While Israel faces existential threats from without and within, old and new territorial fault lines are rumbling:

1. Owning a home in Yerushalayim: Is it a geographic or tribal right?

2. Is the Jewish version of the American dream turning into a nightmare for Israelis?

3. **EXCLUSIVE:** Will the real estate boom in Israel turn into an earthquake when century-old church-owned land leases come due?
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ome five years ago, masses took to the streets of Tel Aviv under the banner of the “Big Social Protest” of 2011. The protesters were not those classified as the “weaker” sectors; rather they were middle-class and higher citizens who were expressing their angst at a problem that has plagued Israelis in general: the difficulty a young family faces in purchasing a home of their own.

Since then, several steps have been taken toward this end. Some of them are significant, such as the rise of the Kulanu faction headed by Finance Minister Moshe Kachlon, which promised to provide the solution and reduce housing prices. But in reality, not only are dreams of owning a home not being realized, they are growing ever more distant.

Current figures show that a family seeking to own a home in Israel has to invest nearly 190 monthly salaries, by contrast to 40-60 monthly salaries in Europe to achieve the same goal. That's an inconceivable gap, especially taking into account that the Israeli family (by contrast perhaps to families in the U.S., where living in rented homes is considered a natural choice) considers a home an anchor and a sign of stability. It is a dream every couple has upon marrying. But in the current reality, this basic goal of purchasing a home seems little more than a pipe dream for many.

Who Has Contributed to the High Prices?

What are the reasons for this? Let's start with the central fact that the Israeli government owns and controls most of the available land and manipulates the prices. The state, via the Israel Lands Administration, controls more than 90 percent of construction futures, and even if in recent years there has been some movement toward releasing land, it is being done extremely slowly, in drips and drabs.

That small amount does not meet the demand that currently stands at more than 50,000 units a year (of which the chareidi public alone needs 10,000 apartments a year).

An additional factor is the suspension of construction in the periphery during the tenure of Prime Minister Olmert — a very puzzling decision whose objective was to increase construction in the center at the expense of the periphery. This decision’s outcomes are being felt to this day.

Then there are the banks: Banks in the past gave loans of up to 90 percent of the value of an apartment toward a mortgage. Today, there is the fear that if the prices will decline drastically, the banks will be negatively affected — to the point that some may collapse. Other steps, such as the cancellation of entitlement grants to young couples and tightening criteria to get mortgages, have brought about a halt in construction. Even massive construction that would begin today would not be able to bridge the gap that has developed.

Another factor that contributed to increased housing and rental rates is investment. The fact that the interest rates in Israel have been low in recent years means that it's not worthwhile to hold money in the bank. Therefore, investors have purchased apartments. Real estate deals — especially in a market with low supply — has led to a spike in prices, and at the same time to a rise in rental rates. It is no wonder that today the word “investor” has become derogatory in Israel, because those who cannot find apartments and those renting for sky-high rates view them as extortionists trying to get rich on their account. Moreover, investors have also found themselves the target of government efforts to dog their
steps and get them to sell their apartments.

There are other reasons, but they do not matter as much as the bottom line: There are no apartments. Today, the cost of building a new home, even in the periphery, is about NIS 700,000 per unit. That's a sum that a young couple, who needs to put 20 percent as a down payment and prove their ability to repay a mortgage, cannot undertake. Taking into account the Israeli propensity to remain in the central region, and not move as far as the Galilee or Negev, where education and employment opportunities are narrower, that's a recipe for disaster.

Even more serious is that there is no alternative. A couple who does not purchase an apartment is locking themselves into a lifetime of wandering, because rental rates in Israel are very high (ranging from NIS 2,000 in the periphery to NIS 4,000 and more in the center of the country). Furthermore, the landlord can decide at any time to raise the rent or to sell the apartment — and again, the tenants have to be on the move. Given that this is the situation, it's no wonder that the housing crisis is acute, and that the citizens of Israel have had enough.

The Chareidi Problem

The protests in Tel Aviv raised an issue on the agenda that until then only the chareidi public had protested about. Indeed, in the chareidi sector, the situation has long been catastrophic. If in the past, various solutions were advanced (spearheaded by the Lev Simchah of Gur, zt’’l, who brought about a revolution in chareidi housing when he called upon people to leave the big cities and go out to the periphery) — which included the establishment of chareidi communities in Ashdod, Arad, Chatzor, Ofakim, Tiferach, Netanya, Beitar Illit and Modiin — today, these solutions are not sufficient. When the price of a new apartment even in the distant north is close to NIS 1 million, the communities located outside the cities are not always viable options either. Parents have no way to come up with such sums of money.

In 2009, there was a slight change: It was during Netanyahu’s first term as prime minister, and Agudas Yisrael was able to include a clause in the coalition agreement about the construction of government-operated rental apartments for the chareidi public. (This demand was also raised by the Lev Simcha when Agudas Yisrael first joined the coalition in Begin’s government in 1977. However, the Rebbe’s wishes only were carried out 30 years later.) Indeed, the agreement was realized and some 500 apartments were built in Beit-ar, Beit Shemesh and Ashdod. But this was a one-time initiative and provided only a very small-scale solution. Since then, the situation has worsened, and the housing crisis has reached monstrous proportions.

Anyone walking through the streets of Yerushalayim and Bnei Brak will witness firsthand the difficult reality of young families living on parking levels, or in underground apartments that can hardly be classified as such — and often lacking even decent windows. They pay a fortune for these apartments, and even if they have a dream of buying an apartment, that dream grows more distant each passing month as they shell out money for rent. Even in the relatively young cities of Beit Shemesh and Ashdod, families pay large amounts for tiny studio apartments. The prices are only rising, in direct proportion to the ever-shrinking supply.

Over recent years, several solutions were advanced, such as mass purchase of apartments in Afulah by Vizhnitzer Chassidim, or the establishment of new neighborhoods in Teveria by Sanz and Karliner Chassidim, and the new Har Yona neighborhood in Upper Nazareth. These initiatives are supported by the government, which wants to use them to “Judaize” the Galilee. Today, chareidi families are perceived as those who can prevent the Arabs from taking over the Galilee. But even these are small-scale solutions, and while the prices are relatively low
Letzion, Kiryat Gat, Modiin Illit and Beit Shemesh. The state has released land for development with an agreed-upon profit for developers. Since the beginning of the year, the state has released land for 20,000 such apartments in Afula, Rishon Letzion, Kiryat Gat, Modiin Illit and Beit Shemesh.

Entitlement Grants: In the past, those who did not own homes were classified as "entitled" to grants to help them purchase a first apartment. It was given partially as a grant and partially as a loan. But the grants were all slashed during the financial decrees of the 1990s, and despite many efforts, the Finance Ministry refuses to restore them.

Rental Apartments: A government initiative to build apartments that will be offered for rent to couples who have not yet bought a home. The proposal to first build these apartments was raised by the Lev Simchah of Gur, zy"a, when Agudas Yisrael joined the Begin government in 1977. He said he was worrying about the "discharged soldier or citizen who has gotten married, and if he won't have a roof over his head he'd have to leave the country." But in recent years, almost no rental apartments have been built. In 1996, when Netanyahu established his first government and MK Rabbi Meir Porush served as deputy Housing Minister, 500 such apartments were built for the chareidi sector.

Purchase Tax and Betterment Tax: Various taxes that the government imposes on buyers of apartments in an effort to negatively affect investors and cause them to try and get rid of the apartments. Purchase tax is imposed on buyers when they buy the apartment, but the significant tax is the betterment tax, which is paid by the seller when he sells and discovers that he has to share his profits with the Tax Authority. The betterment tax is determined by the rise in the value of the apartment from when it was bought until it was sold. But as of now, these taxes are not achieving their goal and there hasn't been a mass abandonment of apartments by investors. On the contrary: the number of apartments owned by investors has only increased.

(NIS 500,000-600,000), they are still not attainable for many people.

There was another solution that almost reached the final stage, but then it exploded, and the results are reverberating to this day. That was the new chareidi city of Charish, which at the last moment was expropriated from the chareidi community.

Charish was supposed to be the answer to the chareidi housing crisis. It was supposed to have tens of thousands of high-standard apartments, planned carefully for chareidi families. But after years of expectations, and after the infrastructure and planning work was completed and marketing began, the courts rejected the legality of the tender process. The result: Charish is currently being marketed to the secular public, while the chareidi public watches sorrowfully as a city that was supposed to be a solution for its problems is being populated, while they are left to live in moldy basements and steamy attics.

It’s no wonder that the chareidi public is feeling desperate. The state is not helping with a solution, except for a new proposal raised in recent years, which is the city of Kassif, near the Bedouin settlement of Kseifeh, deep in the Negev. But the chareidi representatives rejected this “gift” vehemently, noting that it was too far and located in an area teeming with Bedouin tribes.

Charareidi declarations of opposition notwithstanding, the Housing Ministry is continuing to promote and plan the new city of Kassif and considers it the next chareidi city.

Focusing on Investors

What is the government doing to mitigate this problem? Overall, it’s hard to say it’s “doing” anything. Although the current government, including the prime minister and Minister Kachlon, who won hundreds of thousands of votes only because of his promise to bring down housing prices, has made many declarations. But progress has been negligible. On the contrary: the most recent appraiser’s report publicized last month indicates a 6 percent rise in housing prices in the last quarter.

The feeling is that the government is taking steps but is not on the right track. Kachlon is the one taking the fire, after he drafted a plan of action and only joined the government after he received the “toolbox” to help him carry it out. This included full control over planning entities, which were transferred from the jurisdiction of the Interior Ministry to his authority, and the Israel Lands Administration, and both the Finance and Housing Ministries that are under his party’s control. He has an unprecedented amount of power and authority compared to any other finance minister or housing minister in the past — but there have been few results on the ground.

Kachlon, or his long arm, which is the chairman of the housing cabinet Avigdor Yitzchaki, claims that “apartments aren’t built from today to tomorrow, and the results of my actions will only be apparent in two or three years from now.” But the public isn’t buying it. Kachlon’s declining status in the polls only underscores how the public is sick of his promises and wants to see results. The problem is that those results are not forthcoming.

Truth be told, one can’t say he’s not trying. Kachlon’s actions are manifested primarily on two fronts: First, he is trying to market apartments under the “mechir lemishtaken” plan of action and only joined the government after he received the ‘toolbox’ to help him carry it out.
Charish was supposed to be the answer to the chareidi housing crisis.

system, in which land is offered to developers at relatively low prices and they commit to selling the apartments at cheap rates to couples who are entitled to it (those who do not own homes). But even if there is progress in this area, only some 20,000 apartments under this system have been marketed, while the demand ranges in the NIS 50,000 area, and the prices are between NIS 600,000 and NIS 800,000 apiece. In short, it’s not a significant breakthrough.

The other area he is focusing on is investors. Kachlon sees investors as the central cause for higher prices, and he is trying to dog their steps to get them to sell their apartments and release more units into the market. To this end, taxation has increased (purchase and betterment taxes), the terms for getting mortgages have become stricter, and then there is what the public has dubbed the “third apartment decree.”

The “decree” seeks to impose a tax on anyone who has three or more apartments; those owners will have to pay a tax of NIS 1,000 a month. The rationale behind the initiative is that there are currently some 50,000 investors who own three or more apartments and they will want to get rid of those extra apartments to evade the tax. If that does happen, tens of thousands of apartments will be put up for sale, and will increase the supply — thus suppressing prices.

But this step has been met with vigorous opposition, and many wonder about the ethical aspects of the law, which is in essence an effort to change the rules in the middle of the game. The coalition chairman has already announced that the Likud faction does not support the law (the prime minister mentioned it in an interview but then retreated after making it clear that he is biased, as he owns more than three homes) and another opponent is Finance Committee Chairman Rabbi Moshe Gafni, who announced that the “law will not pass in the finance committee.”

Either way, the tax for owners of more than three apartments is just coming up for discussion in the Finance Committee, after it was approved in Knesset as part of the Budget Arrangements Law. It will be interesting to see if it will get to the final stages and if it will have any effect on a decline — even a small one — in housing prices that have thus far only risen ever higher.

Another step taken by the government is not directly related to housing, but is expected to influence the industry. That is the transportation revolution undertaken by Transportation Minister Yisrael Katz, directly supported by Netanyahu. We are seeing new highways to the north and south, and the development of rail routes that are supposed to “bring the periphery closer to the center,” as the ministers put it. These steps are likely to affect the housing industry, because if it will be possible to get from the north to the center quickly and easily, young couples will stream to more remote areas where housing prices are lower.

Where Is the Gain?

It’s impossible to conclude without addressing the feelings of the chareidi citizen. Although the past few years have been productive as far as this sector is concerned, with public representatives making significant achievements in education, health, welfare, transportation and other areas, it appears that with housing, the chief concern, no progress has been made. If anything, there has been a regression.

Putting these feelings into dollars and cents, the bottom line is this: while the chareidi public has admittedly saved significant sums of money due to initiatives by its representatives — lower school rates, reduced public transportation fees and broader free health care — these savings are minimal when taking into account that every young couple, or parents marrying off children, have had to undertake commitments of hundreds of thousands of shekels to try and purchase apartments. As of now, the goal of owning a home has become virtually impossible, and in addition to the money, it is taking a toll on the health and peace of mind of those who are being crushed by the burden, while no solution seems to be in sight.

Waiting for Change

Will the government’s efforts bear fruit in another year or two? Judging by public sentiment — and the public has proved that it can discern sincere intentions — it appears that the public has despaired and does not think anything will change. The fact is that two years ago, there was a slowdown in the rate of purchases, because people hoped that apartments would get cheaper in the near future. Today, the trend has totally changed: people are buying apartments at the high prices, simply because there is no alternative.

The Israeli citizen has apparently learned one thing: not to believe declarations and promises. There is no one who disputes that Kachlon succeeded in drastically bringing down cellular phone rates in Israel. But with regard to housing prices, he has thus far failed. And it’s a resounding failure, because it comes from a man who had generated so many expectations. The higher the expectations, the greater the disappointment.

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If you happen onto the Arzei Habirah or Ganei Geulah neighborhoods of Yerushalayim, or even some of the “mixed” neighborhoods like Ezras Torah, don’t be surprised to discover placards in English. Only English. Whereas in the past, both languages appeared on signs posted in the streets, today, even native-born Yerushalmim know the difference between “for rent” and “for sale.”

Signs will range from ads for an English-speaking babysitter, to music lessons or a Shabbos shiur in English. It’s not only the signs. If you sit on a bench, you’ll hear more or less only English — and little Hebrew or even Yiddish.

That’s the picture in many neighborhoods in Yerushalayim that have been somewhat overtaken in recent years by American and European couples and families. This has happened namely in the newer neighborhoods that have been built up at dizzying paces, such as Ganei Geulah, which is populated largely by American families, and Hachuzah, which is largely European. But the trend has spread to older neighborhoods as well, such as Arzei Habirah, which has become predominantly English-speaking.

What is attracting Americans to Yerushalayim, and what are the ramifications of these mass purchases? In order to get a clearer picture, we spoke to several real estate developers and to veteran natives of the city, who shed light on the different angles of the situation.

“The reason is very simple,” says Reb Avraham Kopelowitz, a real estate developer and marketer. “Purchasing an apartment in Yerushalayim has proven to be a prudent investment however you look at it. I don’t recall a situation where someone bought an apartment in the city and then regretted it because the value of the apartment declined. If anything, its value has only risen sharply.”

He believes that the trend began when yeshivah bachurim came to learn in yeshivos, be they chassidic or Ponevez or Mir. It was only natural that they would seek to settle in Eretz Yisrael and often, their parents followed.

There’s another reason: “People who say each day ‘Ani maamin b’emunah sheleimah’ are ready to put down a million dollars to be ready with an apartment right near the Beis Hamikdash when Moshiach arrives…” The bottom line is that it’s a self-feeding cycle: the Americans...
Aerial view of Kikar HaShabbat, Yerushalayim.

Photo Credit: Jerusalem Skyline
come, buy apartments at high prices, the prices of apartments skyrocket and the only ones who can buy them are the foreigners.

Kopelowitz, who began his career marketing luxury apartments in more prestigious secular neighborhoods surrounding Jaffa Road, relates that “in the past I sold luxury apartments for several million dollars. But the target population was only American tycoons. With time, the market expanded and the ones who came to buy apartments were regular American Jews who could afford to pay NIS 3 to 6 million. That’s how we began to work with the middle decile in America’s Jewish communities. At the same time, the Israeli public realized that purchasing an apartment in Israel is a dream that is growing out of reach. The native residents of Yerushalayim blame the foreigners for the increased prices, and it’s hard to say they don’t have a point.

“The way it works is that every developer who begins a new project first targets the American market. Projects such as Kadouri (where, actually, many Israelis have bought) even opened sales offices in America and Europe. The result: The prices are skyrocketing. Today, an apartment in the Schneller Project begins at more than NIS 30,000 per square meter, and there is no doubt that the ones who contributed to this spike are the Americans, who have proven that no matter how much the price will be for an apartment in Yerushalayim, they will pay it.”

Does Every American Have the Ability to Purchase an Apartment in Yerushalayim?

“Certainly not. Today, prices are already very high, and thus only the top deciles are in play. I am used to hearing complaints from Israelis who say that they can no longer purchase apartments in Yerushalayim. It’s partially true, because let’s not forget that many Yerushalmim who have an apartment in the city — even a modest one — sell it for a higher value and upgrade their living standards. So it’s not fully accurate that Israelis are not buying any of the apartments in these projects. But the truth is that even the average American can no longer afford an apartment in the city. Today, the target market is the higher strata of the socioeconomic scale in Israel and abroad.”

Although there are many who “blame” the Americans for the rise in prices, the official figures do not support this theory. The claim that “foreign investors are to blame for higher-priced apartments” has turned out to be a myth, after a report by the State Income Administration of the Finance Ministry (from May 2013) officially showed that in 2011, foreign investors purchased only 3,516 apartments, or four percent of the total of 86,400 that were sold that year. So there’s no doubt that such a small demand did not significantly affect the prices. In addition, the State Income Administration determined that foreign investors hardly competed with Israelis for apartments, because in most cases they bought luxury units, which few Israelis buy.

Taxes Didn’t Help

Why will an American Jew pay any price for an apartment in Yerushalayim? Kopelowitz thinks that it’s because every American Jew has a dream of owning an apartment here, for himself or his children, either for Yamim Tovim or vacations. “And when you offer them apartments with breathtaking views that nowhere else can offer, they just ‘lose it,’ so to speak. They will quibble over every detail — except the price. It’s clear that for an apartment in Yerushalayim you need to pay — a lot.”

Once, he says, it was accepted for many Americans to buy a second home in Florida or in the country. Today the trend is Yerushalayim. With that, we can’t ignore the fact that many of the apartments purchased by Americans in Yerushalayim are for living purposes (as opposed to second homes): the families, usually young ones, make aliyah and settle in Israel.

On the other hand, there are many American Jews whose apartments are empty most of the year, and are used primarily for the chagim, but are fully outfitted with state-of-the-art kitchens and furniture. The residents leave everything they need there, and it really is...
a second home.

The concept of “ghost apartments” that are empty most of the year is not so common in chareidi areas, as those apartments are mostly active. These are more common in Mamila or Ir David, and are used for just a few days a year. While the government and municipality are making efforts to tax these apartments at higher rates to encourage the owners to rent them out to locals, the move is largely ineffective, as people who have paid that much for their homes won’t be swayed by a few more hundred dollars a year.

The government has taken other steps to try and thwart foreign investment in homes in Israel, but with little success. People are still buying, and at the high rates, despite the extra taxes and fees and other restrictions.

Yiddish or English?

Clearly, most new apartments today are purchased by foreign residents who have come to settle in Israel. This has led to wider changes, and if you walk through Geulah, for example, you’ll see that the stores are clearly targeting the American customer. “You can’t even buy shoes here today anymore,” an aggrieved Yerushalmi woman says, and blames the Americans for the fact that “everything is so expensive here.”

Another trend that is undoubtedly irritating is the huge number of fast-food stores in the central chareidi shopping areas. The foreigners brought this with them and the Yerushalmi residents don’t like it. “In the past, until 10 years ago, you could count the fastfood outlets in Geulah on one hand. Since the chutznikim came, every store that closes down reopens a few days later as a food establishment,” says one member of the Geulah association.

The Badatz Eidah Hachareidis has tried to fight this trend, and makes it very difficult for such stores to get a hashgachah. For a time, they even tried to battle against stores that promoted what they called the “American food culture.”

The Changes in the Schools

There are a number of schools and preschools whose dominant language is Yiddish — and everyone knows that that’s synonymous with English. One of the parents whose daughter studied in the Yiddishe Bais Yaakov recently switched her to the Hebrew school because “we speak Yiddish at home and that’s why I sent her. But she didn’t fit into the class because the dominant language was English, and every girl in her class traveled abroad at least once a year, while she hardly goes from Yerushalayim to Bnei Brak.”

For now, purchases are more or less divided according to area. The Chassidim are concentrated in the newer parts of Geulah, and at the top of Yirmiyahu Street and northward, in projects that contain several thousand units. From these areas, it’s just a few minutes to walk to major centers such as the Batei Medrash of Gur and Belz, the Mir, and even to the Kosel within half an hour.

The more “chardali” (chareidi national religious) are settling in areas such as Malcha and Har Choma, while other sectors have chosen Ramat Beit Shemesh, which has also become strongly American.

Why don’t the Americans go further afield to other cities where there’s more of a supply of apartments, and sometimes the city is more suited to the American lifestyle?

Kopelowitz believes that “Americans want Yerushalayim. Period. I once marketed a project in Elad. I tried to go to the Americans but they wanted to know one thing: Is Elad a neighborhood in Yerushalayim? If not, how far is it. When I said it’s an hour’s drive, they didn’t even consider the offers.”

It’s interesting that the French immigrants do settle in other cities. The number of French people has been steadily rising in recent years, and they are settling in Ashdod and Raanana, and they purchase apartments in luxury neighborhoods where French has become the dominant language. If you’re wondering why the French haven’t chosen Yerushalayim, a senior member of the community in Ashdod notes that “the French people want the community life, so they naturally go to an area where there are French communities. Likewise, the French immigrant will enjoy visiting Yerushalayim but will seek other elements that the capital doesn’t have, such as a beach.”

The Americans, by contrast, are not looking for those things. Yerushalayim has no beaches, nor too many malls that can remind them of home. Public transportation there is not the greatest (yes, even with the light rail) and driving in a private car is harder than walking from place to place. But Yerushalayim still has a lot to offer: it has Yerushalayim.

New apartment buildings in Maalot Dafnah.
A partment owners in Yerushalayim are concerned. Not all, of course, but many. In just a few years time, many may find that the homes and stores that they purchased in Yerushalayim are not actually theirs — even if they paid top dollar and have all the papers to prove the purchase. What they did not realize when purchasing the home is the possibility that it was built on land belonging to someone else, which was leased by the entity they bought it from for a set number of years, and that the lease will expire quite soon.

A group of lawyers and developers in Yerushalayim that has begun working on behalf of people who fear they will lose their homes or businesses for this reason distributed pamphlets in the city with more information on this phenomenon.

What will be with all these assets? Apartments, houses, stores, restaurants and even shuls and government offices — and perhaps even the Knesset building in Givat Ram — may be among them. All these are built on land belonging primarily to the Greek Orthodox Church, which over the past 140 years purchased some 100,000 dunams of land in Eretz Yisrael, and in Yerushalayim in particular. Many of these properties remained under the church’s control, but a lot of them were also leased out to private developers, companies and agents. They then initiated public construction on that land without making it clear to the buyers that they were actually buying land that they would only be able to keep until the lease expired. At that time, the properties would return to the control of the church or its leaders, or to an international church entity. These entities may demand that those occupying the asset have to move out; likewise, they can reach an agreement to extend the lease for another set amount of years with new terms.

Whether they were aware of it or not, many buyers signed contracts that they were purchasing land that was being leased for 49 or 99 years. Perhaps those who saw the figure 99 years figured that time would never come and it would make little difference to the purchase. But the years have passed, and the children or heirs of those buyers are now 70 or 80 years into the agreement, and in due time, their leases will expire.

The heads of the churches not addressing the subject right now. But this policy of silence is causing a lot of angst to Jewish property owners in the center of Yerushalayim, as well as dozens of other places around the country.

The saga began in the middle of the 19th century, when almost all the churches that were in Yerushalayim, chief among them the Greek Orthodox Church and various orders of the Catholic Church, began buying large plots of land in the city, outside the Old City walls. The land was purchased from the Turks, who controlled Eretz Yisrael at the time.
The Turks were happy to sell assets to anyone who could enrich the meager Turkish coffers. Most of the money came to the church from the many pilgrims who traveled to Yerushalayim in those years and donated to foundations that purported to want to take control of Yerushalayim. Most of these pilgrims were Russian Christians. But after the Communist revolution in Russia, and at the end of World War I, the Russian pilgrims stopped coming entirely, and the Communist regime could not care less about the Christian holy sites.

The churches that owned these properties encountered existential difficulties due to the lack of pilgrims. In the meantime, the British conquered the land and forced the churches to begin selling land so that they could pay their debts to the authorities and maintain their educational and social institutions.

Indeed, the land was sold at first to Jewish land-redeeming groups such as Keren Kayemet L’Yisrael (Jewish National Fund) and the Hayishuv Company. With time, criticism mounted against the sellers, all of whom were Christian Arabs, and they were accused of helping the Jews and transferring land that would ultimately help realize the idea of establishing a Jewish State. The sales ceased almost entirely. But the churches still needed money and found a way to raise funds without actually selling: leasing the properties for long periods of time.

Plots of land were leased long-term to Jewish (and Arab) developers who built new neighborhoods — among them Rechavia, Talbieh, Katamon, Nayot, Givat Oranim, the Greek and German Colonies, Baka and others. Parts of the land on Har Hazeitim are also owned by the church, as is the Mamila Mall, Paris Square in the city center, Gan Hapa’amon between Jaffa Road and King George Streets, the built-up and empty areas between the King David Hotel and Yemin Moshe, and even the land on which the president’s residence is located on Jabotinsky Aerial view of the city of Yerushalayim. Source: Yisrael Kimchi, Machon Yerushalayim

The churches that owned these properties encountered existential difficulties due to the lack of pilgrims.
If you’ve purchased property in Eretz Yisrael, primarily in Yerushalayim, you may want to check if the house or store is built on land leased from the church. If it emerges that you are one of the thousands of people on this list, you may want to get used to the idea that you’ve already lost one-third of the value of the property if you would sell it today, and that the property will continue to decline in value as time passes.

Property appraiser and attorney Kobi Beer of Yerushalayim, an expert on the subject, gives an example: Apartments on Keren Kayamet and Narkis Streets in Rechavia were priced significantly lower than the identical units across the street — because the latter were not on land leased from the church. Properties in these areas were leased for 49 or 59 years, and the lease will expire within 15 to 20 years. People who want to sell apartments and assets realize they have a problem, and are looking to get rid of them, even at significantly lower prices. A three-room apartment in a private building in these areas is worth about NIS 2.9 million, but when the land is linked to the church, the same apartment can be purchased for NIS 1.7 or 1.8 million. Beer notes that there are properties in Rechavia that have less than 20 to 25 years left on the lease, meaning they will expire in 2034-2035. There is land in the Givat Oranim neighborhood, west of Katamon, leased from the Greek Orthodox Patriarchy; there is land in Baka leased from the Franciscan Order, which belongs to the Vatican. Beer pulls out a yellowing newspaper from 1935 reporting that the neighborhoods of Rosh Rechaviah and Gan Rechaviah in Yerushalayim were leased out.

Then the Davor newspaper published an article by Y. Shuchman stating that “you think that leasing for 99 years is forever, but remember that in 99 years someone will come to redeem the lease.” And he was spot on.

The story first rose to the fore a bit less than 20 years ago, when the JNF, always one of the largest acquirers of land in Israel, discovered that it may have to pay hundreds of millions of dollars to several churches, in particular the Greek Orthodox Church in Yerushalayim, for land it had leased from the churches. After consulting its attorneys, the JNF decided to find a way to pay the money off immediately in exchange for a lease extension on all the leases it had with the Greek Church. The JNF sought out people who had good contacts with the church and found several, who said they had conducted negotiations and even reached agreements with the church to extend leases on land in Beit Shemesh and the center of the country for $20 million. It looked like a very attractive deal. If they’d pay the $20 million, they would save much more in the future. The money was prepared and given to a group of “machers,” who returned with an agreement signed by the patriarch of the church who resides in the Old City. But it quickly emerged that the signature was forged and the money had disappeared without a trace. The police made arrests and investigated; they were astounded to learn that while the church wanted to close the deal because they needed cash immediately, senior Palestinian entities had entered the picture and thwarted the deal. They had connections with senior church officials, nearly all of whom are Arabs, and offered to buy off the prop-
properties for more than the $20 million for the lease extensions. The church then retracted its original agreement to sign renewed leases with the Jews. But in the interim, the money had passed through so many pairs of hands it had frittered away.

Since this story, nearly 20 years have passed, and according to Israel intelligence sources, the Palestinians have become more active in trying to persuade the churches and their clergymen — almost all of whom are Palestinian Arabs — not to sell or do business with the Jews, and not to extend lease agreements. Instead, they are convincing them to sell the properties to wealthy Palestinians around the world, who have been asked to grab these opportunities both to make a prudent financial investment and to contribute toward the struggle against Jewish ‘control’ of Eretz Yisrael.

Jewish entities also began collecting information about the properties and their owners, although to date, there is no clear picture of which churches own which properties and how long they were leased for. The efforts to map out these properties were unsuccessful because the churches have the *kushans* (certificates of registration) refuse to cooperate with Israel’s researchers. But it is clear that the Greek Orthodox Patriarchy is the largest land owner both in and out of Yerushalayim.

“The research is difficult and preparing the ownership lists is virtually impossible,” says Dr. Amnon Ramon of the Jerusalem Institute for Israel Studies, which addresses the relations between Israel and the churches. The reason is that, in addition to the huge swathes of real estate and sums of money involved, there is a political angle here between Israel, the Palestinian Authority, the churches, Greece, and Russia, and because the real estate is located in expensive areas. This means that lots of entities have their hands in the pot and no one wants to share any information, making the issue much more complex. The Institute’s Yisrael Kimchi, a renowned city planner and geographer, worked to try and assess how much property the Greek Orthodox church owns. His conclusions are that the churches have land and built-up areas spanning 4750 dunams in Yerushalayim, of which 550 dunams were leased and 4200 are in use by the church.

Dr. Ramon expounds: “This means that nearly 5,000 dunams in Yerushalayim are owned by churches; that’s nearly six times the area of the Old City, or 10 percent of pre1967 Yerushalayim. The importance of 5,000 dunams in Yerushalayim is obviously more than if it was the same amount of land in the Negev. That is because a large part of the Old City belongs to the church or church-affiliated entities, including cathedrals, schools, hostels and shops; the same is the case on Har Hazeisim. The church is using an ancient method — much like *hekodesh* — to generate income.”

But that’s all only in Yerushalayim. In the rest of Eretz Yisrael, the experts believe that church land amounts to more than 100,000 dunams, a huge number.

“Often,” says Kobi Beer, “people ask me if Israel will allow residents to be evicted from church property. So first of all, I must note that the first contracts that are set to expire are not a critical mass. The biggest mass of land leased to the JNF will only expire in nearly 40 years. In Rechavia, there are leases that are going to expire in 2034–2035. As we know the State of Israel, it will not turn over the world order for 50 or 60 families.”

We have to remember, he notes, that the church cannot develop the property until it reverts back to its ownership. “Therefore, we find properties that are slowly being destroyed because the church cannot...
develop them and the lessees have no interest in doing so either. The lessees are mostly elderly people who purchased their apartments in the 1930s or 1950s, and are retired and do not have financial security. Apartments purchased 50 or 60 years ago and nearing expiration are naturally declining in value as the date approaches. So it’s not worth it for the residents to renovate them for just 20 years.”

Beer also speaks of the “after-the-flood” syndrome that he encounters. Those are people who say “My grandchildren will worry about it ... We are living now and let us live out the years we have until the lease expires. Whoever is living then can break their heads about it.”

But in the meantime, Beer says, each such property declines in value at a rate of 4 percent a year. Worse, “when the lease expiration nears 15 years, no one will buy the property.”

Meanwhile, Israeli companies have been popping up and, for a fee, they are ready to check your property to know if it falls into this category. If yes, they will give you advice. What exactly? Depends on the church and who owns it. There are churches that even now desperately need money and are ready to sell leasing rights.

Then there are churches who are selling property to private individuals and official institutions. These are properties that are fully owned by the church, but each time negotiations get underway, someone leaks the news and they implode.

As an example, this issue is holding up the construction of thousands of apartments in Beit Shemesh. The Greek Church owns nearly 20,000 dunams of land there, and efforts were made to purchase the land from the church and to build 6,000 units for the dunams of land there, and efforts were made to purchase the land from the church before anyone else. The JNF knows lots of details in some cases it even owns part of the land and has first purchase rights. But within this whole problem there is a separate issue that is no less serious. Some of the properties are largely controlled by the JNF, and in some cases it even owns part of the land and has first purchase rights from the church before anyone else. The JNF knows lots of details about the deals that were signed between the churches and the companies who purchased the land rights. The JNF should have long ago entered into dialogue with the churches and these companies to resolve the problems related to their partners on the properties. But at the JNF, no one is in any hurry to get involved; meanwhile, the uncertainty continues.

In response the JNF stated that is is “well aware of the problem relating to these properties. The issue is on the management’s agenda and is being addressed. It’s important to note that the current lease period ends in some 35 years, and the JNF has the legal right, anchored in the lease contract with the Patriarchy, to extend the lease when it expires. This right of the JNF supersedes the rights of any other entity.”

Over the years, it was not known who exactly bought what. But recently, the head of the Jerusalem Institute for Israel Studies, Yisrael Kimchi, was able to obtain a full map with the details of the church’s ownership of land in the city. In most of the agreements, the lease is for 99 years. Israeli law determines that at the end of the lease, the land and everything on it returns to the original owners, or to whoever purchased ownership over that time. In the last 20 years, the churches have reject-
ed most offers to enter negotiations to extend leases in exchange for payment. Tens of millions of dollars were offered, to no avail.

Some explain the refusal with the theory that the churches estimate that the closer it gets to the lease expiration, the more money they will be able to get. But others believe that the PA is behind the resistance to reach deals. The PA has extensive influence on senior church officials. In some cases it emerged that they even threatened physical harm to anyone who reached an agreement with the Jews. Here and there, agreements were reached, such as the one with the Greek Church regarding the transfer of the land on which the Knesset is built, where the state bought the rights. The same is true for a few other places. Some of the residents of the homes owned by the church have demanded that the Israeli government change the laws so that they don’t lose their homes and properties. But thus far, little action has been taken toward this end.

As time goes on, the churches are realizing that they may be faced with a change in the laws, as the government will ultimately have to take some action. In order not to lose their money, they are ready to secretly sell the rights of these properties to people who can afford to pay what they are asking. But there’s a deeper motivation: the churches realize that the day might come when they will have to evict Jews from their homes in Yerushalayim, and the imagery of that will be very negative and will generate a harsh response. This fear motivates them to advance deals with those who are willing to pay — a lot.

Experts say that if a solution is not reached with a central entity, such as the Israeli government or the JNF, a catastrophe might ensue. Several owners of these properties, who are lawyers themselves, have contacted the Israeli Bar Association. Attorney Dov Gutterman looked into the matter on its behalf and issued a letter to lawyers in the real estate industry entitled “Caution — Leases from the Church.”

“I want to bring to the attention of members that recently, we are encountering more problems with apartments owned by the Greek and Catholic Churches. These apartments are leased, usually for 49 years with an option for a 12-year extension. Transferring the lease while it is valid does not need the agreement of the church and the church does not send any notices regarding payment.

“Recently, we have encountered a growing trend of apartments whose lease — whether the original or extended one — is nearly over and in order to extend it further the lessee will have to pay huge sums to the church. Being that this is a private entity ... [it] has no obligation to agree to an extension of the lease, and has nothing to hold it back from making high demands for payments, and if payment is not made, to demand that the lessees be evicted. Likewise, in places where the lease agreement includes annual lease payments, non-payment means a breach of contract, with all that that entails.”

The letter then tells the lawyers that if such an apartment comes to their caseload, they should make sure to receive the original lease agreement from the property registry so they can verify the extent of the lease, what the options for extension are and if annual lease payments must be made. The clients need to be informed about the legalities of the lease agreement, and that they might be required to pay significant sums in the future to extend the lease, or alternatively, may find themselves stripped of the property.

Israel expected Pope Francis to discuss this issue when he came to Yerushalayim two years ago. But there was deep disappointment when the pope made it clear that no arrangement would be reached before Israel gave over to the church the upper stories of Kever Dovid, which they perceive as a holy Christian site. But Israel is in no hurry to give Kever Dovid over to Christian ownership, and the church is playing on the emotions of thousands of people who purchased apartments on church-held lands.

While the fear and uneasiness is understood, they seem to be somewhat exaggerated. Ultimately, the government will have to get involved. In some ways, it already is involved. For example, the appointment of the head of the Greek Church in Israel is in the hands of the Israeli government.

Anyone who will wait patiently will likely see that solutions will be found to save their properties at a relatively low price.