Asia-Pacific Housing Forum Manila

Organized by Habitat for Humanity Philippines

Private Sector Participation under the new DHSUD: *Issues & Prospects*

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HAIRS Center for Housing and Independent Research Synergies

OSHDP

Affordable Housing

Batas Pambansa Blg. 220, in defining Socialized and Economic Housing, denotes **affordable housing** as those units, which are within the **affordability level of the average and low-income earners**, corresponding to thirty percent (30%) of the gross family income as determined by the National Economic and Development Authority from time to time. It also refers to the government-initiated sites and services development and construction of economic and socialized housing projects in depressed areas. (Sec. 2)

Legal Bases: Private Sector Participation in Providing Affordable Housing

The **1987 Constitution** places "housing" among the **basic social and human rights**.

Article XIII, Section 9:
Urban Land Reform and Housing

"The State shall, by law, and for the common good, undertake, **in cooperation with the private sector**, **a continuing program of urban land reform and housing which will make available at affordable cost decent housing and basic services to underprivileged and homeless citizens in urban centers and resettlements areas**. It shall also promote adequate employment opportunities to such citizens. In the implementation of such program the State shall respect the rights of small property owners."

In **1992**, this constitutional provision was given executory effect through the enactment of **Republic Act No. 7279**, otherwise known as the **Urban and Development and Housing Act of 1992** ("UDHA").

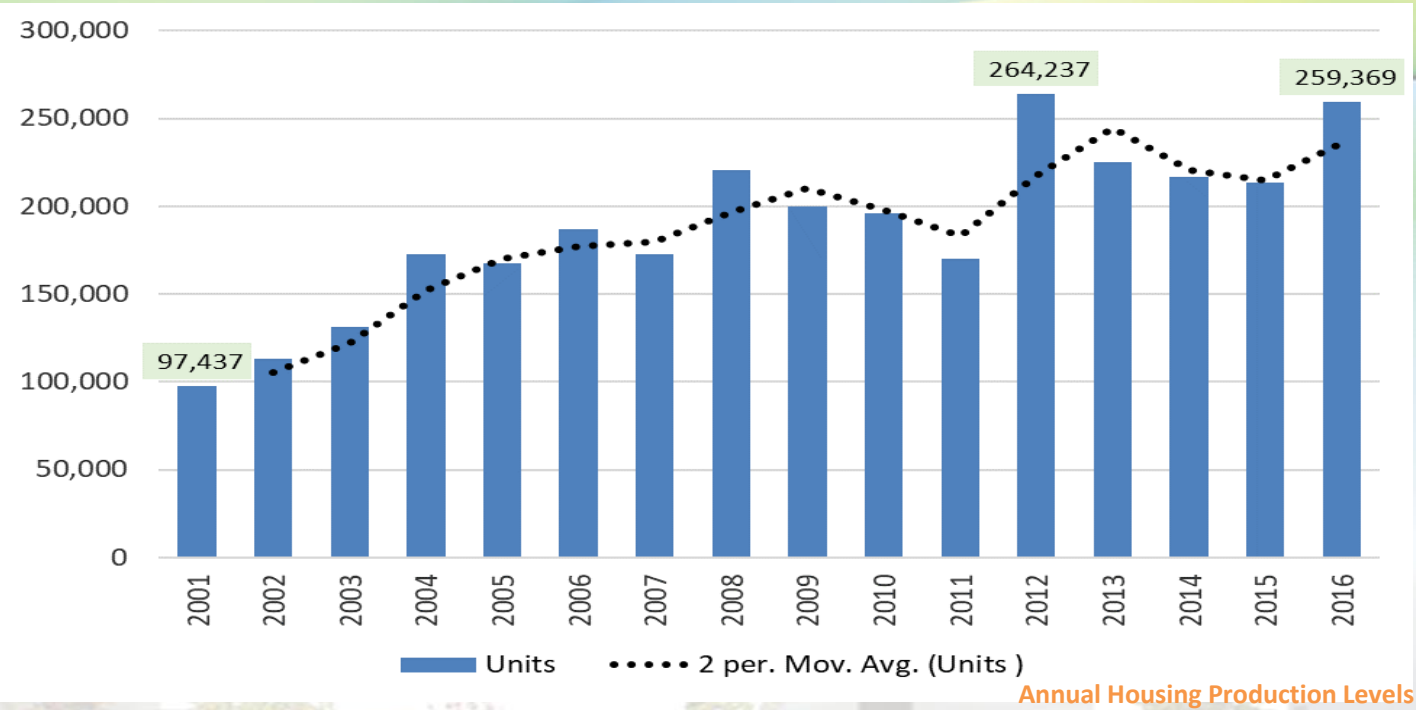
In **2016**, through the lapse into law of **Republic Act No. 10884**, otherwise known as the **Balanced Housing development Program Amendments**, the definition of socialized housing is expanded to include residential condominium units.

Balanced Housing Development Program

UDHA provides for the **Balanced Housing Development Program**, whereby owners and/or developers of proposed subdivision and condominium projects shall be required to develop an area for socialized housing (**"compliance project"**) equivalent to at least:

Subdivision	Condominium
15%	**5%**
Total area, or total project cost	Total area, or total project cost

Through the Years: Private Sector Contribution to the Production of Affordable Housing

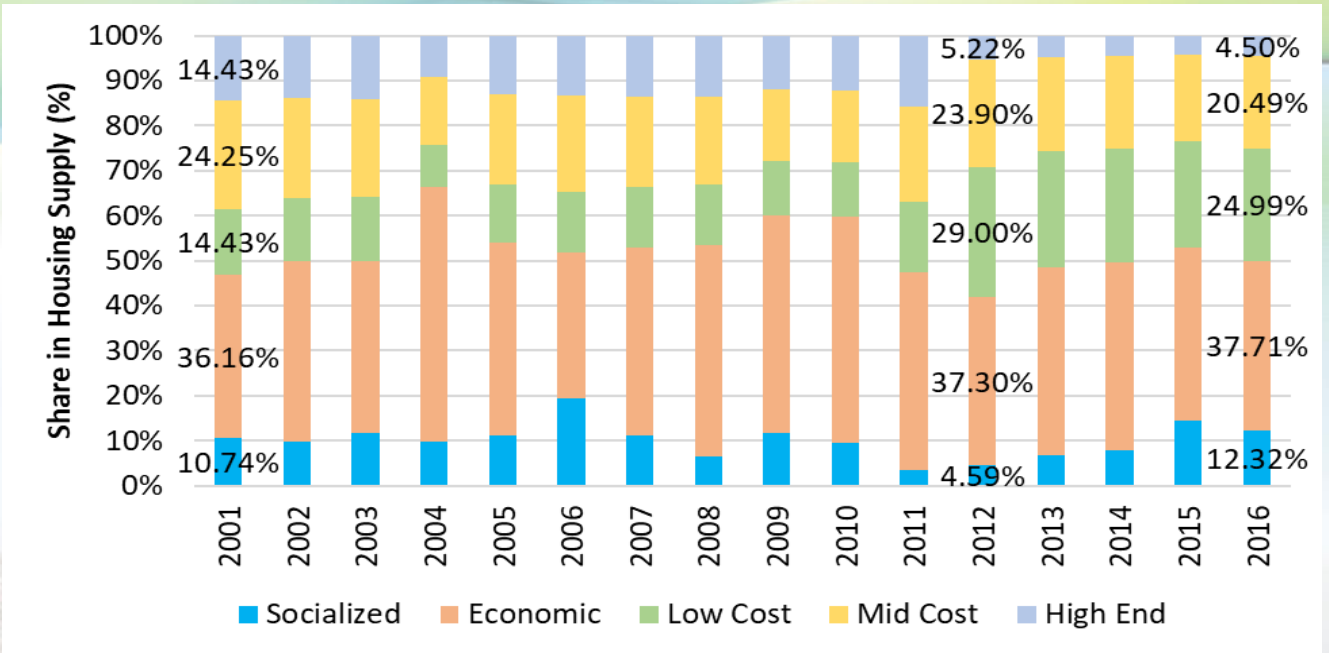


Annual Housing Production Levels (2001-2016)

Source: Housing and Land-Use Regulatory Board (HLURB)

Note: Units counted are PD 957 and BP 220 residential units for House & Lots, Lots, House & Lots and Lots, as well as condominiums.

Through the Years: Private Sector Contribution to the Production of Affordable Housing



Share per Segment in Total Housing Supply

Source: Housing and Land-Use Regulatory Board (HLURB)

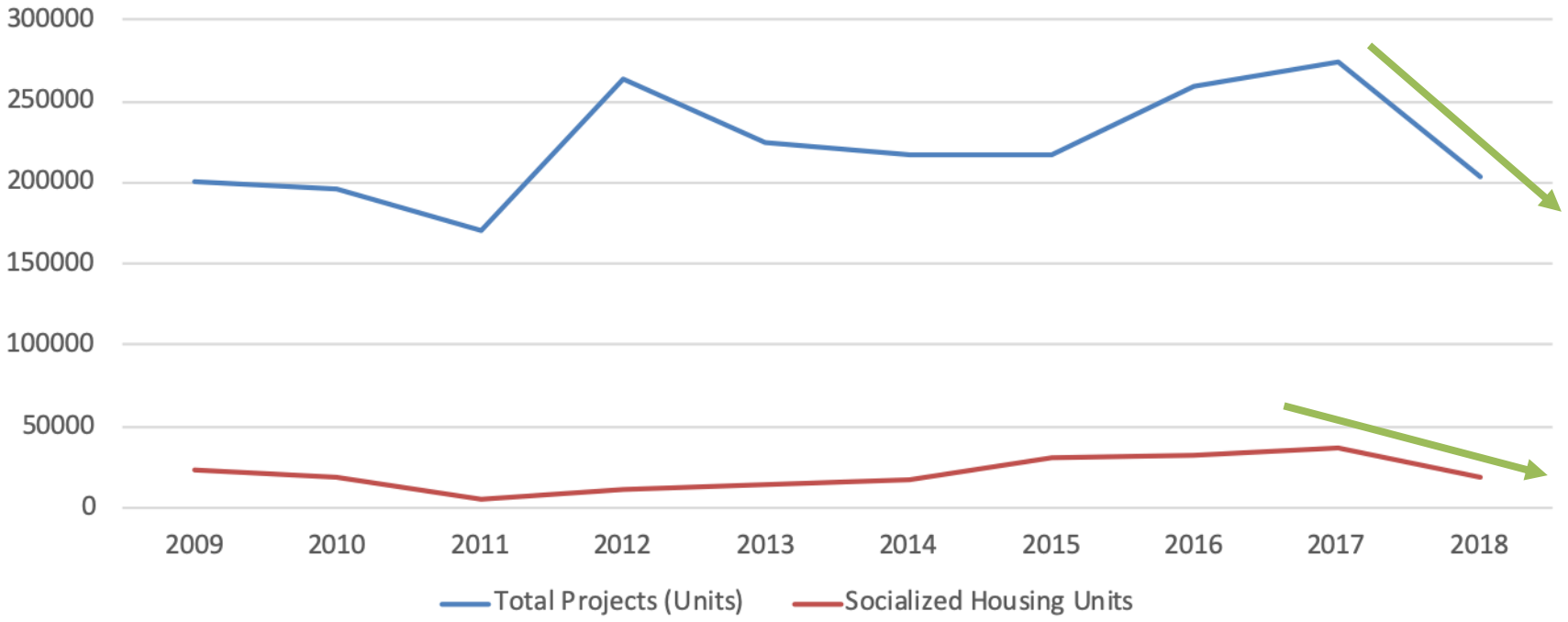
Note: Units counted are PD 957 and BP 220 residential units for House & Lots, Lots, House & Lots and Lots, as well as condominiums.

RECENT DATA: Private Sector Contribution to the Production of Affordable Housing

YEAR	TOTAL PROJECTS (UNITS)	% increase/ decrease	COMPLIANCE PROJECTS (UNITS)	% increase/ decrease	SOCIALIZED HOUSING (UNITS)	% increase/ decrease
2009	200,124	-9.35%	35,875	10.37%	23,470	62.06%
2010	195,807	-2.16%	33,869	-5.59%	18,733	-20.18%
2011	170,379	-12.99%	29,638	-12.49%	6,044	-67.74%
2012	264,237	55.09%	33,163	11.89%	12,122	100.56%
2013	225,051	-14.83%	34,267	3.33%	15,143	24.92%
2014	216,503	-3.80%	24,787	-27.67%	16,876	11.44%
2015	216,948	0.21%	19,645	-20.74%	30,786	82.42%
2016	259,546	19.64%	33,575	70.91%	32,005	3.96%
2017	274,545	5.78%	20,775	-38.12%	36,513	14.09%
2018	**204,344**	**-25.57%**	**17,051**	**-17.93%**	**18,270**	**-49.96%**

Source: Housing and Land-Use Regulatory Board (HLURB) Accomplishment Report As of December 2018

Downward Trend: Irreversible or Not?



Observation: Housing Gap Widens

LTS across all types of housing **dropped by 25.57 percent** for 2018 vis-à-vis 2017

Year-on-year growth rate fluctuates, showing percentage change from a decrease of 3.27% in 2005 to an increase of 55.09% in 2012. Percentage decrease of 25.57% in 2018 registers the **lowest since 2001 or in the past 18 years**.



6.57 Million
Housing Needs
HUDCC Data (2017-2022)

To address the housing need, this Administration needs to accelerate production of

1,002,168 Houses

for the next 20 years

but



128,407
Average Annual Housing Production
HUDCC Average from 1988-2019

Challenges in Production

Supply-side constraints include **(i)** limited access to land and dysfunctional land markets resulting in poorly located low-income housing areas too far from employment and livelihood opportunities; **(ii)** unclear and highly bureaucratic land administration, management, and conversion processes that excessively burden the urban poor seeking to regularize land tenure; **(iii)** indirect housing subsidies which distort housing prices and consumer decisions, creating disincentives for the private sector to participate actively in socialized housing; and **(iv)** limited financing available for low income and pro-poor housing production.

From the **demand side**, the major constraints to securing decent, affordable housing are **(i)** the limited ability to pay of the low income and urban poor groups involved; **(ii)** the physical and administrative difficulties encountered by the urban poor in accessing credit for housing and livelihood opportunities; and **(iii)** where microfinance is available, it is often uncollateralized, short-term, and carries significantly higher interest rates.

Source: **Habitat III: Philippine National Report, October 2016, p. 98**

Challenges in Production

Foremost of the problems that have been pestering the housing sector is the **RED TAPE**, which hampers the current system for approving housing projects.



27
OFFICES



78
PERMITS



146
SIGNATURES



373
DOCUMENTS



ESTIMATED PRE-CONSTRUCTION PROCESSING TIME (in months)	NHA	CMP	HDH	Private Sector
	12-30	16-74	12-52	12-51

Source: "Closing the Housing Gap thru eHousing," presented by HUDCC Asec. Avelino Tolentino, III during the 2017 OSHDP National Convention on August 30, 2017

OSHDP ACTION: Proposal to Cut Red Tape

Following our dialogue with HUDCC officials past and present, and after receiving inputs from our members, we submitted our proposal for the issuance of an **Executive Order** to be signed by the President establishing **Socialized Housing Express Lanes** to:

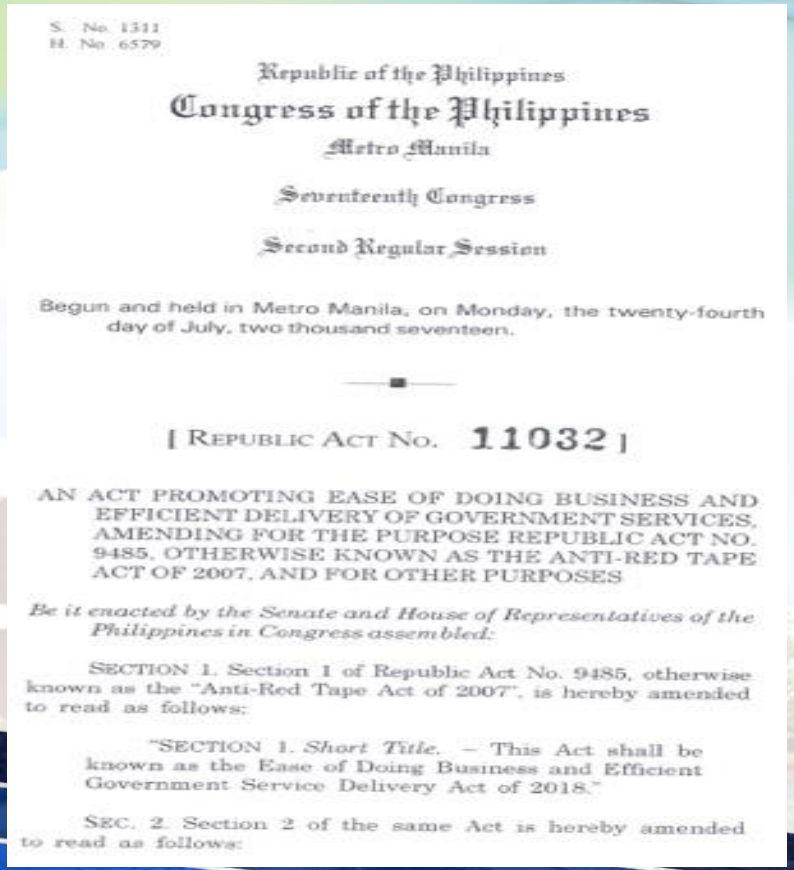
(1)Fast-track processing of permits of projects aimed at direct production of socialized housing nationwide,

(2)Make our sector compliant with R.A. No. 10884 (Balanced Housing Development Program Amendments) and R.A. 11032 (Ease of Doing Business Act), and

(3)Expand the initiatives under E.O. 45, Series of 2001

This will provide immediate relief while authorities are figuring our how to establish **Housing One-Stop Processing Centers (HOPCs)**.

OSHDP ACTION: Proposal to Cut Red Tape



S. No. 1311
H. No. 6579

Republic of the Philippines
Congress of the Philippines
Metro Manila

Seventeenth Congress

Second Regular Session

Begun and held in Metro Manila, on Monday, the twenty-fourth day of July, two thousand seventeen.

[REPUBLIC ACT NO. 11032]

AN ACT PROMOTING EASE OF DOING BUSINESS AND EFFICIENT DELIVERY OF GOVERNMENT SERVICES, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 9485, OTHERWISE KNOWN AS THE ANTI-RED TAPE ACT OF 2007, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 1 of Republic Act No. 9485, otherwise known as the "Anti-Red Tape Act of 2007", is hereby amended to read as follows:

"SECTION 1. *Short Title.* – This Act shall be known as the Ease of Doing Business and Efficient Government Service Delivery Act of 2018."

SEC. 2. Section 2 of the same Act is hereby amended to read as follows:

<u>Proposed Mechanisms</u>:

- Unified Window of Monitoring Applications and Proactively Pursuing Actions on these Applications (*such as the Anti-Red Tape Authority, BOI Assist, E.O. for the Housing One-Stop-Shop*)
- Investment Ombudsman under the Office of the Ombudsman
- Investment Civil Service Commission Officer

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Definition of Socialized Housing (R.A. No. 10884 amending R.A. No. 7279)

(a) Section 3 of Republic Act No. 7279 is hereby amended by redefining paragraph (r) to read as follows:

"(r) 'Socialized housing' refers to housing programs and projects covering houses and lots or homelots only, or residential condominium units undertaken by the government or the private sector for the underprivileged and homeless citizens which shall include sites and services development, long-term financing, liberalized terms on interest payments, and such other benefits in accordance with the provisions of this Act."

Challenges in Production:
Price Ceiling Setting & Adjustments

SOCIALIZED SUBDIVISION PROJECTS	
₱ 480,000	22 sqm. with loft; or 24 sqm.
₱ 530,000	24 sqm. with loft; or 28 sqm.
₱ 580,000	28 sqm. with loft; or 32 sqm.

OSHDP ACTION: Together with other industry associations, OSHDP formally filed with HUDCC an Urgent Appeal for: (1) reconsideration on the new Socialized Housing Price Ceilings in view of the impact of inflation, TRAIN law and the new minimum floor area changes; and (2) Temporary Relief on Socialized Price Ceiling adjustments.

SOCIALIZED CONDOMINIUM PROJECTS	
In All Other Areas	
₱ 600,000	22 sqm.
₱ 650,000	24 sqm.
Metro Manila San Jose del Monte City, Bulacan, Cainta and Antipolo City, Rizal, San Pedro, Laguna, Bacoor and Carmona, Cavite	
₱ 700,000	22 sqm.
₱ 750,000	24 sqm.

- At some point, inoperable and flawed.
- Legal definition is broad to accommodate new models and programs
- Operational Definition of price ceilings and minimum standards may need to be complemented by new models in view of current housing needs and urban development trends
- Note: UDHA was signed into law in 1992 or 27 years ago)
- Review, modify or complement the price ceiling definition.

"Socialized Housing"

Legal Definition vs. Operational Definition

Challenges in Production: Regulatory Concerns

Recent letters by OSHDP to the HLURB spell out the prevailing regulatory issues, mostly relating to socialized housing compliance --

1 Board Resolution No. 965 and Memorandum Circular No. 09 (IRR of RA 10884) – OSHDP appealed for urgent suspension in the implementation of vague, inoperable and/or difficult provisions of these issuances, including the following:

a)Location of compliance projects;
b)Remove requirement of **annotation of compliance project details** in each TCT or CCT;
c)Reconsider **centralized approval of compliance project** at the level of CEO;
d)Reconsider project area computation; and
e)Legal Inquiry as to **Validity of Other Manners of Compliance That Do Not Translate to Actual Production of Socialized Housing** (*consider instead*: Socialized Housing PPP Modality where funds under escrow could be used to produce quality and better SH projects)
f)Extent of Liability of Main Developer in Case of Non-Completion of Compliance Project under JVA
g)Documentary Requirements for Approval of Socialized Housing Project or Program and for Application for CRLS Of The Project
h)Liability of Developers in Case of Non-Completion of Compliance
i)Denial of New Application for CRLS of a Developer for Non-Completion of Compliance Project

Challenges in Production: Regulatory Concerns

Recent letters by OSHDP to the HLURB spell out the prevailing regulatory issues, mostly relating to socialized housing compliance --

2 Revision of BP 220 Standards – OSHDP made the following action:

a)CALL FOR SECTORAL CONSULTATION ON BP 220 REVIEW – formal request for the convening of a multi-stakeholder Technical Working Group (TWG) composed of the private sector, key shelter agencies and other allied agencies and other sectoral representatives to submit recommendations on the details of the amendatory provisions to IRR;
b)COMMENTS ON PROPOSED AMENDMENT TO BP 220 – submitted comments on the establishment of different levels of technical standards and requirements proportionate to the new price ceilings under HUDCC Resolution Nos. 1 and 2, S. 2018;
c)Recall Memorandum dated 11 September 2018, which provided instruction to all Regional Field Offices not to use the new socialized housing price;
d)Recall Memorandum Circular No. 13, Series of 2017 dated 21 July 2017, which reiterates supposed maximum selling price for each HLURB classification of subdivision and condominium projects; and
e)Appeal on the implementation of the minimum lot area with decimal points (centimeter accuracy) set under Resolution 973, considering that its implementation proves to be difficult to achieve on the ground, and thus, impracticable and inoperable.
f)Transitory Provision - Sought clarification on implementation of new standards in transition

Challenges in Production: Keeping Private Sector Incentives in Providing Affordable Housing

TRAIN 1

OSHDP endeavoured to keep the **VAT threshold at P3.199M (H&L) and P1.919M (L)**. While the sector may have succeeded in keeping the same, there remains a need for BIR's issuance of a clarificatory memo regarding the Revenue Regulations implementing Republic Act No. 10963



TRAIN 2

As the bill seeks to rationalize and modernize government incentives through the formulation of a Strategic Investment Priorities Plan (SIPP), it also seeks to lift entirely the incentives enjoyed by the private sector participating in socialized housing. To this end OSHDP entered its opposition.

Other Challenges in Production

DEPARTMENT OF HUMAN SETTLEMENTS AND URBAN DEVELOPMENT (DHSUD)

The IRR has been signed and the transition period has commenced. The transition should not cause business interruption. There must be some reforms done WITHIN the transition to avert the continuing downward trend.

STREAMLINING DAR CONVERSION PROCESS

Given the Palace directive to reduce the conversion process to 30 days, there is a need to execute and implement the necessary Joint Memorandum Circular among the concerned agencies on the matter.

PASSAGE OF A BALANCED AND GENUINE NATIONAL LAND USE POLICY

OSHDP participates in the small group discussions conducted by the NEDA-National Land Use Committee. The SGDs seek to arrive at an executive version of the NaLUA. This bill is certified by the President as among the priority bills.

PASSAGE OF A NATIONAL HOUSING DEVELOPMENT FINANCING ACT

OSHDP participates in the technical working group formed by the HUDCC for the formulation of legislative measure that would augment government appropriations for housing provision. This seeks to increase housing budget, which is currently at its lowest for the past 10 years.

- Private sector representation in:
  - National Human Settlements Board
  - Housing Policy Working Committee
- Public Housing and other modes of socialized housing PPP
- Reset the minimum standards and price ceilings for socialized, economic, low cost, middle income and open market

Department of Human Settlements and Urban Development (DHSUD)



- CHAIRS functions as an independent housing resource center designed --
  - (1) to **initiate and fund research/studies in housing**;
  - (2) to establish a **repository of data**;
  - (3) to **mobilize academe** and research professionals;
  - (4) to institutionalize the **Shelter Journal of the Philippines** and other publications; and
  - (5) to ensure sustainability and support for housing/generate fund.

OSHDP

ORGANIZATION OF SOCIALIZED AND ECONOMIC HOUSING DEVELOPERS OF THE PHILIPPINES, INC.

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