government's role would be redefined to that of a regulator, insuring the availability and credit terms of capital for housing mortgages. The impact of such a reorganization of the housing finance market would be to relieve much of the fiscal burden from the national government. Such a shift would enable the government to utilize its available resources for providing housing assistance in a more effective manner.

Programs to Promote Housing Construction

Until the late 1970s, publicly-initiated housing construction in Israel was synonymous with fully-financed units built by the government that were usually rented and managed by its housing agencies. Since 1978 there has been a major shift from a policy of direct construction via full financing by the Ministry of Construction and Housing to a program of promoting housing construction by private developers with government aid. Under the new arrangement, the government does not purchase the dwelling unit from the developer for subsequent rental. Instead the Ministry of Construction and Housing provides developers with financial and other assistance to build units in a desired location for ultimate sale directly by the developer. Of the 20,000 publicly-initiated housing units built in 1978/79, about 40 percent were built by full financing of the Ministry of Housing. By 1980, as a result of this policy shift, the number of fully-financed units had dropped to 12 percent of all publicly-sponsored housing units. The reasons for the shift include:

Improved Efficiency. Contractors are encouraged to improve the efficiency of their operations in order to produce a final product more quickly and economically;

Market Pulse-Taking. Decisions regarding location, quality and types of units can be made in closer accordance with current market demand;

Government Outlays. Government outlays per housing unit are drastically cut.

The government's policy shift from direct construction to the initiation and promotion of housing development is only one indication of the greater reliance on the private sector for the provision of housing. Until the 1970s, the national government was the principal initiator of housing development. However, beginning in 1976 -- after a cyclical rise in housing construction that was especially sharp in the public sector -- the government's role in the provision of housing began to fall. Since then the government's share has steadily declined, reaching only 14 percent of total housing starts for 1987. This trend is yet another sign of the increasing role of the private sector in the public-private partnership for the promotion of housing in Israel. It is also a predilection that is likely to direct other aspects of housing policy as we approach the 21st century.

As Israel's economy shifts from a period of rapid growth and development to one of resource management, the relative impact of housing and construction in the national economy can be expected to decline further toward the year 2000. In 1987, construction accounted for 9.5 percent of the Gross Domestic Product (GDP). This represents a considerable reduction from 17.6 percent of the GDP in 1975 and 13.2 percent in 1980. Investment in housing dropped accordingly, reaching approximately five percent of the GDP in 1987. These trends point to the diminishing impact of housing on Israel's future economic development toward the close of the century.

Such an economic shift is reflected in total housing starts. In 1980, the 32,700 housing starts translated to 8.4 starts per 1000. The year 1987 marked the initiation of only 21,300 housing units, or only 4.8 starts per 1000, just over

half the rate for 1980. Although housing starts are expected to rise in the upcoming years, they are not projected to exceed 25,000 to 30,000 units annually until the turn of the century.

Along with the policy shift to promote construction via government aid, the national government will continue its involvement in supply-side policies in several important areas as it seeks to oversee the construction of some 300,000-350,000 new units until the year 2000. These include:

Planning. Programmatic planning of new neighborhoods and housing units;

Land Allotment. Land allotment to builders via recommendations made to the Israel Lands Administration;

Initial Land Development. Preparation of land for development, the laying of infrastructure, and the construction of public institutions and facilities such as schools and parks;

Intermediate Financing. A loan to developers of approximately \$7,000 (\$9000 in development areas) per unit at below market interest rates during the initial stages of construction to facilitate their cash flow;

Purchase Commitment. To reduce the risk of developers in areas where natural demand is weak -- especially in several development towns -- the government agrees in advance to purchase a portion of units in the event that the developer fails to market them. The scope of this program is limited, however; in 1986, for example, about 300 units were included under this arrangement.

In summary, the national government is expected to exert considerable influence in the supply-side of housing -- no longer as the largest single consumer of housing, but rather as a regulator of the production of housing to meet the needs of the population by means of various fiscal and planning assistance measures.

Programs for Rental Housing

Most government housing programs are oriented toward purchase. This is because the rental option is considered both a temporary solution and one available primarily to more needy families. For a variety of socio-economic and tax-related reasons, renting in Israel is generally regarded as less desirable than purchasing. Consequently almost 75 percent of the nation's households are homeowners, with most of the remaining 25 percent being renters under various rental arrangements.

TABLE 2 HOUSING TENURE IN ISRAEL, 1983						
Total Units	Owner-Occupied	Key-Money Rental		Non-Key-Money Rental		
		Gov't	Private	Gov't	Private	Other
1,104,270	72.9%	3.8%	3.6%	8.2%	9.0%	2.5%

These include government and private-sector arrangements in "key-money" and non-controlled rental units.*

Governmental rental assistance is provided under two different arrangements: (1) "Social Rents" for those renting government-owned units at especially low

* "Key-money" rentals refer to a form of protected tenure in certain older dwelling units in which the tenant purchases the right to live in the unit for the lifetime of the family, paying a relatively low monthly rent.

rates; and (2) Free-Market Rental Supplements granted to specific classes of persons in need, including lower-income young couples and new immigrants. The supplements, generally granted for fixed periods, are designed to ease the burden of rental costs while a permanent dwelling unit is sought and purchased.

The scope of the government's involvement in providing rental units has been declining recently. In previous years, rentals comprised 30-45 percent of the housing solutions provided by the Ministry of Housing; by 1988 the figure had dropped to 19 percent.

Corresponding to a decline in the number of new units available for rental has been a drop in the stock of rental units held by the government housing agencies. This is due to a clearly articulated government policy aimed at promoting the purchase of the rental units by the current tenants. During the past decade, about 20 percent of government-owned rental units have been sold to their tenants at favorable prices with the help of below-market rate housing loans. Purchase of the rental units is regarded as a means of encouraging greater social responsibility of the tenants in caring for the properties once they become owners rather than renters. Likewise, the divestment policy of publicly-owned rental stock is aimed at reducing the government's fiscal responsibilities in maintaining these properties.

Despite the sale of over 25,000 units during the past decade, publicly-owned rental units -- which are managed by seven different housing agencies -- are still quite extensive. Altogether, government housing agency units account for about 12 percent of the nation's entire housing stock and almost half of all the rental units. These units are concentrated in the two largest government housing agencies, Amidar and Amigur, whose holdings total more than 150,000 units throughout the country.

One of the major goals for the future in the area of rental housing should be to maintain the rental option for those families unable to garner the necessary funds to purchase a dwelling unit. One of the ways to achieve this goal is

through the adoption of policies aimed at stimulating the private sector to produce rental housing, especially via appropriate tax incentives. Another means to promote the development of rental housing is direct supply by the national government. Recent developments authorizing rent increases in government-owned units have opened the way for the earmarking of a portion of this rental income to be used for the upgrading of existing government-owned rental stock and for the enlarging of the total supply of rental units. Both public and private efforts can thus be focused on maintaining and augmenting the availability of rental housing for those population groups most in need.

Improved Housing Standards

Additional policy considerations aimed toward the future will need to focus on new means to achieve national housing goals in the face of changing socio-economic and fiscal conditions in Israel. Notwithstanding the decline in total housing starts, there has been a discernable trend toward improved housing quality. The last fifteen years have witnessed a steady rise in the average size of new housing units completed -- from 93 sq. mtrs. in 1972 to 127 sq. mtrs. in 1987. This trend is strongest in the private sector, although the average size of the public sector units has also grown, albeit at a more modest rate.

Together with improved housing standards, future housing policy will be aimed at eradicating substandard units. One of the most common indicators of substandard housing is inadequate plumbing facilities. Although the number of units in Israel lacking elementary plumbing facilities indicates a marginal problem statistically, it is one whose remedy is most urgent. Approximately 13,000 households (1.2%) lacked a lavatory at the time of the last census; the figure for units lacking a bathtub or shower was approximately 31,000, or 2.8 percent of all households. Renewed government efforts will need to be directed at eliminating this problem by the turn of the century. Options include upgrading these substandard units or removing them from the active stock and providing substitute dwelling units for their inhabitants.

The upgrading in housing standards, along with changing demographic trends -- especially toward smaller average household size and an increased proportion of elderly persons -- has had a considerable impact on housing density nationwide. The upper end of the housing density scale, i.e., households with fewer than one person per room, rose in 1987 to an unprecedented 37 percent of all households. At the same time, overcrowding as a national problem has been significantly reduced. In 1975, 7.7 percent of the population lived in units with three or more persons per room. By 1987 the figure had dropped to approximately three percent.

TABLE 3
HOUSING DENSITY: PERCENT OF HOUSEHOLDS
BY NUMBER OF PERSONS PER ROOM

Year	Persons per Room*			
	≥3	2.00 - 2.99	1.00 - 1.99	<1.00
1975	7.7	16.1	53.5	22.7
1987	3.1	9.9	50.1	36.9

* Does not include bathroom and kitchen

These improvements have already been reflected in revised standards for overcrowding eligible for national assistance. According to the upgraded norms, households with 2.5 and 2.2 persons per room (not counting kitchen and bathroom) can also avail themselves of housing loans for the expansion of existing dwelling units or the purchase of larger ones. These programs can be expected to be upgraded periodically toward the next century as national housing standards continue to improve.

These various improvements will undoubtedly have a significant effect on both future housing construction and the marketable life of existing, older units. In addition, as housing standards rise, per capita consumption for housing services

-- purchase, rental and maintenance -- will increase accordingly. In 1987, outlays for the purchase or rental of housing accounted for 16.3 percent of the Consumer Price Index, with household maintenance expenditures adding an additional 8.6 percent. Moreover, for most of the period, the rate of increase for housing outlays was greater than for the general Index. These trends will pose a particular problem for lower income families whose housing expenditure-disposable income ratio will be strained even further (Table 4). Government efforts will be necessary to cope with preventing the spiraling housing expenditures associated with the improved standards from becoming prohibitive for lower income population groups. These efforts may take the form of rent-income supplements, housing grants or other maintenance subsidies aimed at the population groups in need.

TABLE 4												
Percent of Expenditures for Housing and Maintenance in Israel, 1986/87, by Decile												
	D E C I L E										Highest	
	Lowest											
	1	2	3	4	5	6	7	8	9	10	Average	
TOTAL CONSUMPTION EXPENDITURE	1085	1272	1416	1532	1731	1825	2051	2192	2541	3034	1869	
HOUSING PURCHASE/RENTAL EXPENDITURE	120	161	215	235	267	312	341	385	447	566	305	
% of Total	11.1	12.7	15.2	15.3	15.4	17.1	16.6	17.6	17.6	18.7	16.3	
HOUSING MAINTENANCE EXPENDITURE	96	119	125	134	156	168	181	191	215	291	166	
% of Total	8.8	9.4	8.8	8.7	9.0	9.2	8.8	8.7	8.5	8.9	8.9	

Urban Revitalization

Project Renewal is Israel's most comprehensive settlement-related program of the 1980s, and the one likely to have widespread and continuing effects on urban housing and neighborhood revitalization toward the year 2000. Launched in 1978 to reverse a pattern of neighborhood decay, Project Renewal encompasses today more than 80 neighborhoods or towns comprising some 600,000 residents. Recognizing that neighborhood revitalization requires a multi-disciplinary focus, the program has targeted more than \$800 million for both physical and social projects including housing rehabilitation and expansion, infrastructure improvements, social service programs and public facilities.

Project Renewal has also been responsible for inaugurating new methods for local participation and citizen involvement in Israel. This approach stems from the realization that, to be long lasting, rehabilitation must be locally based. Accordingly, Project Renewal has developed varied measures to involve the citizens and local government in revitalization efforts. At the policy level, citizen priorities are formulated by Local Oversight Committees, becoming a component in the overall decision-making process. These committees have created a new cadre of management at the neighborhood level composed of local citizens willing to work at maintaining their neighborhoods. In several instances, leaders of Local Oversight Committees have gone on to be elected mayors of their municipalities.

Citizen participation is also in evidence at the implementation stages of physical and social projects. In the physical arena, for example, owners of dwelling units are expected to share in the cost of exterior rehabilitation or to participate directly in the renovation. By 1986, approximately 60 percent of all exterior renovations were performed via "sweat equity" schemes in which the local population performed or contracted to do the physical renovation, with the national government supplying part of the funds or materials. Social service projects have adopted a similar objective aimed at creating greater awareness of the existence of various services and a greater willingness to help pay for

their upkeep. Thus, in virtually all aspects of revitalization, citizens are involved in some form in both the evaluation of priorities and in the implementation and maintenance of improvements.

Although physical improvements remain the dominant objective for most Project Renewal inhabitants, social and economic aims are assuming increased emphasis. Especially in Project Renewal designated development towns, education and youth-related programs, as well as professional training and projects to reduce unemployment, are more and more being cited as pivotal in reversing the process of neighborhood decline to bring about growth and development. These non-physical aspects of the program can be expected to receive increasing emphasis toward the close of the century.

As Project Renewal turns increasingly toward themes of social rehabilitation and economic development, it will need to harness the resources of citizen participation and local management with those of private entrepreneurs and national governmental bodies. Such cooperative efforts will be applied in the current neighborhoods and towns as well as in some 35 additional ones that are slated to be included in the upcoming years. Emphasis is expected to be placed on: raising the income levels of residents through retraining and broadened economic opportunities, especially in development towns; creating more effective mechanisms to assist both families in distress and the growing elderly population; and improving the connections between Project Renewal neighborhoods and the remaining parts of the cities and towns by means of upgraded public transportation links, joint community facilities and shared commercial services. Together with continued improvements in the physical sectors, these developments should help bring about comprehensive revitalization in many of Israel's neighborhoods and towns toward the year 2000.

Housing Programs as a Development Tool

Development policies are another area of concentration that should be addressed in the upcoming decade. This can be accomplished by integrating housing

incentives with other national programs for economic development, and creating more effective programs to settle in peripheral regions of the country.

Once the hallmark of Israel's national urban policy, development towns have been encountering problems of growth and stability since the mid-seventies. Most new towns have been experiencing negative migration flows. This trend, coupled with an overall national decline in immigration from abroad and lower fertility rates, has led to growth rates below the national average. In several towns, absolute population size has actually declined.

These distressing trends, also reflected in the housing sector, pose both a current problem and a pressing challenge as Israel approaches the 21st century. The slow growth rate and high outmigration levels have caused a concomitant decline in the attractiveness of the housing stock in the development towns much of which consists of smaller, older units built and rented directly by the government. Partly because much of the housing stock lacks many of the amenities of more recent construction, development towns have higher than average vacancy rates, sometimes exceeding 15-20 percent of their total housing stock.

The older and vacant units have created environmental problems as well: These contribute to a feeling of social atrophy and physical decay, and often lead to generalized neighborhood decline. These problems have exacerbated the cycle of distress in some development towns, further weakening their ability to attract households from the more densely populated central regions.

Project Renewal has targeted multi-faceted redevelopment efforts at many of these neighborhoods with considerable success. As noted, the program has taken a decidedly comprehensive approach, seeking to integrate social program implementation, citizen participation and economic development schemes, in addition to physical rehabilitation. In the area of housing, Project Renewal has been responsible for exterior improvements to almost 60,000 dwelling units, expansion or combination of some 17,000 other units, and interior renovation and functional modification of almost 11,000 others. Development towns account for a

considerable share of these housing improvements, well above their proportion of the total national population (Table 5).

TABLE 5 PROJECT RENEWAL HOUSING IMPROVEMENTS: CUMULATIVE SUMMARY AS OF 12/31/87					
	Exterior Improvements		Internal Renovations and Functional Modifications	Expansion or Combination of Dwelling Units	
	By Government Housing Agencies	By Local Residents		Rental	Owner-Occupied
National Totals	34,718	23,882	10,524	1,303	16,503
Development Towns	14,950	5,196	3,931	558	5,206
Percent of Total	43.1	21.8	37.4	42.8	31.5

Housing policy efforts toward the end of the century will need to be better integrated with other economic and social development efforts at the national and local levels in order to reverse the trend of decline in many of the development towns. In the housing sector, these efforts should be directed not only at new construction but also at rehabilitating the existing housing stock and enhancing its physical appeal.

Government policies will need to generate and expand funding programs in the form of housing loans and grants and various neighborhood improvements, along with sweat equity efforts of the local population. Pilot projects have already been undertaken in several towns, demonstrating the potential of redevelopment in the older development town neighborhoods. In conjunction with other neighborhood and community facility improvements, social welfare projects and economic development planning, the housing policies should reinvigorate development towns with renewed growth and attractiveness.

Conclusion

As Israel approaches the year 2000, its citizens can expect a continued rise in housing standards, a further reduction in overcrowding and in the number of substandard units, and progress toward the revitalization of many of its decaying neighborhoods and towns. The government, for its part, will seek to achieve these aims through indirect measures including the regulation of supply, the promotion of demand via mortgage assistance measures, the harnessing of citizen groups and the provision of economic incentives to entrepreneurs. Such cooperative ventures are crucial in order for Israel to meet its housing and settlement needs as the next century approaches.

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