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**Guide for the  
Homeowner –  
where to start?**

## Urban Renewal

# Checklist

## Tip!

Before we begin, check what your neighbors think about urban renewal.

- ☐ Together with the social staff of the Urban Renewal Administration, **set** a meeting to increase awareness, receive information and learn about your rights.
  - ☐ **Get organized together** and agree on representatives who will lead the project and select **the professionals** who are most suited to you:
    - Select an attorney; s/he will be a significant partner for you in this process. It is important to go through the process properly, even if it takes a long time.
    - Choose a construction inspector.
    - Publish a tender for offers from developers.
    - Choose a social consultant – his/her job is to get to know, to support and to assist you, the homeowners, in this process.
  - ☐ **Let's begin to plan!** The project representatives are the partners of the developer in the planning process. The developer must show the design to the homeowners.
  - ☐ **Select a maintenance consultant** who will direct the design of the construction to improve the future maintenance of the building.
  - ☐ **Choose an assessor** who will value your apartments.
  - ☐ **The plan is approved!** This approval process could take on average three years. (Urban construction plan – UCP - approved).
  - ☐ **Advance the licensing process for the new building** (building permit).
  - ☐ **Choose apartments!** The value of the old apartments is determined according to the assessor's evaluation, and that is how the homeowners are ranked in the selection list.

The owner of the most expensive apartment, according to the assessor's evaluation, will be entitled to select his apartment first, and so on and so forth.
  - ☐ **You have the permit! The time has come to demolish the old buildings.** It is the responsibility of the developer to inform the homeowners at least three months in advance that they must vacate their apartments. The developer must pay your moving expenses and also the rent for your alternative apartment.
- Congratulations!** After about 3 – 4 years\*, you will receive the keys to your new home! (\* Varies from project to project).

# Terminology

## Economic feasibility

In order to implement an urban renewal project, you must make sure that the project is economically feasible. Currently, in Jerusalem, the developer's profit is a minimum of 18%. The profit is measured in the assessor's report – Standard 21.

## Standard 21

This is an economic report, that, on the one hand, takes into consideration the developer's expected expenditure in the project, such as payments to consultants, planning, payments to the homeowners, guarantees, construction costs, etc., and on the other hand, estimates the developer's expected revenue from selling the new apartments.

**Sales revenue – Expenses = Developer's profit**

## Multiplier

The ratio between the number of apartments currently in existence, and the number of apartments that must be built so that the project will be economically feasible.

For  
example

A multiplier of three means that for every apartment that the developer gives back to the homeowners, s/he builds two new apartments. That is to say that in projects in which there are 100 existing apartments, 300 will be constructed.

## The exchange apartment

According to the municipal policy the new apartment will receive **an additional 25 sqm.** and a balcony of up to 12 sqm. (In addition, you will receive an underground parking space and a storeroom).

## Exemption from land improvement tax

In urban renewal projects, the Jerusalem Municipality grants the developer exemption from land improvement tax. The exemption applies to certain areas of the city, in which the developer is obligated to provide a maintenance fund, for 10 years, for returning homeowners.

## UCP

Urban construction plan. This is a new plan which needs to be approved by committees.

## Mixed-use development

Urban renewal plans are being advanced today, with the aim of allowing every person easy access to everything that s/he needs, and so plans that all public services are within walking distance. Therefore, on the ground floors of the buildings, you will find stores, offices and public buildings (pre-schools, mother and baby clinics, community centers, etc.).

# Looking for representation!

## What is representation?

A number of homeowners that work together, on a voluntary basis, for the benefit of all the homeowners. The representatives guard your interests and your rights.

## Who can be a representative?

Any homeowner who is willing to volunteer

### Recommended representation:

- A representation whose members are between 5% and 10% of the homeowners.
- A representation with at least one representative from each building, and preferably a representative from each entrance.
- A varied representation that represents as many interests as possible – representation of different types of apartments (small / large apartments, representation of the elderly population / young families, representation of different religious groups etc.).

## How are the project representatives authorized?

Hold a meeting to elect the representatives.

If at least 50% of the homeowners are present and give their consent, then the project representatives are authorized.

If not, then the representatives need to have at least 50% of the homeowners sign a letter of authorization.

## What are the representatives' functions?

- a. To be the voice of the homeowners in the process.
- b. To conduct an organized process for the selection of an attorney.
- c. To select other professionals (inspector, assessor, etc.).
- d. To publish a tender, in conjunction with the attorney, to receive offers from developers.
- e. To be involved in the planning process.
- f. To be proactive in updating the homeowners regularly.



The project representatives are not a legal entity, and so are not authorized to sign agreements and contracts on behalf of the homeowners, including signing a power of attorney for the attorney, in the name of the homeowners.

## Representatives?

We have some documents that will make your lives a little easier; scan the QR code or contact us.



**\*8223**

# Attorney and more...

## It's important that you know!

- 1** The attorney only represents the homeowners and not the developer. However, s/he is financed by the developer, otherwise there would be no-one to pay him. However, the negotiations on his agreement are conducted with the project representatives, and s/he signs an agreement with you, the homeowners.
- 2** An attorney cannot represent both the developer and/or organizer, and also the homeowners.
- 3** It is important that the project representatives conduct the process of selecting an attorney separately from the developer and the organizer.

**Contact us for a list of representatives who have already been through this process.**

- **What are the functions of your attorney?**

1. To represent your interests with the organizer / developer.
2. To maximize your financial return.
3. To protect you from complications during the process
4. To monitor the actual implementation of the agreement.

- **When do we select the attorney?**

The attorney should be selected as early as possible.

Our recommendation: Don't sign an agreement or contract before there are elected project representatives and an attorney has been selected to represent you.

- **What is important to check when selecting an attorney?**

**Proven experience** in urban renewal projects; having experience with "Tama 38" projects is not enough. We further recommend that you check the attorney's experience in situations where s/he had to act to end the agreement with the developer corporation, because the latter did not comply with the terms of the agreement. What did s/he do? How did s/he act? Was s/he successful?

**Availability** – it is important to find out who the contact person is in the office that will work with you, and to what extent s/he is available. Many a time we have come across homeowners who do not receive replies from the attorney that is representing them.

**Recommendations** – contact the homeowners in projects in which the attorney represented the homeowners, directly. Ask their opinions about the quality of his work.

## How do we select an attorney?

**We recommend that you act according to the following steps:**



- **Make** a list of attorneys to be considered.



- **Set** your criteria and shorten the list (3 - 5 attorneys to be considered).



- **Ask** for proposals from selected attorneys.



- **Interview** the candidate attorneys, and grade them according to your criteria.



- **Select** the attorney that received the highest number of points.



- **Hold** a meeting to present the process and the attorney selected.



- **Have** the homeowners sign a power of attorney in favor of their elected project representatives.

- **Method of payment and commitment to the homeowners**

The attorney's fees are paid by the developer, but the latter is not part of the selection process, nor is s/he a party to the negotiations on the terms of the attorney's employment. It is the project representatives that administer the attorney's selection process and the negotiations for the attorney's fees and the schedule for the payment from the developer. The attorney's selection process should be totally unconnected to the developer.



**The attorney only represents those that have signed a power of attorney for representation.**

- The agreement with an attorney can be terminated. It is important to add to the representation agreement a clause that refers to that and formalizes the attorney's payment terms, in the event that the majority of the homeowners wish to terminate the professional relationship.
- **Recommended milestones for paying the attorney's fees.**

V.A.T. should be added to each payment.



**25%** when 80% of the homeowners sign a binding agreement with the developer.



**20%** when an agreement for bank financing has been signed or performance bonds issued.



**25%** at the completion of the process of transferring the occupancy of all the existing apartments to the developer.



**20%** at the time when the occupancy of the new apartments is transferred to 100% of the residents.



**10%** at the end of the rectification period or after the registration of the condominium order, whichever is later.

# Urban renewal Contracts

Before we explain what types of agreements there are, **it is important to make sure that before you sign, you make sure that:**

- You are familiar with your rights.
- There is an authorized representation, acceptable to the homeowners.
- An attorney has been selected and s/he has power of attorney to represent you.
- A meeting was held before you were asked to sign, in which at least 40% of the homeowners were present.
- You understood what you are signing, and you have asked all the questions that you had.

**What is the difference between an organizer and a developer?**

- **Organizer**

An individual or corporation that assists the homeowners to organize themselves and has them sign an organization agreement. The organizer is usually not the person who plans and implements the project, and s/he will, at a later stage, introduce a developer to the project.

- **Developer**

The party that plans, finances and implements the project.

The final contract is signed with the developer.

**What types of agreements are there?**

- **No shop (exclusivity) agreement**

A document in which the homeowners grant the organizer or the developer the power to conduct checks, in their name, with planning bodies, and even to advance the planning on their behalf. The agreement must be for a limited time, and it does not require the signing of a final contract.

**Until when is the no shop valid?**

In the Urban Renewal Law (Agreements for the Organization of Transactions) 2017 – תשע"ז

**Clear schedules are determined for the validity of a no shop agreement:**

1. When the first person in a building signs the agreement (this is in effect the **"determining date"**) the validity is for **six months**.
2. Afterwards, if the organizer and/or the developer meets the following conditions, the no shop agreement **will be valid for a further year**: (\* i.e., 18 months from the determining date).
  - If, in a building with 16 apartments at the most, at least 50% of the homeowners sign the agreement.

- If, in a building with 17 – 35 apartments, at least 40% of the homeowners sign the agreement.
  - If, in a building with more than 35 apartments, at least 35% of the homeowners sign the agreement.
3. In the event that more than 66% of the homeowners sign the agreement, then the validity of the organization agreement is extended by a further six months, i.e., **24 months from the determining date\***.
  4. Further extensions are only granted in accordance with the progress of the planning. The maximum validity of a no shop agreement is 5 years.

\* **The determining date** = the date on which the first person in a building signed the agreement.

## • **Final contract (sales agreement)**

This agreement determines the payments, and the bank guarantees that the developer is offering you. This is an in-depth, binding legal document.

In this contract you are selling the developer the rights to your home and a caveat is recorded in the Land Registry in favor of the developer.

### **Can a final contract be canceled?**

In the Omnibus Bill that has become valid (in January 2022) **dates are determined on which homeowners can cancel a final contract.**

A contract will be canceled by convening a general meeting attended by the majority of the homeowners, including those homeowners who did not sign, who wish to cancel the contract.

### **The conditions for canceling a contract are:**

If, since the date on which the first resident signed, **the developer has not submitted a UCP** (this clause does not apply to the local authorities track).

If since the date on which the first resident signed, the developer has not signed contracts with at least **50%** of the homeowners



**Furthermore,** irrespective of the law, in every final contract, there are suspending conditions, which were determined in the contract negotiations. If there is a suspending condition, the homeowners are entitled to act together with the attorney to cancel the contract.




Therefore, it is important to ensure that in the final contract there are answers to all the instances in which you, the homeowners, will be prepared to forego the project and not to advance it.

**It is important to ensure that, in the final contract, you have secured a mechanism for the cancellation of the contract, if necessary. (You can decide on the cancellation of the project by the minutes of a residents' meeting – as stated above).**

### **Percentages for agreeing to the project:**

In order **to implement an urban renewal project**, there needs to be 100% agreement on the final contract.

In order **to advance planning**, the developer or the organizer must present the regional committee with a no shop agreement signed by at least 60%, and/or a final contract for the entire plot with 50%, of the signatures for each building.

 **One moment!** If that is the case, why do you say that we need 66% of the homeowners to sign the final contract? If 66% of the homeowners sign a final contract, the developer is entitled to go court, in the name of the homeowners who have signed, and to sue the homeowners that did not sign as refusing homeowners.

### **The developer's guarantees**

The bankruptcy of developer companies raises great fears among homeowners. Over the last ten years, the number of developers that have gone bankrupt after receiving bank finance is a single figure.

### **The guarantees that are given as part of the bank finance:**

- **Sales law guarantee**

A bank guarantee for the value of the new apartment. The bank acts to appoint another developer, in the event that the developer goes bankrupt.

- **Automatic rental guarantee**

The bank undertakes to pay the guarantee fees for a delay in paying rent.

- **Rectification guarantee**

Ensures cover in the event of defects in the construction that are discovered during the rectification period. (A year after occupancy).

- **Registration guarantee**

A guarantee of registering the condominium on completion of the project by the developer.

- **Legal fees guarantee**

A guarantee to finance legal procedures and suits in the event of realization of the sales law guarantee.

### **How do we check the developer's financial strength?**

If the developer is a public company, that data is open and transparent.

**If the developer is a private company**, ask the developer for a credit rating report (BDI), an accountant's report and a bank recommendation.

# Rules of thumb

- 1** Don't sign before electing project representatives, an attorney or before you have an in-depth understanding of the organization agreement and/or final contract.
- 2** Issue a tender to start the selection process for the developer. The attorney can start working even before the developer is selected.
- 3** The attorney is your most important partner in the process. Choose him carefully and only from the recommendations that you have received from other project representatives.
- 4** Get to know your rights and the process. Don't hesitate to ask questions.
- 5** Before any meeting, the organizer and/or developer is obligated to send an invitation to the Urban Renewal Administration. Check whether we have been sent an invitation.
- 6** So that the organizer and/or developer can have you sign an organization agreement, or a final contract, he must hold a meeting in which at least 40% of the homeowners are present. At the end of the meeting, he is obligated to send the Urban Renewal Administration a signed **list of those in attendance**.
- 7** The developer is obliged to give the homeowners, at least 14 days' notice prior to them signing the final contract, a document that specifies the main points of the proposal, including all the main points of the contract.
- 8** The initial design that you are shown **will not usually be the plan that is approved at the end of the process**. If you have red lines in the design (for instance the height of the floors) they should be secured in the conditions for the cancellation of the contract.
- 9** According to the city's procedures, the developer is obliged to submit a social report. If the developer does not submit a social report, that has been thoroughly checked and approved by the social staff, **we will not allow him to advance with the planning process**.
- 10** Take the long road and you will reach a successful conclusion all the more quickly.

## Is there a dispute?

We offer a municipal mediation service that specializes in urban renewal.

To call the service, dial: \*8223  
[Glomer1@jerusalem.muni.il](mailto:Glomer1@jerusalem.muni.il)

# We're delighted to introduce...

## Meet the planning authorities:

### The local authority

- In the city planning branch, professionals examine the plans and relate to the broad responses, such as public requirements, open spaces, traffic solutions, etc.
- The local committee – the committee is composed of various council members, who examine the plans and give their recommendations to the regional committee.

### The regional authority

- **The regional planning bureau** – this is the professional body that has the authority to approve plans. This committee is composed of representatives of the various government ministries. In the discussions, each representative gives his/her opinion and comments on the design.

**The Planning Process:** \* (Details of the process can be found on the following page)

- 1 Discussion on the urban renewal forum.
- 2 Opening an UCP file in the municipality.
- 3 Discussions in the planning committees. (The local committee and the regional committee).
- 4 Depositing the plan and publishing it for the public.
- 5 Discussion of objections in the local committee and the regional committee.
- 6 The plan is approved!

## How long does the process take until you receive a new apartment?

**Approval of the plan** takes about 3 years on average.

**Issuing a building permit** takes between 12 – 18 months on average.

**Demolition and construction of the new building** takes between 3 – 4 years on average.

\* (Dependent on the design and whether the project is being implemented in stages, whether the entire project is to be demolished or if it will be demolished in stages).

## \* Details of the planning process:

Do you want to know if the municipality recognizes the project? Ask the organizer or the developer for the letter of reply from the forum.

**1 Discussion in the city's urban renewal forum** – the city's urban renewal forum is a professional forum of the Jerusalem Municipality in conjunction with the regional planning bureau. At this stage a preliminary check of the plans is conducted.

### The forum examines the plans in three areas:

- Proposed planning options, and their suitability to the municipal policy and to the region.
- Basic assumptions for the evaluation, including the multiplier, the remuneration for the homeowners and the financing of the maintenance costs for 10 years.
- The social situation in the plot; are there project representatives, how was it elected, how was the selection process for the attorney conducted, and how was the process carried out for introducing the organizer and/or developer into the plot?

The developer receives a **letter of reply** and social directives for the future, from the forum.\*

**2 Opening an UCP file in the municipality** – The developer submits the proposed plans to the municipality. The plans are passed from department to department, in the municipality, for them to give their opinion on the plans.

**3 Discussion for depositing the plans in the local committee and a discussion for depositing in the regional committee:**

- In these discussions, the developer receives the comments which s/he has to implement in the design. Sometimes, the design may change significantly.

**For example, reducing the design from two low buildings to one tower block.**

**4 Depositing** –

After the developer has assimilated all the comments and received the approval of the regional planning bureau, he deposits the plans. This is the stage at which the plan is published for the public. There are 60 days in which objections to the project may be lodged.

**5 Discussion of the objections in the local committee and the regional committee** –

These committees discuss the objections that have been lodged. Some of the objections will be rejected and some will be accepted in their entirety or in part.

**6 The plan is approved!** Now all that remains is start the licensing process for the issuing of a construction permit.

# Help us to help you

**In November 2022, the City Engineer's letter to homeowners was published. Here is part of the letter.**

Contact us and report to us, if you have come across, or heard of, one of the following:

- If the organizer and/or the developer claims that s/he has to present signatures of the homeowners **for a discussion with the City Engineer**, or to submit the plot to be checked by the city's urban renewal forum. **That is incorrect and not right!**
- If the organizer and/or the developer claims that s/he represents the Urban Renewal Administration, and/or the Jerusalem Municipality, **but does not show you written, documentary evidence** from the urban renewal forum.
- If you believe and/or think that the organizer and/or the developer **is not acting according to the law**, or Jerusalem's social work procedure.
- If someone acting on behalf of the developer or the organizer, or any other party in your vicinity, **pressurizes you into signing**, for any reason whatsoever, and especially if they threaten **to turn you in to refusing homeowners**.
- If they promise you a **return of more than a 25% increase**. This is a false promise that cannot be kept. Such a promise is not supported by the planning committee, **and they cannot promise that you will receive a return like that.**

We will protect you and will take action against those organizers or developers who act improperly or illegally. In a situation where procedures or regulations have been violated, we might delay the planning process.



**For the full letter,  
scan here**

# It's important that you know...

## Senior citizens

When developers and/or organizers come knocking at your door, many people feel that they will have to evacuate their apartments tomorrow morning. It is important to explain once again that this is a long process that allows time for preparation and organization.

Since July 2018, by law, **senior citizens who have lived in a building for at least two years prior to the determining date\***, are entitled to additional solutions:

### From the age of 70

**The developer is obligated to offer the elderly homeowner one of the following possibilities:**

- Downgrading – to receive a new, smaller apartment and the remainder in money.
- To receive two small apartments (the size of the apartments is according to the value of the remuneration apartment which s/he should have received).
- To leave the project **without needing** to come back to the new apartment:

Purchasing an apartment in protected tenancy (and receiving the remainder in money)

**or**

Purchasing another apartment with the value of the remuneration apartment which s/he should have received

**or**

Receiving money to purchase another apartment with the value of the remuneration apartment which s/he should have received

### From the age of 75

The developer is obligated to offer the homeowner the possibility of leaving the project without needing to come back to the new apartment (possibility 3, above).

**\* „The determining date”** - the age of the homeowner is determined by the date on which the first person in a building signed the agreement.

## Maintenance

Tower blocks bring with them maintenance challenges because expensive systems have to be installed in buildings over 10 stories. In buildings of over 20 stories, the maintenance costs drop as the burden is divided among a larger number of homeowners.

**In Jerusalem**, it is the usual practice, exclusively in urban redevelopment projects, to obligate the developer to set up a maintenance fund for the returning homeowners, for a period of 10 years.

# Living in a tower block

## **How can you reduce maintenance costs?**

- **Planning the spread of maintenance** – „green” construction and the use of elements whose aim is to reduce future monthly payments for electricity, water, etc.
- Examination and regular maintenance of the systems can significantly reduce faults and breakdowns in the systems.

## **Why is it important to involve a maintenance consultant in the project?**

The maintenance consultant will ensure that the planning is maintenance oriented. The consultant will be involved throughout the process, from the planning stage and until the buildings are inhabited; s/he will help you build a long-term economic plan for the maintenance of the building.

## **What is important to ask for in the contract with the developer?**

- Employment of a maintenance consultant.
- It will be the project representatives that will select the management company.

## **Tower blocks**

The trend of high-rise construction and living in tower blocks is strange and different than what most of us are familiar with. We are aware of the fears and apprehensions involved, and it is important that we shed a little light on the matter.

## **Earthquake**

The old buildings were not designed to withstand an earthquake, however the tower blocks are planned, for the most part, to withstand an earthquake.

## **Fire**

In old and/or existing buildings there are no warning systems, no fire extinguishers and no means of getting out. However, in the tower blocks there are fire detectors, fire extinguishing systems, rescue windows, escape openings and the possibility of creating a sterile area on the roof of the building.

## **Wind regime**

Ask the developer to show you a wind regime report and ask him to examine it to reach an ideal situation. These reports are examined by the municipality and the planning bureau.

**New buildings are much safer than existing buildings. They are designed and constructed according to the most severe standards.**

# Who are we?

We are a social team that acts together with the Urban Renewal Administration and the municipality's Department for Community Work. We are at your service, homeowners, from your first idea until you receive the keys to your new apartment.

## Urban Renewal Administration

The Urban Renewal Administration operates under the authority of the government Authority for Urban Renewal, and on behalf of the Jerusalem Renewal Authority. Its function is to increase the supply of housing units in the city by promoting urban renewal programs, assistance to homeowners who want those projects, together with support, in the process, for developers and other professionals.

## The department for community work

The department has a professional team of community social workers whose function is to supervise the social process, to warn of instances in which there is a violation of procedures and laws, and to intervene in crises.

## How can we help?

- We hold explanatory meetings.
- Support during the organization stage.
- Support in the selection process for the attorney.
- We will provide professionals who will help you in the feasibility test stage, without charge:
  - Drawing up an initial design for the plot.
  - Drawing up an initial assessment report.
  - Social advice which will build the social infrastructure.
- **Do you want to lead a homeowners' tender?** We'll support you throughout the process.



**Feel free to contact us:**

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