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Since 1971, the Office of Housing of AID has been conducting preinvestment surveys in countries where housing investment guaranty programs are anticipated in order to provide the background and framework for its intervention. These surveys are, in fact, increasingly sophisticated analyses of the shelter sector of each country. Each report is intended to provide the Office of Housing with the information necessary to enable it to answer three primary questions about a specific country:

- . What is the country's capacity to undertake a large-scale housing program?
- . What is the effective demand for housing at a given price level?
- . What is the country's capacity to repay a foreign loan?

To paraphrase the introduction to the scope of work for a recent survey, its objectives are to determine the need for housing at all socio-economic levels of society, to determine the ability of each socio-economic group to pay for housing; to assess the capabilities of the Government to plan and manage large scale housing programs and projects; to analyze the impact of large scale foreign borrowing on the country's economy and its ability to repay; and to assess the ability of the country to absorb large sums of money into the shelter sector industries.

These objectives have been realized with varying degrees of success. Some of the more recent surveys, in particular, provide broad panoramas of the country housing sectors. Some of the earlier ones are more limited in scope and cover only a part of the sector.

These reports provide valuable orientation for anyone becoming involved in housing sector in one of these countries. They should also be useful for comparative studies of housing programs and policies on a regional or world-wide basis.

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Housing Guaranty Program

PRE-INVESTMENT SURVEY

for

THE PHILIPPINES

(With Special Emphasis on  
the Greater Manila Area)

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March, 1972

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	<u>Page</u>
Preface	1
Part I Summary of Findings and Recommendations	3
A. Summary of Findings	3
B. Recommendations	7
C. Issues	9
D. Team Conclusions	13
Part II Housing Needs, Present Activity and Market	14
A. Housing Needs	14
1. The Housing Gap	14
2. Squatters	16
3. Open Market Housing	17
4. Income Levels	19
5. Roots of the Problem	22
B. Government Performance and Priorities	22
1. Low Percentage of GNP to Housing	22
2. Poor Performance	22
3. Lack of Public Funds	23
C. Public Sector Housing	24
1. Government Trust Funds	24
a) The Government Service Insurance System	24
b) The Social Security System	25
c) The Development Bank of the Philippines	25
2. The Peoples Homesite and Housing Corporation	25
3. The National Housing Corporation	27
4. Other Government Involvements with Housing	27
D. Legislative Initiatives	29
1. The National Housing and Urban Development Bill	30
2. National Savings and Housing Fund Bill	30
E. Private Sector Housing	32
1. Profit Enterprises	32
2. Savings and Loan Industry	34
3. Non-Profit Institutions	38

	<u>Page</u>
Part II	
F. The Market	39
1. Preferred Market	39
a) Present Housing	40
b) Mortgage Payment Example	40
2. Alternative Market	41
G. Inflation and Devaluation	42
Part III Technical Feasibility and General Background	44
A. Background	44
1. The Historical Influence	44
2. The Physical Environment	44
3. The People	49
4. The Economy	50
5. Settlement Patterns	51
6. The Greater Manila Area	52
a.) Topography & Climate	52
b.) Population Distribution	55
c.) Planned Urban Development	57
B. Building Construction Industry & Availability of Construction Materials	57
C. Availability of Land	59
D. Method of Construction & Typical House Costs	60
E. Availability of Construction Labor	62
F. Customary Utilities	63
1. Water Supply & Distribution System	63
2. Sanitary Sewerage & Treatment System	67
3. Electrical Supply & Distribution System	68
G. Customary Facilities	69
1. Schools & Recreation	69
2. Shopping Facilities & Job Opportunities	70

TABLE OF CONTENTS - Continued

	<u>Page</u>
H. Typical Homeownership	71
I. Interim Financing	71

<u>Table No.</u>	<u>LIST OF TABLES</u>	<u>Page</u>
1	Philippine Housing Inventory (1960 - 1980)	14
2	Lowest Costs for Urban Housing at Open Market (1970)	17
3	Affordable Housing Costs by Family Income at Current Terms in Pesos	18
4	Income Distribution of Greater Manila Households	19
5	Loans by Philippine Savings and Loan Associations (first five months of 1970)	36
6	Percent Distribution of Loans Granted by All Types of Savings and Loan Associations (1966 and Jan/May 1970)	37
7	Squatter and Slum Population in Metropolitan Manila and other Selected Cities	51
8	Population and Forecast of Development (Greater Manila Area)	56
9	Sources of Drinking Water	67
10	Sanitary Treatment Facilities and Disposal	68
11	Kind of Lighting Used	69

<u>Graph No.</u>	<u>LIST OF GRAPHS</u>	<u>Page</u>
I	Projected Philippine Housing Inventory and Backlog	15
II	Percent of Urban Families That Can Afford Decent Housing at Open Market or With Government Assistance	21
III	Percent of Urban Families That Can Afford Decent Housing at Open Market or With Government Assistance (Showing Housing Guaranty Preferred and Alternative Markets)	43

TABLE OF CONTENTS - Continued

<u>Figure No.</u>	<u>LIST OF FIGURES</u>	<u>Page</u>
1	Philippine Administrative Divisions	45
2	Geographic Location of the Philippines Archipelago	46
3	Average Monthly Rainfall Distribution	47
4	Physical Geography of the Philippines and Rainfall Distribution	48
5	Metropolitan Manila Area	53
6	Urban Development Zones (Greater Manila Area)	54
7	Initial and Interim Pressure Zones	64
8	First Phase Program	65
9	Second Phase Program	66

APPENDICES

- A - Earlier Housing Studies
- B - Source Material on Housing: List of Annexes on File in AID's Office of Housing
- C - "Housing Program" -- Chapter from Four-Year Development Plan, FY 1972 - 75. Republic of the Philippines (Adopted by the National Economic Council, 23 July, 1971)
- D - People's Homesite and Housing Corporation: Summary of Funding Status and Progress Reports as of September 30, 1971.
- E - Summary of 1970 Housing Bill
- F - An Act Creating a National Savings and Home Loan Fund
- G - Dec. 22, 1971 Discussion by Government and Legislative Leaders on Housing
- H - Persons Contacted by Housing Survey Team (Nov. 15 - Dec. 8, 1971).
- I - Construction Materials Cost Data and Typical House Specifications

- 1 -  
PREFACE

This Pre-Investment Housing Survey was carried out at the request of Thomas C. Niblock, USAID Mission Director in Manila. A team of consultants, working under a contract between AID and the National League of Insured Savings Associations, visited the Philippines from November 15 to December 8, 1971.

William J. Nagle, who is now president of Volunteers in International Technical Assistance, had primary responsibility for the writing of Part II; Frederick D. Regetz, who is on the staff of the National League of Insured Savings Associations, had the responsibility for writing Part III. But in making the survey itself and in coming to the judgments and recommendations it contains, the Team worked in tandem. Both men participated in all the major field interviews.

Mission Director Niblock was particularly gracious in providing office space, transportation and secretarial assistance. He assigned Raymond Cohen, Regional Program Officer, to assist the Team. Mr. Cohen participated in many of the key interviews and meetings. The good judgment, common sense, and warm humanity of Ray Cohen were a constant boon to the Team as it made its way through the maze of Filipino society and government.

Terence Arnold of the U.S. Embassy's Economic Section, and his assistant, Charles Angevine, were also very supportive.

The most significant Filipino assistance to the Team came through the constant encouragement received from Senator Helena Benetiz and her very competent staff, particularly Attorney Ester Amor and Dr. Josefina Ramos. Time after time, they interceded for the team in obtaining appointments with government officials.

The briefing the Team received from Mr. Eric Carlson of the U.N. Centre for Housing, United Nations, New York, was especially helpful. Mr. Carlson's report

on his July, 1971, visit was the most recent of many reports from U.N. and other sources on which the Team drew heavily for its own understanding of the complexities of the housing scene in the Philippines. Appendix 'A' places this Survey in the context of earlier studies; Appendix 'B' lists all the major source material used by the Team (to be filed in AID's Office of Housing as Annexes to this report).

All of the persons contacted by the Team are listed in Appendix 'H'. Many in the private sector as well as in the government gave many hours to the team. Antonio Lim and Rene Punzalan of BF Homes, a private developer in Manila, were particularly helpful in providing the Team with up-to-date information on building costs and the housing market. George Jover, Coordinator of the Davao Development Foundation, Inc., Davao City, devoted two full days to acquaint the Team with the housing problems of that area.

The Team found almost all the Filipinos with whom it came in contact uncommonly open and candid and unfailingly courteous. That fact, coupled with the warm spirit of cooperation from both the Mission and the Embassy, made the survey a particularly enjoyable one for the Team.

PART I SUMMARY OF FINDINGS AND RECOMMENDATIONS:

A. Summary of Findings

1. Need In the Philippines only 3 - 5 housing units per 1,000 population are being built annually, as against a need estimated, by the United Nations, of 12 new units per 1,000 population per year. This has resulted in a 2,817,000 housing unit shortage in 1970 and a projected shortage of 4,663,000 units by 1980 - or a need for 470,000 homes a year.

The most dramatically obvious of the housing ills are the vast squatter developments in the urban areas. In the Manila area alone more than 127,000 families occupy illegal squatter areas. A total of more than 183,000 families or 1,102,000 persons in the metropolitan Manila area live in squatter over-crowded slum quarters and squatter colonies.

Eighty-five percent of the housing built in the open market is priced only within the reach of 12% of the upper income families. "Social housing" (needed by 65% of urban families) must be almost completely financed with public funds. "Economic housing," (needed by 23% of urban families) must be supported by the Government through longer term mortgages and lower interest rates than those prevailing in the open market.

The generally low level of income in the Philippines coupled with the high cost of money and the high cost of construction now pose insurmountable obstacles for most people who may wish to build homes.

2. Government Policy and Institutions

In 1968, the Philippines devoted 734 million pesos or 2.6% of the Gross National Product to housing. This compares unfavorably with the 4% or more of GNP devoted to housing by many other countries. The housing problem requires not only increasing the amount of GNP devoted to housing but also redirecting the existing allocation from higher-cost to lower-

cost housing units.

The government has thus far not provided an institutional framework that could mobilize public and private sectors in a coordinated effort to work toward the solution of the housing problem. Government institutions charged with housing functions overlap in jurisdiction and do not adequately carry out many of their functions and powers. Many existing housing problems could be substantially ameliorated with the combined efforts of the existing administrative bodies. But this is not the case.

3. Government institutions charged with housing are:

a. Government Trust Funds

Two Government Trust Funds provide the bulk of mortgage financing for what is termed "economic housing":

i) The Government Service Insurance System (GSIS) makes construction

loans to subdivision companies for land development and housing construction. The GSIS also functions as a source of mortgage funds to enable the 600,000 government employees who are members to purchase house and lot units.

ii) The Social Security System (SSS), using the contributions of its

2,900,000 members (employees of private firms) is authorized to grant housing loans of up to 60% of the cost of house and lot.

iii) The Development Bank of the Philippines (DBP) grants loans to private home builders and local governments for the purchase of landed estates and their resale after sub-division.

b. The People's Homesite and Housing Corporation (PHHC)

Of all the government agencies now in existence, the PHHC is the most likely to make a proposal under AID's Housing Guaranty Program in view of its definite orientation towards social housing for lower income earners.

A major cost difference between PHHC on the one hand and the private developers and the government trust funds on the other is that PHHC has acquired tracts of land and appears willing to sell developed lots at a mark-up considerably lower than is charged by other developers.

- c. The National Housing Corporation (NHC) has attempted to mass produce building components. The initial building components produced by NHC during 1971 are now being used in a 200 unit project adjacent to its factory.
- d. Other Government Involvements with Housing

Involved in policy formulation and coordination on housing are the National Economic Council, the Presidential Economic Staff, and the National Planning Commission.

The Central Institute for the Training and Relocation of Urban Squatters (CITRUS) is involved in housing to the extent of filling its responsibility for the promotion of economic sufficiency and social stability of former urban squatters. Also involved are the National Waterworks and Sewerage Authority (NAWASA) and the National Power Corporation.

The Team found that no one on the Executive side of the Government was in a position to play the kind of intermediary, entrepreneurial role on behalf of a program such as the Housing Guaranty Program. Insofar as that role was played in the course of the survey, it was carried out on the Legislative side of the Government by Senator Helena Benetiz and her staff. It would appear that reform and reorganization specifically related to housing will most likely come from legislation now before the Congress.

- e. Legislative Initiatives

If there is action in the 1972 session of Congress, it will most likely consist of a compromise and consolidation of these two bills.

The 1970 National Housing and Urban Development Bill originated in the private sector. It proposes to make an additional 200 - 400 million pesos (\$1 = 6.21 pesos) per year available for home construction by means of eight new taxes; expand existing home mortgage financing by prescribing liberal terms to low and moderate income families and by establishing a secondary market on home mortgages; and to create a National Housing Authority with four constituent corporations: a National Housing Ventures Corporation to engage in joint ventures with the private sector to undertake low or moderate income housing development; a National Mortgage Investment Bank; a National Trustee Mortgage Corporation; and a National Mortgage Insurance and Guaranty Corporation.

The National Savings and Housing Fund Bill would create a badly needed instrumentality in the Philippines for a secondary mortgage market. A special merit of the bill is that it would be an instrument for mobilizing domestic resources without direct charge on the public budget.

For AID's Housing Guaranty Program the creation of a Savings and Housing Fund has special significance. At the present time there is no appropriate single receptacle for a seed capital loan. The fund could be the recipient for such a loan which, with the other intended participants, could create the secondary mortgage market that is so badly needed.

#### 4. The Private Sector

##### a. Private Builders

Houses in the private sector are being built for 12% of the population having the highest incomes. While the developers in the private sector employ most of the sophisticated promotional and luxury construction techniques found in the United States, a number of builders expressed an interest in providing housing for lower income families under a competitive

housing guaranty program. Some companies would, however, be reluctant to sponsor projects in areas outside of Manila.

b. The Philippine Savings and Loan Industry would probably not at this time figure prominently in a Housing Guaranty Program. None of the associations is sufficiently involved in home financing to be a ready candidate for a sponsor/borrower or administrator role in a Guaranty Program.

c. Non-Profit institutions constitute another part of the private sector that deserves mention, not for what it has yet done in housing but for the potential it has. Philippine Business for Social Progress (PBSP) was established in March, 1971, by three business groups - The Council for Economic Development, the Philippine Business Council and the Association for Social Action - as a common organization for social developments. Each of 119 participating industries and business firms have pledged 1% of their annual net profit before taxes for social development. At least 60% of the amount is to be channeled to the PBSP.

In the opinion of the Survey Team, mortgage money made available through a Housing Guaranty Program could provide the stimulus for PBSP or an associated group to become involved in a low cost housing project, such as the Davao Development Foundation, Inc.

B. Summary of Recommendations:

The Survey Team recommends that AID consider four types of Housing Guaranty Programs for the Philippines totaling \$28 million:

- A \$10 million seed capital loan to the National Savings and Housing Fund (if it is created),
- A \$5 million negotiated project with a government agency,
- \$3 million for small pilot projects with non-profit corporations,
- A \$10 million competitive program with the private sector.

1. A seed-capital loan. The Team recommends an initial \$10 million seed capital loan to the National Savings and Housing Fund, if it is created. This would establish a badly-needed secondary mortgage market for the Philippines and be of indirect help to those savings and loan groups and other financial institutions which are trying to increase their loan portfolios in home financing.
2. A negotiated public sector project - The Team recommends that AID explore the possibility of an application from the People's Homesite and Housing Corporation (PHHC) for negotiated projects amounting to approximately \$5 million. Of all the government entities involved in housing, the PHHC, in the view of the Survey Team, is the one most likely to meet both the preferred market and the performance standards of AID's Housing Guaranty Program.
3. A negotiated project with a non-profit entity. As noted in this report the Team was favorably impressed with the PBSP and an associated group, the Davao Development Foundation, Inc., which is concentrating on a low income housing project. The Team suggests that AID may wish to tentatively earmark \$3 million of Guaranty Authority for housing proposals from such non-profit groups.
4. A competitive private sector program. The Team recommends that AID consider \$10 million in Guaranty Authority for private sector projects. Announcements of a competitive program should contain specific conditions regarding the income level to be served. In the competition, preference might be given to projects that are tied to industrial development or in certain areas outside Manila (to be identified), since most of the private developers and builders are in the Manila area.

The team recommends that housing be built for the needs of what it has identified as a "preferred market" range of families with annual incomes of 6,000 - 10,000 pesos (\$960 - \$1,600), and has tentatively identified the price at which a minimum marketable house could be built at 20,000 pesos (\$3,100) in Manila and 13,700 pesos (\$2,200) in the provinces.

C. Issues

Proceeding with a Housing Guaranty Program in the Philippines and determination of the overall interest charges payable by home-buyers will depend on resolution of a number of factors.

1. Government Request:

Strong interest and enthusiasm for the HG Programs was evidenced in the Philippine Congress and in the private sector, and in important components of the executive branch. However, principally because there is no one place in which executive branch housing activities are concentrated, a Government request for the program is lacking.

Concurrent with any such request, it is the Team's opinion that the Government must also recognize and be prepared to resolve with AID a number of pre-conditions (as enumerated below) for proceeding with a Guaranty Program.

2. Pre-Conditions:

a. Waiver of grace period on repayment of foreign loans -

The Foreign Borrowing Act (RA#6142, November 12, 1970) placed a ceiling on new loans in an effort to lessen the burden of external debt servicing costs.

Section 2 of the Act reads:

"Provided, further that the total foreign exchange requirement in any fiscal year subsequent to the approval of the Act for servicing of

the total external debt, public and private, shall not exceed 20% of the average of the foreign exchange receipts of the immediately preceding three years, as certified by the Central Bank."

In budgeting and projecting the external debt payments to keep within that ceiling the Central Bank has determined that all new loans require a grace period of some two and one-half years. For example, unless a waiver is obtained, repayments on either interest or principal of any loan contracted now could not begin until July 1, 1974. To date, no U.S. investor has been asked to provide a grace period on payments of interest, although grace periods of several years on repayment of principal are not unknown.

- b. Exemption from Withholding Tax - Section 53 of the National Internal Revenue Code imposes a 35% tax on earnings of foreign investors. Loans from "foreign governments" are among those that are exempt from tax. That is, "income of foreign governments received from their investments in the Philippines in stock, bonds, or domestic securities, or from interest under deposits in banks in the Philippines."

The question is whether a loan guaranteed by AID would qualify as a loan from a "foreign government!"

If the 35% withholding tax applies to a housing guaranty loan, its effect would be to add 2.8% to the mortgage interest charges. However, it can be noted that prior to the Survey Team's departure from Manila, Luis Villabuerte, Senior Vice-President of the Bancor Development Corporation, and Attorney Ester Amor of Senator Benitez' staff had teamed up to work for an exemption. They planned to first ask the Justice Department for a ruling on this section. If the ruling is unfavorable, they are prepared to seek an amendment to the Internal Revenue Code that would exempt loans guaranteed by, as well as loans directly made by,

a foreign government.

- c. Host Country Guaranty - A GOP guaranty for repayment of the U.S. private long-term investment and AID guaranty fee is required by AID. Should the GOP agree to such a guaranty, the most likely guarantor for the Government of the Philippines appears to be the Development Bank of the Philippines. It is the current practice of the bank to add a 1-1/2% charge for its guaranty. However, the most recent word brought back from Manila by UN Housing Advisor Eric Carlson is that Senator Benitez' staff is confident of the Bank's guaranty and sees a possibility of the 1-1/2% charge being waived.
- d. Exchange Fee  
It is the practice of the Central Bank of the Philippines to charge 1% when dollars are exchanged for pesos. This is referred to as "forward cover". At the time of the Team's visit, it was difficult to judge the likelihood of a waiver.
- e. Home Finance Commission - The Home Finance Commission, an agency of the GOP similar to the U.S. FHA, usually charges 1% for its mortgage insurance. This would probably not be necessary for a project under the People's Homesite and Housing Corporation inasmuch as the PHHC is also an agency of the GOP. A question remains as to any such insurance fee being required for a privately sponsored project.
- f. Maintenance of Value and Interest Rate Determination  
Determination of the interest rate to be paid by the home buyer depends on resolution of two issues:
  - i) determination of the type of maintenance of value mechanism; and
  - ii) additional fees to be paid.

Under present conditions the rate of inflation is a serious impediment to savings and to long-term capital investment. While firm and successful GOP measures to counter inflation are basic to long-term economic growth and stability, a maintenance of value technique is also recommended to insure success of the proposed Housing Guaranty Program by insuring against possible decapitalization.

In this connection serious consideration should be given an adjustment mechanism applied both to savings and to mortgages. Mortgage adjustment has been used in such countries as Israel, Brazil, and Chile; and while conditions were different in these countries and the index to be used requires careful individual study, the technique is fundamental to the development of a national self-liquidating housing finance system under existing Philippine conditions.

The technique requires the periodic adjustment of savings and outstanding mortgage balances in accordance with a pre-determined index. The frequency of adjustment and the precise index to be selected must be carefully examined, but generally these should be automatic. The selected index should be statistical (such as cost of living, consumer price or wages and salaries), and the required adjustment should be regular and periodic.

Should it not prove feasible to utilize readjustable mortgages in a Housing Guaranty Program for the Philippines, the cost of inflation and, potentially, of devaluation should be passed on to the home buyer through an additional interest rate component that will provide a sufficient reserve fund for maintenance of value.

D. Team Conclusions:

Proceeding with an HG Program for the Philippines requires evidence from the Executive Branch of the Government of its interest in such a program and its readiness to discuss the pre-conditions enumerated above. Upon receipt of such GOP advice, it is the Team's view that AID should be prepared to enter into discussions with the GOP, at its highest levels, towards resolving the pre-conditions and obtaining the Government's support of the HG Program recommended by the Team, either in whole or in part.

If these requirements are satisfied, AID should be prepared to send short-term consultants to the Philippines to assist negotiated program sponsors in the preparation of an application.

PART II HOUSING NEEDS, PRESENT ACTIVITY AND MARKET

A - HOUSING NEEDS

1. The Housing Gap

The Philippines has a serious housing shortage. The most pessimistic estimate, which relies on the United Nations method of estimating housing needs, finds that of annual construction needs of 12 housing units per 1,000 population, only 3 to 5 are being supplied. This means a 2,817,000 unit shortage in 1970 and a projected shortage of 4,663,000 units by 1980 - or a need for 470,000 homes a year. Table 1 below shows the estimated housing stock for the years 1960 to 1980. It is based on a 1960 housing inventory.

Table 1

PHILIPPINE HOUSING INVENTORY

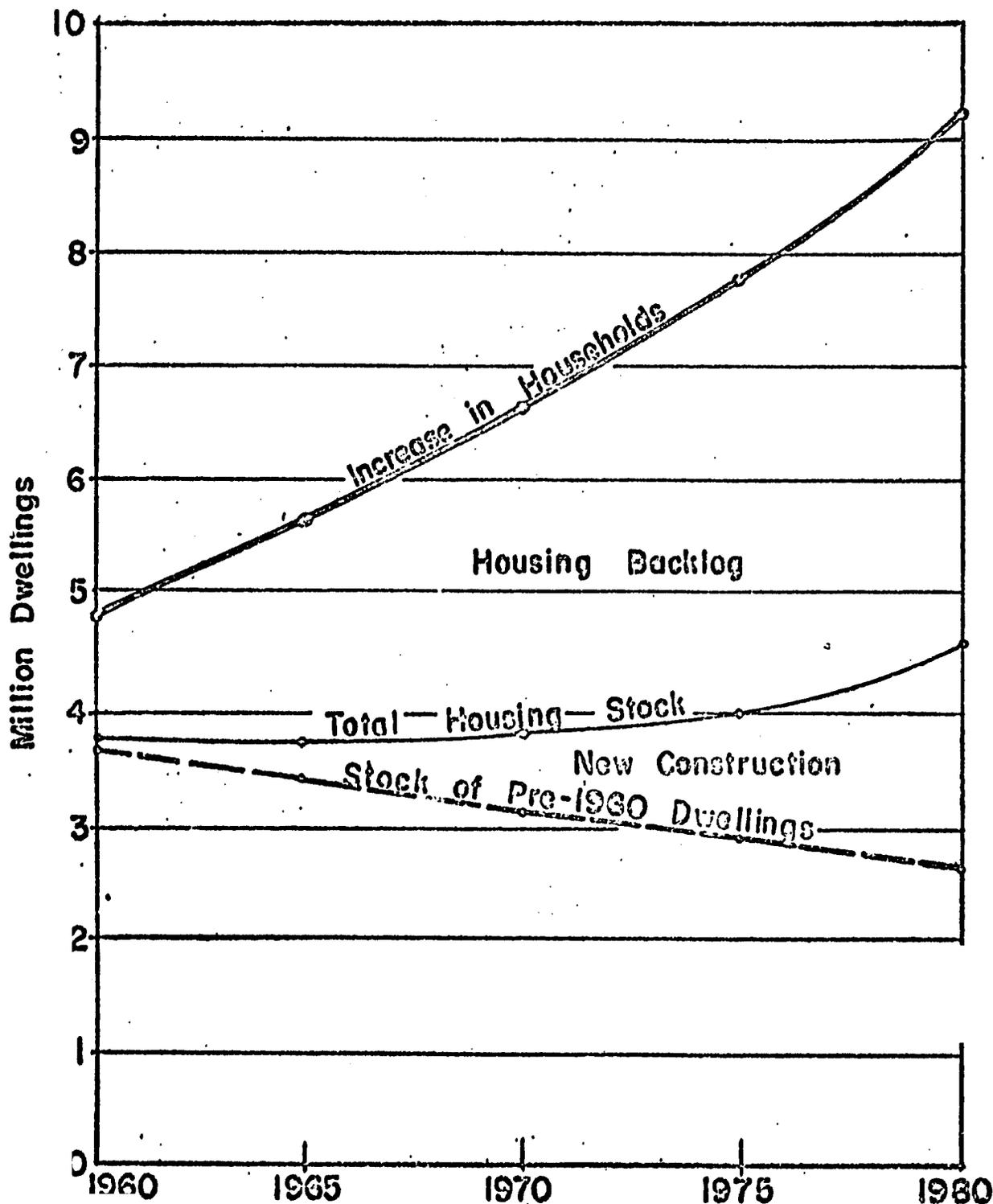
1960 - 1980  
(In Thousands)

<u>Year</u>	<u>Housing Stock</u>			<u>Total Households (Demand)</u>	<u>Housing Backlog</u>
	<u>Pre-1960</u>	<u>New Units</u>	<u>Total</u>		
1960	3,757	44	3,801	4,837	1,036
1965	3,473	308	3,781	5,687	1,906
1970	3,189	673	3,862	6,679	2,817
1975	2,905	1,176	3,981	7,834	3,853
1980	2,620	1,897	4,517	9,180	4,663

Source: People's Homesite and Housing Corporation

Figure 7

# Projected Philippine Housing Inventory and Backlog



This depicts the supply and demand situation of Philippine housing, based on the data presented in Table 3.

A paper produced at the Institute of Planning of the University of the Philippines in 1970 and titled "The New Urban Pioneers", (i.e. the squatters), criticizes the figures used above as having attained "an almost mystic significance" and comments:

"Statements (on the need for 470,000 homes a year) like this could scarcely be more carefully calculated to convince the people and their political leaders that the whole thing is hopeless."

The same paper, in ending as it does with a revised estimated need of 380,000 houses a year, hardly gives cause for optimism. Nor does a more recent analysis\* that bases the housing demand on the 1970 population census. Between housing demand and supply it sees a widening gap that found one in three households poorly housed in 1970 and estimates that if the trend continues, almost half of the 1980 population will be poorly housed.

The same report notes that some people find the housing gap unbelievable because no one seems to be homeless in the country nor are there any reported deaths due to lack of shelter. The climate is such that death from exposure alone is rare. The housing gap represents households living in sub-standard dwellings or, encouraged by the prevailing Filipino extended family system, doubled up.

## 2. Squatters

The most dramatically obvious of the housing ills are the vast squatter developments in the urban areas. In the Manila area alone more than 127,000 families illegally occupy land as squatters with a woeful lack of safe water and sanitation. Added to the 56,000 slum families, the total is more than 183,000 families or 1,102,000 persons in the metropolitan Manila area living in overcrowded slum

\* "The Housing Problem and the Government Effort in the Philippines," People's Homesite and Housing Corporation, Oct. 29, 1971.

or squatter colonies. Estimated to grow at a rate of 12% a year, the squatter population is expected to number two million by 1975. By 1976, there will be an estimated 333,000 squatter families in the Manila area.

3. Open Market Housing

Eighty-five percent of the housing now being built in the Philippines is for the 12% of the families whose incomes are high enough to afford open market housing.

The Economic Development Foundation estimated that what it considered a "decent" house in the Manila area would cost at least 20,000 pesos (\$3,200)\* at 1970 open market pricing. The following table shows what the Foundation considers the lowest costs for urban housing.

Table 2  
 LOWEST COSTS FOR URBAN HOUSING  
 AT OPEN MARKET (1970)  
 (60 sq. m. house on 200 sq. m. lot)

	<u>Metropolitan Manila</u>		<u>Other Urban Areas</u>		<u>All Urban Areas</u>	
	<u>Sq. m.</u>	<u>Total</u>	<u>Sq. m.</u>	<u>Total</u>	<u>Sq. m.</u>	<u>Total</u>
House	P 200	P 12,000	P 175	P 10,500	P 182	P 10,900
Lot	40	<u>8,000</u>	30	<u>6,000</u>	33	<u>6,600</u>
Total		P 20,000		P 16,500		P 17,500
		(\$3,200)				

\* 6.21 pesos = \$1.00

A house in Metropolitan Manila occupying 60 sq. m. on a 200 sq. m. lot would cost at least P20,000 (\$3,200) of which P12,000 (\$1,920) is allocable for the cost of construction, and P8,000 (\$1,280) for land priced at P40/sq. m. In other urban areas, the minimum price of houses of similar size and design would range from P16,500 to P17,000. The next table shows the affordability of housing based on income levels and different price levels for houses, assuming the prevailing terms of 10 years at 12% interest.

TABLE 3

AFFORDABLE HOUSING COSTS, BY FAMILY INCOME  
AT CURRENT TERMS  
IN PESOS

Annual Family Income	Family Distribution %			Monthly Family Income Allocable for Housing	Price of House affordable, assuming 10 yr. repayment at 12% Interest and 15% Downpayment
	Metro- politan Manila	Other Urban Areas	Average		
over 10,000	14.3	5.1			
10,000	6.3	3.4	833.33	25% - 208.33	18,150
8,000	7.7	4.3	666.66	25% - 166.66	14,520
6,000	7.3	4.8	500.00	20% - 100.00	8,710
5,000	10.3	5.6	416.66	20% - 83.33	7,260
4,000	14.8	12.2	333.33	20% - 66.66	5,800
3,000	9.9	9.2	250.00	20% - 50.00	4,365
2,500	11.9	12.1	208.00	20% - 41.00	3,625
2,000	9.0	12.4	165.00	20% - 33.00	2,875
1,500	5.3	14.4	125.00	15% - 18.75	1,625
1,000	2.4	10.0	83.30	10% - 8.33	725
Below 1,000	0.8	6.5	---	---	---
	100.00	100.00			

Source: Economic Development Foundation; PHHC

At prevailing interest rates only families in Metropolitan Manila earning more than 10,000 pesos (\$1600) can afford the lowest-priced house currently being offered on the open market. In other urban areas, families earning about 9,000 pesos (\$1,440) and above would be able to afford the lowest-priced open market house.

4. Income Levels

Income figures for the Greater Manila area show how few householders can afford open market housing.

TABLE 4

INCOME DISTRIBUTION OF GREATER MANILA HOUSEHOLDS = 457,700

<u>ANNUAL INCOME</u>	<u>% of Greater Manila Households</u>	<u>Cumulative</u>	<u>MONTHLY INCOME</u>	<u>25% of MONTHLY INCOME</u>
Over 20,000 pesos	3.6%	3.6%	Over 1,666	416.50
15,000 - 19,999	2.4%	6.0%	1,250 - 1,666	312.50
10,000 - 14,999	8.3%	14.3%	833 - 1,249	208.25 - 312.25
9,000 - 9,999	3.0%	17.3%	750 - 832	187.50 - 208.00
8,000 - 7,000	3.3%	20.6%	666 - 749	166.50 - 187.25
7,000 - 7,999	2.9%	23.5%	583 - 665	147.75 - 166.25
6,000 - 6,999	4.8%	28.3%	500 - 582	125.00 - 145.50
Below 6,000	71.7%	100.0%	Below 500	Below 125.00

These income figures for the 457,700 households in the Manila area reveal that only 14.3% of them earn 10,000 pesos (\$1,600) or above. Households earning less than 6,000 pesos (\$960) annually, comprise 71.7% of the households in the Greater Manila area.

The problem is even worse than the figures indicate because the average price of houses produced in Manila is almost double that of the minimum priced house. For example, an estimated 5,200 residential units were constructed in Metropolitan Manila in 1969 for a total declared value of 153 million pesos, excluding land. This represents an average cost of 30,000 pesos (\$4,800) per unit. In

reality, the average cost is probably even greater than the 30,000 peso (\$4,800) figure because the declared value of homes tend to under estimate their real values.\*

For the Survey Team's purposes, the most useful summary of housing needs in the Philippines is the following Graph II that depicts the percent of urban families that can afford decent housing at open market or with government assistance. It also provides a useful backdrop for the discussion in the next section on Government efforts in housing.

The graph warrants some commentary. "Social housing" (needed by 65% of urban families) is that which must be almost completely financed through use of public funds. "Economic housing," (needed by 23% of urban families) is supported by the Government through longer term mortgages and lower interest rates than those prevailing in the open market. The financing of economic housing comes mainly from Government employees' contributions to the Government Service Insurance System (GSIS) and private workers' contributions to the Social Security System (SSS). A portion of both funds are used for housing with 20-year mortgages at about 7% interest. The Graph's third column of figures headed "Assisted Housing Cost" refers to this category. Thus, a family earning 10,000 pesos (\$1,600) per year who could qualify for a loan through either GSIS or SSS could afford to buy a 36,900 peso home or twice what it could afford in the open market.

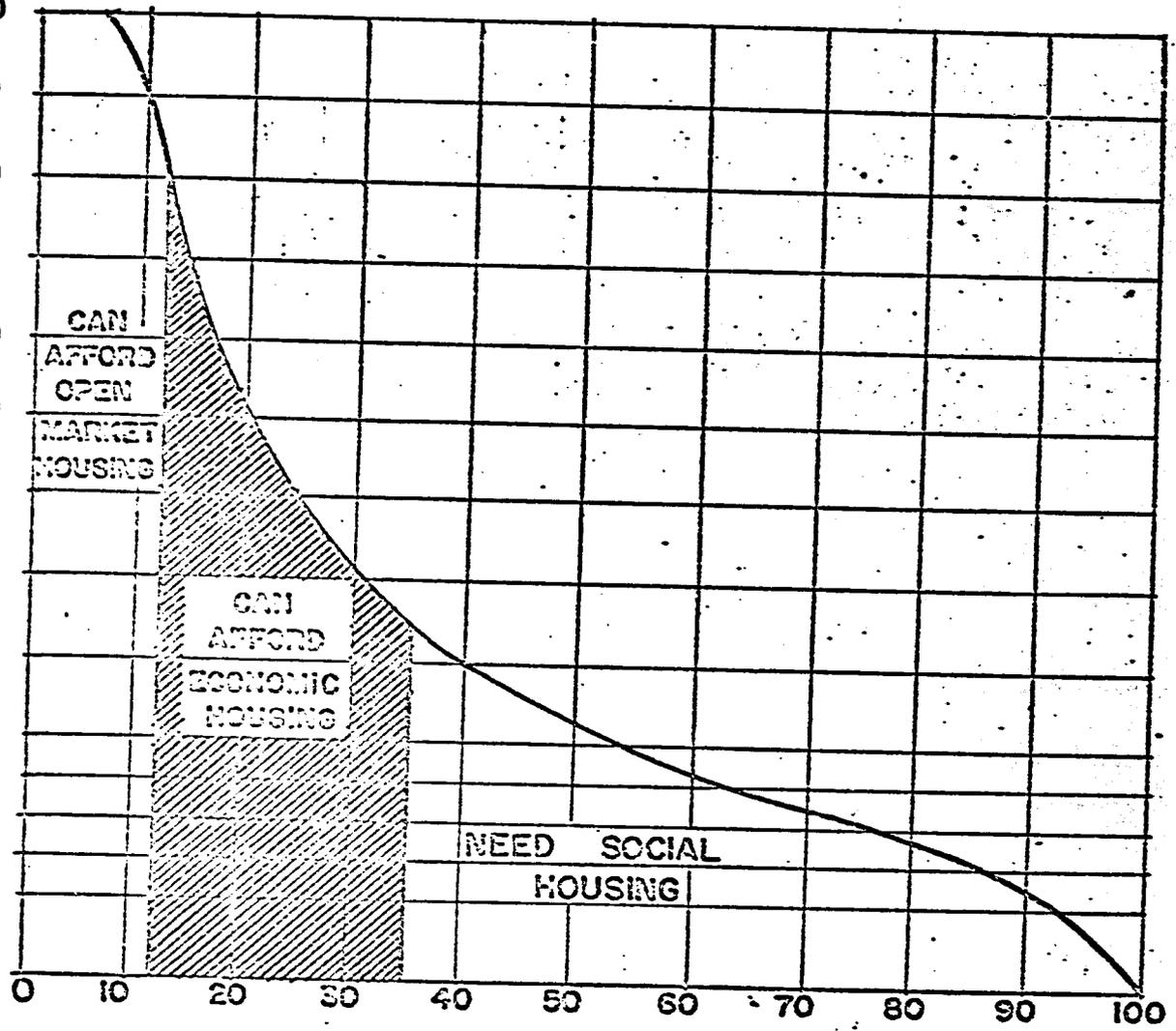
Prevailing costs of "Open Market" housing is cited as 12% for 10 years; however, because of the general practice of discounting mortgages, true interest rates are more likely to be 16 - 17%.

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\* "A National Housing Program for the Seventies," Bancom Development Corporation.

# Percent of Urban Families that can afford Decent Housing at Open Market or with Government Assistance

<u>YEARLY FAMILY INCOME</u>	<u>MARKET HOUSING COST</u>	<u>ASSISTED HOUSING COST</u>
₱12,000	₱21,600	₱44,000
11,000	20,000	40,000
10,000	18,200	36,900
9,000	16,400	33,200
8,000	14,600	29,500
7,000	12,700	25,800
6,000	8,700	17,700
5,000	7,300	14,700
4,000	5,800	11,800
3,000	4,400	8,800
2,500	3,600	7,400
2,000	2,900	5,800
1,500	1,600	3,200
1,000	700	1,500



URBAN FAMILIES

5. Roots of the Problem

The generally low level of income coupled with the high cost of money and the high cost of construction pose insurmountable obstacles for most people who may wish to build new homes.

The Government has not provided an institutional framework that could mobilize both the public and private sectors in a coordinated effort to work toward the solution of the housing problem.

B - GOVERNMENT PERFORMANCE AND PRIORITIES

1. Low Percentage of GNP to Housing

In 1968, the Philippines devoted 734 million pesos or 2.6% of the Gross National Product to housing. This compares unfavorably with the 5% or more of GNP devoted to housing by many other countries. A disproportionately large amount of this 2.6% was devoted to very high cost dwellings of the kind found in the residential suburbs of Manila. As noted in the section on housing needs, 85% of the housing being built is for the upper 12% in income level. The housing problem thus becomes not only one of increasing the amount of GNP devoted to housing but one of redirecting the existing allocation from high-cost to lower-cost housing units.

2. Government Performance

All Government programs over the past 20 years had an average yearly output of only 1,000 units. During the entire period from 1948 to 1966, a total of only 15,000 units were built under these Government programs. Comments an August 1970 paper: "A realistic national urban housing program would have to surpass in its second year of operation this 19-year total of past Government performance."\*

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\*"Toward Council for Economic Development (CED) Position Paper on the Housing Bill," a tentative draft prepared by the Economic Development Foundation for the consideration of the CED Committee on Social Responsibility.

The Four-Year Development Plan, FY1972-75, adopted by the National Economic Council on July 23, 1971, revealed that in benefiting 11,700 families, the 1970 effort was a "substantial accomplishment compared to previous performance," but added "this is still far below the housing need of urban areas." It should be noted that Government-subsidized social housing came largely in the form of re-settling 1,200 families. The bulk of the 1970 Government assistance in housing took the form of loans (7,531) from Government affiliated agencies such as the Social Security System, the Government Insurance System and the Development Bank of the Philippines.

### 3. Lack of Public Funds

The most recent report of the Government's national housing agency, the People's Homesite and Housing Corporation (PHHC) noting that social housing, can only be financed through investment of public funds, states:

"Public funds were made available for housing only twice, the first in 1946 when 5 million pesos was appropriated as the corporate capital of the PHHC, and the second in 1963 when 15 million pesos was appropriated for the Bureau of Public Works for the construction of seven-story tenements."

Against this miniscule level of public investment in housing must be placed the need identified as 65% of the households who require subsidized social housing.

A comprehensive housing bill that originated in the private sector and was introduced in 1970 proposed eight new taxes intended to infuse some 200 million to 400 million pesos into the economy every year for housing. This and other legislative initiations on housing will be discussed later. Suffice it here to note that the Survey Team found little evidence that a housing bill requiring new tax measures would pass the Congress. It is the same list of proposed taxes

that is contained in the "Housing Program" chapter of the new Four Year Development Plan. The list in the Plan is followed by this comment:

"It must be said that a large low-cost housing program depends critically on the financing element. This means that if Congress is not able to fund it through a financing scheme, the achievements can only be small." (p. 220)

It is appropriate to point out that the most certain indicator of any Government's national priorities lie in its budgetary allocations. On this score, despite the massive housing shortage in the Philippines, one is left with the conclusion that housing does not appear to be a high Government priority.

Nevertheless, the brief six-page chapter in the new Four-Year Development Plan provides a useful summary of the projected program of the Government agencies most involved in housing and is included as Appendix C to this report.

## C - PUBLIC SECTOR HOUSING

### 1. Government Trust Funds

The two Government trust funds which have provided the bulk of mortgage financing for what is termed "economic housing" are the Government Service Insurance System (GSIS) and the Social Security Systems.

a) The GSIS -- The GSIS makes construction loans to sub-division companies for land development and housing construction. The GSIS also functions as a source of mortgage funds to enable the 600,000 Government employees who are members to purchase house and lot units. A recent GSIS scheme waives a downpayment by giving purchasers a conditional deed of sale until their monthly installments amount to 20% of the total loan, at which time the conditional deed is converted to a mortgage contract. The GSIS interest rate is 6% for the first 30,000 peso loan and 9% for any amount exceeding 9%. (See Appendix C, for a list of GSIS loan projects.)

b) The SSS -- The Social Security System, using the contributions of its 2,900,000 members (employees of private firms) has granted housing loans to 23,959 families totalling 605.7 million pesos since 1957. By law, SSS is authorized to grant housing loans up to 60% of the cost of house and lot, at 6% interest for 15 years. Through an arrangement with the Home Finance Commission (which operates a mortgage insurance program for individual and developmental loans) the SSS can grant loan terms up to 90-95% of the appraised value of the house and lot at 7% interest payable from 5 to 25 years. (For a list of SSS Housing Loan Projects, see Appendix C.)

c) The DBP -- The Development Bank of the Philippines grants loans to private home builders and local governments for the purchase of landed estates and their resale after sub-division.

## 2. The People's Homesite and Housing Corporation (PHHC)

Of all the Government agencies now in existence, the PHHC is the most likely to make a proposal under AID's Housing Guaranty Program. It, therefore, deserves particular attention in this report.

PHHC was created with a definite orientation towards social housing for very low-income earners. But PHHC's biggest problem has been the inadequacy of funds. Of its 15 million peso authorized capital stock, only 7 million pesos has been paid up by the national Government, and this amount has already been used up. There are no annual fixed budget appropriations for PHHC. Most of its financing comes from either bond funds or loans from Government financing institutions such as SSS or GSIS. But the funds from the latter, requiring repayment, cannot be used for social housing. It was because Government funds for social housing were so slow in coming that PHHC turned to borrowing from the GSIS and began constructing economic housing units on PHHC-owned land. As PHHC itself says in

its own paper, "PHHC at a Glance," this move to economic housing was made "even though the majority of urban families needed social housing." The result, as PHHC points out, was that "the bulk of PHHC-built dwellings went to families with stable incomes far above the minimum wage rate, under the justification that even this group was not being served by private developers."

A law (Outright Sales Law) passed in 1963 directed PHHC to sell its units in housing projects at market value, minus the rental payments already made, to project residents. The result was that PHHC's credit standing and its capacity to repay its loans for economic housing were impaired. The PHHC position was worsened when the SSS and the GSIS started their own low-cost housing program and provided loans to members and later to private developers.

A Housing Guaranty project under PHHC auspices would have the best opportunity of reaching the lowest income level that could afford a regular monthly mortgage payment. The biggest cost difference between PHHC on the one hand and the private developers and the Government trust funds on the other is that PHHC has acquired tracts of land and is apparently willing to sell developed lots at a mark-up considerably lower than is charged by other developers. In an example cited by PHHC, two private developers, dependent on loans from the Government Service Insurance Systems, will sell lots to Government employees in the Queen's Row and Claremont projects at 39 to 45 pesos per square meter as contrasted to PHHC selling prices of 15 per square meter in Caloocan and 21 per square meter in Paranaque.

The second table in Appendix C, the Chapter on Housing Program from the Four-Year Development Plan, FY72-75, is the PHHC Four-Year Housing Program. Appendix D, is a summary of PHHC projects which are on-going, in the pipeline and proposed as of September 30, 1971.

Assuming that the requirements for a successful extension of the Guaranty Program for the Philippines can be overcome, PHHC could be expected to propose \$4 to \$7 million in projects.

3. The National Housing Corporation (NHC)

The NHC was organized in 1968 with the Government trust funds, the Government Service Insurance System and the Social Security System, as well as the Development Bank of the Philippines and the Philippine National Bank contributing a total capital subscription of 100 million pesos.

To be able to mass produce building components, NHC purchased from Hildebrand, a German firm, machines costing DM 64 million capable of producing porous concrete panels, chip board, PCV tiles, a wood working plant and a wood treatment plant. A huge factory complex was built; by early 1971, the plants were ready for test runs. The initial building components produced by NHC are now being used in a 200-unit project adjacent to the factory.

The NHC has been plagued with problems since its beginning. The negotiation with the German firm resulted in a six-month investigation by the Senate Committee on Housing. The biggest current problem of the NHC, as explained to the Team by its new General Manager, is the failure to get the right mixture for the porous concrete panels. He was correct in stressing the importance of the problem; numerous other people interviewed by the Team were highly critical of NHC's failure to solve the problem. It is the porous concrete panels that give the NHC components a clear competitive advantage.

4. Other Government Involvements with Housing

Involved in policy formulation and coordination on housing are the National Economic Council, the Presidential Economic Staff, and the National Planning

Commission. There is also listed a Presidential Assistant on Housing and Resettlement but this position does not currently seem to exist.

The Central Institute for the Training and Relocation of Urban Squatters (CITRUS) is involved in housing to the extent of filling its responsibility for the promotion of economic sufficiency and social stability of former urban squatters. Also involved are the National Waterworks and Sewerage Authority (NAWASA) and the National Power Corporation.

The Team met with a representative of the National Irrigation Administration which for the first time has become involved in the relocation and housing of villagers at a dam site at Rizal in Nueva Ecija.

After describing many of the above agencies in a recent report Eric Carlson of the U.N. Centre for Housing, concludes:

It would appear that whatever housing problems exist at present could easily find solution with the combined efforts of the above-mentioned administrative bodies. This is not the case, however, as shown by the housing shortage which worsens with the increasing backlog in actual construction as compared to estimated needs, and the unabated formation of slums and squatter areas. Many, without failing to recognize other contributory factors, attribute these to the inefficiency of the various organizations to perform their functions effectively.

One of the basic problems is the fact that the government institutions charged with housing functions are in confusion, overlapping in jurisdiction, and do not perform many vital aspects of their functions and powers. There is no cabinet department responsible for coordinated national housing and urban development programs and policies of the government, and no central financing agency for housing and urban development.\*

The Survey Team's own observations and experience substantiate Carlson's conclusion. Because of the lack of any central authority for housing, no one on the executive side of the Government was in a position to play any kind of intermediary, entrepreneurial role on behalf of a program such as Housing Guar-

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\* Recommendations toward a Housing and Environmental Development Strategy for the Philippines (Preliminary report, U.N. Mission on Housing Policy and Financing, The Philippines, 11 July - 5 August, 1971) Eric Carlson's report is on file as Annex C to this report.

anty. Insofar as that role was played in the course of the survey, it was carried out on the Legislative side of the Government by Senator Helena Benetiz and her staff. Reform and reorganization specifically related to housing will most likely come from legislation now before the Congress.

#### D - LEGISLATIVE INITIATIVES

For an extended analysis of current legislative proposals, the reader is urged to read the Carlson report cited above.\* As the Survey Team prepared to leave Manila in December, 1971, Mr. Carlson arrived for the second phase of his effort to assist in the planning and staff work that might lead to new or modified legislative proposals related to housing. If there is action in the 1972 Session of Congress it will most likely consist of a compromise and consolidation of the 1970 National Housing and Urban Development Bill (which originated in the private sector from the Bancom Development Corporation under Sixto K. Roxas III, and which was eventually certified by President Marcos) and S. No. 713, "An Act Creating a National Savings and Housing Fund... etc.", introduced by Senator Helena Benetiz and four of her colleagues.

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\* See also the following documents on file in AID's Office of Housing as Annexes to this report:

Annex A) "Some Aspects of the Housing Situation in the Philippines," Technical Bulletin No. 3. Economic Development Foundation, Inc., June, 1971.

Annex G) "A National Housing Program for the Seventies," Prepared by the Bancom Development Corporation. (This contains much of the substance and rationale of the very comprehensive 1970 Housing Bill )

Annex H) "Towards Council for Economic Development Position Paper on the Housing Bill." A Tentative Draft Prepared by the Economic Development Foundation -- Social Development Office for the Consideration of the CED Committee on Social Responsibility.

Annex L) "National Legislation for Environmental Planning," (Mimeo), Institute of Planning, University of the Philippines.

1. The 1970 National Housing and Urban Development Bill

The Bill proposes to make more funds available for home construction by means of eight new taxes. The Bill also seeks to expand and liberalize existing home mortgage financing terms by prescribing liberal terms for low and moderate income families and by establishing a secondary market on home mortgages. The Bill would also provide for the purchase of mortgages on large projects of at least 500 dwellings to insure the use of mass construction techniques that can reduce costs to home owners.

The Bill would create a National Housing Authority with four constituent corporations: (1) A National Housing Ventures Corporation to engage in joint ventures with the private sector to undertake low or moderate income housing development; (2) A National Mortgage Investment Bank; (3) A National Trustee Mortgage Corporation; and (4) A National Mortgage Insurance and Guaranty Corporation.

A six-page summary of the 102-page Bill appears as Appendix E.

A related Bill that emerged in the same session of Congress was the Housing and Environmental Planning Act of 1970. The Team shares Carlson's criticism of the first bill as requiring too complicated an administrative apparatus and the second bill as not providing explicit enough information on funding. Carlson has recommended a re-drafting and consolidation of these two measures.

By the time the Team left Manila, there appeared a likelihood, as noted above, that these two measures might be combined with a bill to create a National Savings and Housing Fund.

2. National Savings and Housing Fund Bill

The major effect of this Bill would be to create the badly-needed instru-

mentality in the Philippines for a secondary mortgage market. It would constitute a major step toward such a market provided in the U.S. by the Government National Mortgage Association (GNMA). It would be created through contributions from the private sector (the Building and Loan Associations; Savings and Loan Associations; and Savings and Mortgage Banks) that would be matched by contributions of the Central Bank, and the two major Government Trust Funds, the Social Security System and the Government Service Insurance System.

The consensus of those people queried by the Team was that such a bill had a good chance for passage by the Congress. Carlson sees special merit in the Bill as an instrument for mobilizing domestic resources without direct charge on the public budget.

For AID's Housing Guaranty Program the creation of a Savings and Housing Fund has special significance. At the present time there is no appropriate receptacle for a seed capital loan. The Fund could be the recipient for such a loan that with the other intended contributions could create the secondary mortgage market that is so badly needed.

(NOTE: After this section on legislative initiation was drafted, the mail brought an extensively amended version of the Bill creating a National Savings and Housing Fund. It is included as Appendix F.) A meeting on December 22, 1971, called by the Senate Committee on Housing, Urban Development and Resettlement, under the chairmanship of Senator Helena Benitez, brought together most of the key officials from the Executive Branch. A summary of the discussion at that meeting is included as Appendix G.\*

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\* Senator Benitez, in her opening statement at the meeting, said the Fund would be an attractive channel for sound investment of growing public and private sector resources and would serve to more fully mobilize savings.

She said it would serve as an instrumentality for external credit and assistance including seed capital for institutional building and savings promotion. It is of some significance that Gerardo Sicat, Chairman of the National Economic Council, noted that the availability of external credit is subject to the Foreign Borrowing Act. He said a sounder view is to depend on internal resources as against external resources. (If Sicat's view prevails, it would seem unlikely that the Government would remove the obstacles to an AID Housing Guaranty Program that are discussed in Section A of this report). Another negative reaction to the bill came from Governor Gregorio Licaro of the Central Bank of the Philippines, who said that contributions from the Government Insurance System and the Social Security System would not work. Reactions of the other participants in the meeting were generally favorable.

## E - PRIVATE SECTOR HOUSING

### 1. Profit Enterprises

We have noted above that 85% of housing now being built is for the 12% of the population with the highest incomes. This represents significant amount of activity in the private sector. Manila is ringed with new housing developments complete with club houses, and swimming pools. The developers employ most of the sophisticated promotional techniques common in the United States.

If the Housing Guaranty Program were to be opened to competitive proposals it is the view of the Survey Team that at least three developers in the Manila area would enter the competition. The private sector will be addressed in another context in Part III of this report.

One developer that expressed strong interest in a competition for a Housing Guaranty program is BF Homes, a sister corporation to Banco Filipino, and now one of the largest of the home developers in the Manila area. BF Homes' first project in Los Pinos Rizal had 400 homes. The community has a commercial center, a park, children's playground, basketball and tennis courts, community clubhouse, a swimming pool and a general hospital. Construction has begun on another 100-hectare project in nearby Panplona, Los Pinos, Rizal. When completed the two

projects will accommodate some 4,000 families. Two-hundred fifty families have already moved into the Paranaque BF Homes Project. The project will eventually provide for 5,200 families. On the opposite side of Manila, the Caloocan BF Homes project has started on a 36-hectare area. The projects represent a tremendous amount of activity over the past four years. Most of the homes in these projects are in excess of 40,000 pesos for house and lot. Nonetheless, BF Homes would be interested in building a home in the 25,000 peso range if mortgage money under a Guaranty Program were available.

The First National City Bank (FNCB) in Manila is discussing with BF Homes the construction of a town complex on a 400 hectare site located 21 miles south of Manila. Initially, 14,000 lots would be subdivided and 5,000 houses having an average selling price of \$3,400 for house and lot would be constructed over a period of 2 to 3 years. Subsequent development would include sites for commercial and industrial facilities.

The FNCB has proposed that AID consider a \$20 million loan to FNCB under an AID guaranty. FNCB states that if an AID guaranteed loan can be obtained at 7% interest per annum, it could then provide long-term mortgage credit at 10% interest over a 20 year amortization period to prospective homebuyers. It would enter into an agreement with BF Homes whereby BF Homes would finance, acquire and develop the above mentioned land, in addition to constructing and selling the houses. FNCB would make available the long-term mortgage financing from the AID guaranteed loan and service the mortgage portfolio.

It is the Team's finding that while the FNCB plan appears to have merit and might help to stimulate other private financial institutions to do similar projects, the proposal falls within the category of private sector housing. As such, the proposal would have to be considered upon formal application by the

FNCB under a competitive program with all other applicants in response to an announcement formulated by AID and approved by the GOP. Therefore formal consideration of the FNCB proposal is not possible pending AID approval of a competitive program and the issuance of an announcement pursuant to the Team's recommendations and resolution of the requirements for a successful implementation of the Guaranty Program.

It may be noted that it is our understanding that AID policy under its Housing Guaranty Program, has in the past precluded a U.S. private financial institution from acting as borrower and/or Administrator (mortgage servicer) in its previously authorized projects.

The Philippine American Life Insurance Co. (better known as Philamlife) entered the housing field as early as 1952 with pilot projects in Bognio City and Iloilo City. A 600 unit project was built in Quezon City in 1954. The latest housing project of Philamlife is a 55 hectare site in Barrio Pamplona, Los Pinos, called the "Philamlife Village." Originally conceived as a project for Philamlife employees, it will consist of 900 residential lots.

Another company with a good reputation is LNDC, which is a subsidiary of the Bancom Development Corporation, headed by the highly regarded Sixtus Roxas.

A representative of Mantrade, a company primarily involved in industrial building and site preparation, told the Team it was interested in entering the housing field.

In the Manila area there is no shortage of potential competitors for an HG Program. There may be some companies who are reluctant to sponsor projects in areas outside Manila.

## 2. The Savings and Loan Industry

In 1968, when Bernard Wagner served as Chief of Housing and Urban Development

for AID/Manila, he urged that the Mission concentrate its efforts as a first priority on the creation of a savings and loan system for the construction of middle and lower income housing. He explained that the existing savings and loan associations differed from similar associations in the United States. The Philippine variety, unlike their U.S. cousins, were not primarily involved in home mortgage financing. At about the same time, Morris Juppenlatz, in his UN Report, "Housing the People in the Philippines," noted that none of the associations "are in a position to make any substantial contribution to the home construction program because of inadequate capital support, and also because such associations are obliged to operate under the Banking Act, which severely limits their mode of investment. One association president attributed the excessive restrictions to fear of commercial bankers that the savings and loan associations might compete with them for savings. Another UN study, "A Housing Program for the Philippine Islands," prepared for the GOP by UN Advisors Charles Abrams and Otto Koenigsberger, used this strong language:

"The short-sightedness of the government's disinclination to encourage the building and loan associations is matched by its official failure to program any type of savings formula linked to a private long-term mortgage system. The bulk of the limited mortgage-lending comes through direct loans by government sources. Most of the voluntary savings are funnelled into commercial banks and thereafter turned into commercial but not mortgage loans." (p. 32)

The analysis of the Philippines savings and loan associations as made by Wagner and the three UN advisors remains essentially valid today. At this time, the Savings and Loans would not figure prominently in a Housing Guaranty Program. None of them is sufficiently involved in home financing to be a ready candidate for a sponsor/borrower or administrator role for a guaranty program.

The Philippine savings and loans are moving, however, slowly toward a greater concentration of real estate.

A summary of loans granted by savings and loan associations during the first five months of 1970 reveal that only 19% went to real estate. Raymond Navarro, one of the industry's leading spokesman, in providing the statistics, points out that when the stock associations are examined separately, it appears that 33.2% of the stock association investments are for real estate.

TABLE 5  
Loans by Philippine Savings and Loan Associations  
(First Five Months of 1970)

PURPOSE	LOANS GRANTED (All S & Ls)		STOCK S & Ls	
(Amount in Million Pesos)				
	Distribution Per Cent		Distribution Per Cent	
Consumption...P27.43	49.0		1.75	6.5
Commercial ... 11.20	20.0		10.98	41.1
Real Estate... 10.60	19.0		8.88	33.2
Agricultural.. 2.33	4.0		2.04	7.6
Industrial ... 0.94	1.6		0.93	3.5
Others ..... 3.59	6.4		2.16	8.1
<b>TOTAL .. P56.09</b>	<b>100.00</b>		<b>P26.74</b>	<b>100.00</b>

Another table provided by Navarro\* compares the 1970 figures with 1966, and, according to Navarro, "indicate the growing involvement of savings and loan associations in real estate and home financing.

\* A number of papers and reports by Navarro are on file as Annex P to this report.

TABLE 6

PER CENT DISTRIBUTION OF LOANS GRANTED BY ALL TYPES OF SAVINGS  
AND LOAN ASSOCIATIONS

	1966	1970 <sup>a/</sup>
	(In Per Cent)	
Consumption .....	83.0	49.0
Commercial .....	4.0	20.0
Real Estate .....	10.0	19.0
Agricultural.....	2.0	4.0
Industrial.....	1.0	1.6
Others .....	--	6.4
	<hr/>	<hr/>
	100.0	100.0
	<hr/>	<hr/>

a/ January to May 1970

The most optimistic data on this trend was provided the Survey Team by Mr. Ceslo Bate, Director of the Department of Savings and Loan of the Central Bank of the Philippines. His 1971 "Highlights" paper (included in Annex P) reports that "real estate (housing) loans registered a very sharp climb to 57.1 million pesos compared with last year's 26.9 million pesos." It continues: "This year's aggregate represented the equivalent of 27.1 per cent of the industry's combined loan portfolio."

If the Bate figures are accurate, it would mean a startling jump of 8.1% over Navarro's 19% for the first five months of 1970. The "Highlights" paper from Bate concludes: "With the present trend, it is safe to expect savings and loan associations to reach their goal as a principal instrument for housing finance within a much shorter time."

It would be an understatement to say that not all the Philippine observers of the housing scene share Bate's optimism.

3. Non-profit institutions

Non-profit institutions constitute another part of the private sector that deserves mention, not for what it has yet done in housing but for the potential it has.

In 1969 three business groups - the Council for Economic Development, the Philippine Business Council and the Association for Social Action - began discussions on the need for the business community to collaborate in the establishment of a common organization for social developments. The result was the establishment in March, 1971, of the Philippine Business for Social Progress (PBSP). Each of 119 participating industries and business have pledged 1% of annual net profit before taxes for social development. At least 60% of the amount is to be channeled to the PBSP.

There are some small non-profit enterprises in the Manila area involved in housing, but no major projects. It is the view of the Survey Team that mortgage money made available through a Housing Guaranty Program could provide the stimulus for PBSP or an associated group to become involved in a low cost housing project.

The Team visited one such group in Davao City, Minanao, the Davao Development Foundation, Inc. It is a non-profit corporation established for the socio-economic development of the Davao City area. Its present major effort is to build a low-cost housing project. The 81-hectare site on which some thirty houses had already been built is in an agricultural area some 14 kilometers from Davao City's business area. The Foundation is now relying on financing from such government entities as the Social Security System or the Government Service Insurance System. They are unable, therefore, to provide homes for people not

under one or the other of these retirement systems.

The Davao Development Foundation reflects the kind of enlightened concern for social justice that deserves consideration in any possible allocation of Housing Guaranty authority for the Philippines.<sup>1</sup>

#### F - THE MARKET

The Market has already been addressed in a broad brush manner in the section above on "Housing Needs." It would be useful now to try to pinpoint and identify a market of homebuyers to which a Housing Guaranty Program might most appropriately address itself. For purposes of illustration, the Greater Manila area will be used. It should be understood that any Housing Guaranty Program subsequently recommended would not be restricted to the Manila area.

1. Preferred Market - The Team identified what it would term a "preferred market" of those households with an annual income of 6,000 to 10,000 pesos (\$960 to \$1,600). In the Greater Manila area this income group comprises about 14% of the total (or 63,825 households of the estimated 457,700 households)<sup>2</sup> and represents the lowest income group that could benefit from the Housing Guaranty Program

The Team "prefers" this market because it is not now being addressed by the private sector builders and developers and is only inadequately assisted by the public sector. Its income level is too high to benefit from any proposed social programs, which are directed to the 71% of the Manila area households earning less than 6,000 pesos (\$960) annually. It is too low to be able to afford open

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1 More detail on the Davao Development Foundation and particularly on its housing project is contained in Annex Q to this report on file in AID's Office of Housing.

2 The distribution of these 63,825 households in the Manila area is as follows: Manila: 32,775; Quezon City: 8,625; Pasay City: 3,450; Makati: 3,450; Mandaluyong: 5,175; San Juan: 575; Navotas: 575; Caloocan: 9,200.

market housing at prevailing interest rates and mortgage terms, which presumably are within the reach of those earning more than 10,000 pesos (\$1,600) comprising about 15% of the households.

a) Present Housing

Most of the households in this bracket now occupy apartments (termed "Accesoria" in the Philippines) or are doubled-up in single family homes. Squatter developments aside, present housing accommodation in the Manila area consist of the following:

Total number of buildings containing  
one or more households: 65,572

By type:

Single:	36,239
Duplex:	3,201
Apartment/Accessoria:	21,353
Barong-Barong:	3,499
Commercial:	1,260

b) Mortgage Payment example - An example of a mortgage transaction within the preferred market range might be useful. Estimating a minimum feasible house in the Manila area priced at 20,000 pesos (\$3,100), the following terms would result:

Total selling price:	20,000	Pesos
Downpayment (10%)	2,000	Pesos
Effective loan	18,000	Pesos
Monthly amortization	164	Pesos

The monthly amortization figure of 164 pesos represents a 25 year term of loan at 10% interest per annum and assumes a waiver of withholding tax (2.8%), DBP guaranty fee (1.5%) and Central Bank fee (1.0%). The estimated 10% per annum interest rate includes an additional fee that most likely will be necessary for payment to an Administrator (local fiduciary agent) for servicing the mortgage and

other monthly charges or fees, as applicable, for insurance premiums for fire and extended risk, for maintenance of common areas and for membership in a homeowners association. The estimated 10% per annum interest rate further assumes a readjustable mortgage mechanism (See Part I, Section C.2f of this report).

Calculating that the home-buyer should spend about 25% of his family income for housing, he would need a monthly family income of 656 pesos or an annual income of 7,872 pesos at the time of sale. On the other hand, permitting the home-buyer to spend up to one-third of his income on housing initially (on the basis that subsequent estimated salary increases will lower this ratio over the term of the loan vis-a-vis estimated mortgage adjustments), he will need a monthly income of 492 pesos or annual income of 5,904 pesos at the time of sale.

## 2. Alternative Market

An alternative market would be to move upward on the income scale, thus limiting the market to households with annual incomes of 10,000 to 15,000 or more pesos. Such an alternative may be necessary if the interest costs to the home-buyer even under an HG program rise as high as might be necessary should waivers on withholding tax, DBP and Central Bank fees not be obtained and an additional interest rate component is made necessary (see Part I, Section C.2f) to provide for maintenance of value in lieu of a readjustable mortgage formula.

While not preferable, it could still be feasible for a Housing Guaranty Program to make it easier for households in the 10,000 to 15,000 peso bracket to build homes -- keeping in mind that the 15,000 high figure amounts to only \$3,400.

A look at the annual income figures in Table 4, Section A, above reveals that 8.3% of the 457,700 households in the Manila area fall in the 10,000 to 15,000 peso income category. To the 63,825 households in the 6,000 to 10,000 peso category, this would add 37,989. The total of households in the 6,000 to 15,000 peso

income levels is 101,814. Realistically, a justification to address the alternative market in the 10 to 15,000 peso levels would probably mean that the interest rates would be too high for the 6,000 to 8,000 peso level earners; therefore, the actual market would be correspondingly reduced.

An announcement for competitive private sector projects should specify the lowest feasible income groups. At least one aim of a competitive program would be to encourage the quite active Filipino developers to address a lower-income market than the one to whom they now cater.

Graph III shows the data presented in Section A.4 above augmented to indicate the potential preferred and alternative markets for a Housing Guaranty Program.

#### G - INFLATION AND DEVALUATION

The last several years have witnessed sporadic inflation in the Philippines followed by periods of relative price stability. The consumer price index rose from 111.5 in 1960 to 140.4 in 1965, to 160.4 in 1969 and to 188.2 in 1970 (1955=100). The 1969-70 increase of about 17% was well above the 5/6% average annual rises of the last decade. This was partly attributed to a temporary food shortage and to upward pressure on import prices caused by an almost 40% devaluation. Restrictive monetary and credit policies were used during 1970 to combat this inflation, but prices continued to rise at a high rate (19%) during 1970.

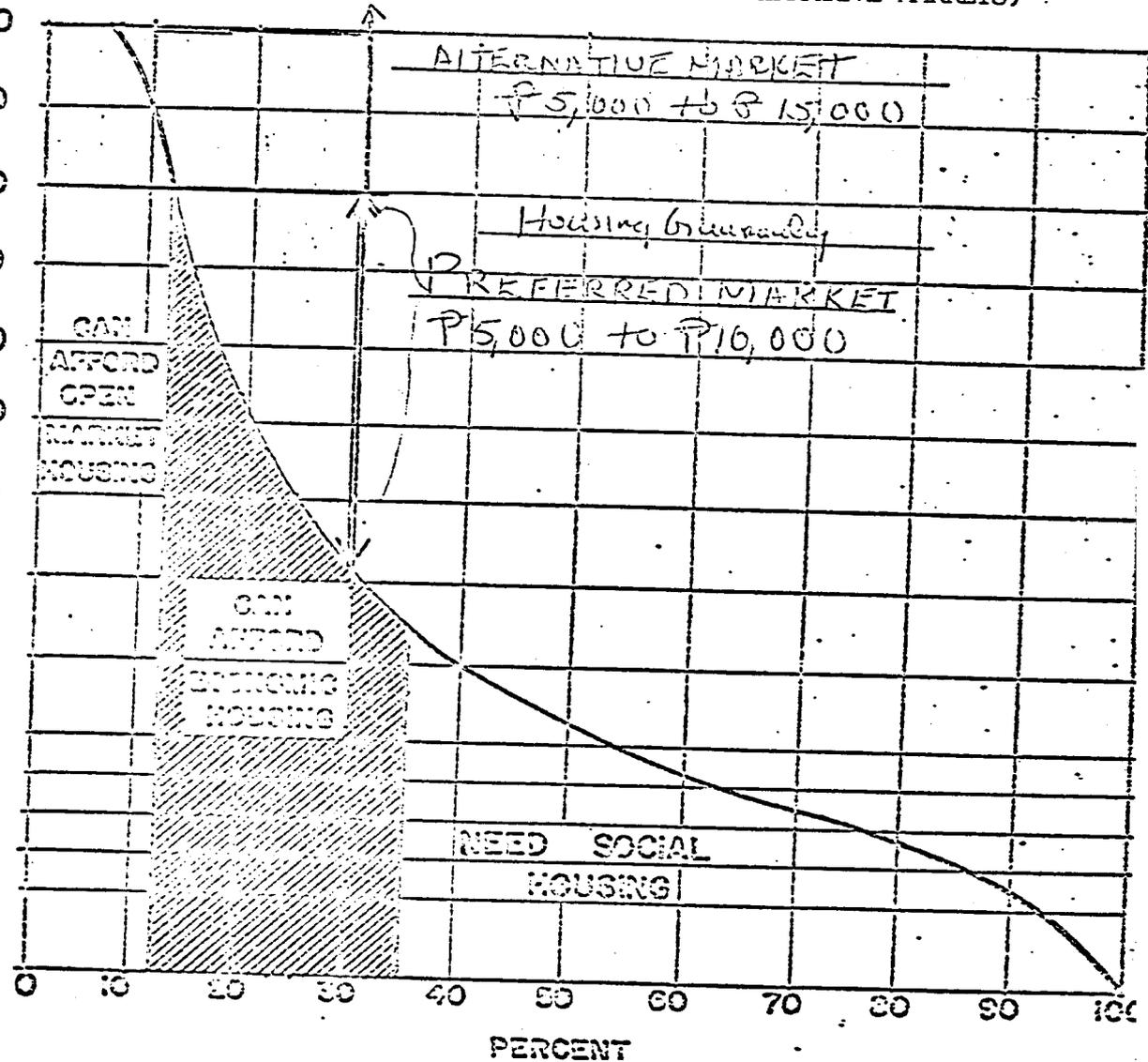
Recent Philippine history has also been marked by problems of currency instability. A 50% devaluation was undertaken in the early 1960s. The February, 1970, exchange reform established a fluctuating exchange rate, whose immediate effect was a 34% devaluation. The peso continued to depreciate during the years demonstrating an overall drop from 3.90 pesos per dollar immediately prior to the exchange reform to 6.435 pesos per dollar in September, 1970, or almost 40%,

# Percent of Urban Families that can afford Decent Housing at Open Market or with Government Assistance

(SHOWING HOUSING GUARANTY PREFERRED AND ALTERNATIVE MARKETS)

<u>YEARLY FAMILY INCOME</u>	<u>MARKET HOUSING COST</u>	<u>ASSISTED HOUSING COST</u>
P12,000.	P21,600	P44,000
11,000	20,000	40,000
10,000	18,200	36,000
9,000	16,400	33,200
8,000	14,600	29,500
7,000	12,700	25,800
6,000	8,700	17,700
5,000	7,300	14,700
4,000	5,300	11,800
3,000	4,400	8,800
2,500	3,600	7,400
2,000	2,900	5,000
1,500	1,600	3,200
1,000	700	1,500

URBAN FAMILIES



a total of about 90% loss in monetary value in less than a decade.

Under present conditions continuing price instability is a serious impediment to savings and to long-term capital investment.

### PART III TECHNICAL FEASIBILITY AND GENERAL BACKGROUND

#### A. BACKGROUND

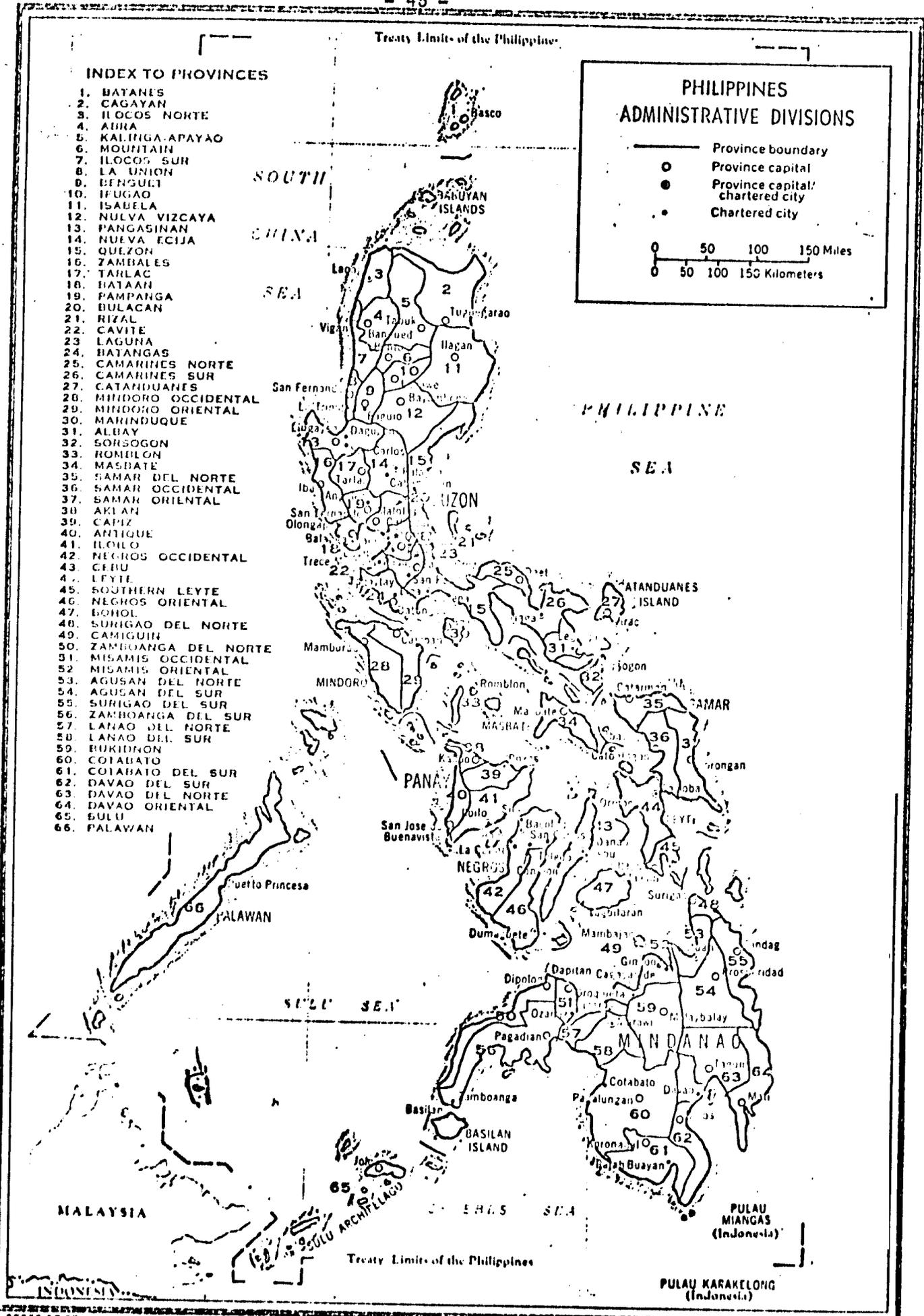
##### 1. The historical Influence

The Negritos, oldest inhabitants of the Philippines, are believed to have come to the islands 30,000 years ago across land bridges. Subsequently, successive waves of peoples of Malay stock populated the islands. Other migrants came in small numbers from South China, Indochina and India. In the 14th century Arabs brought Islam to Sulu and Mindanao, where it still exists. After the discovery of the Philippines by Magellan, a number of Spanish Catholic orders arrived in the islands in the 16th and 17th centuries to establish monasteries and schools and to make widespread conversions.

The Philippines were ruled by Spain from 1565 to 1898 and, after the Spanish-American War, by the United States from 1898 to 1946, with the exception of the Japanese occupation during World War II. The Republic of the Philippines was formally established on July 4, 1946. At this time, the U.S. entered into a 99-year lease for military bases (reduced to 25 years in 1967) and equal right of U.S. citizens with Filipinos in the development of natural resources.

##### 2. The Physical Environment

The Philippines is an archipelago of eleven major islands and about 7,100 small islets, some of which are unnamed and uninhabited (see Figure No. 1). The islands lie about 500 miles off the Coast of China, a little above the equator and scattered in a triangle-like fashion 1100 miles north to south and 700 miles from east to west (see Figure No. 2). In land area, the Philip-



95966 12-67

FIGURE NO. 1

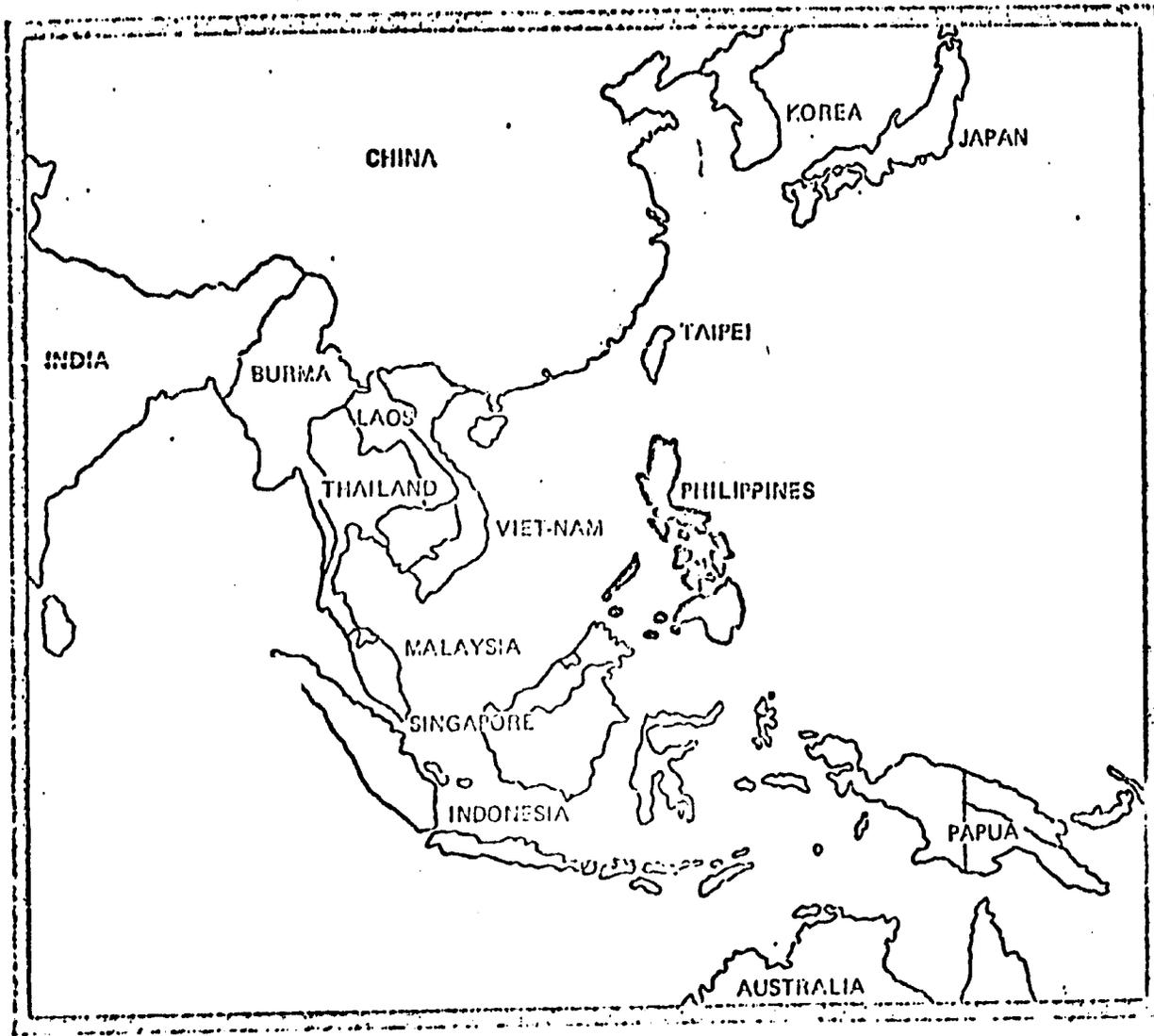


FIGURE NO. 2

GEOGRAPHIC LOCATION OF THE PHILIPPINE'S ARCHIPELAGO

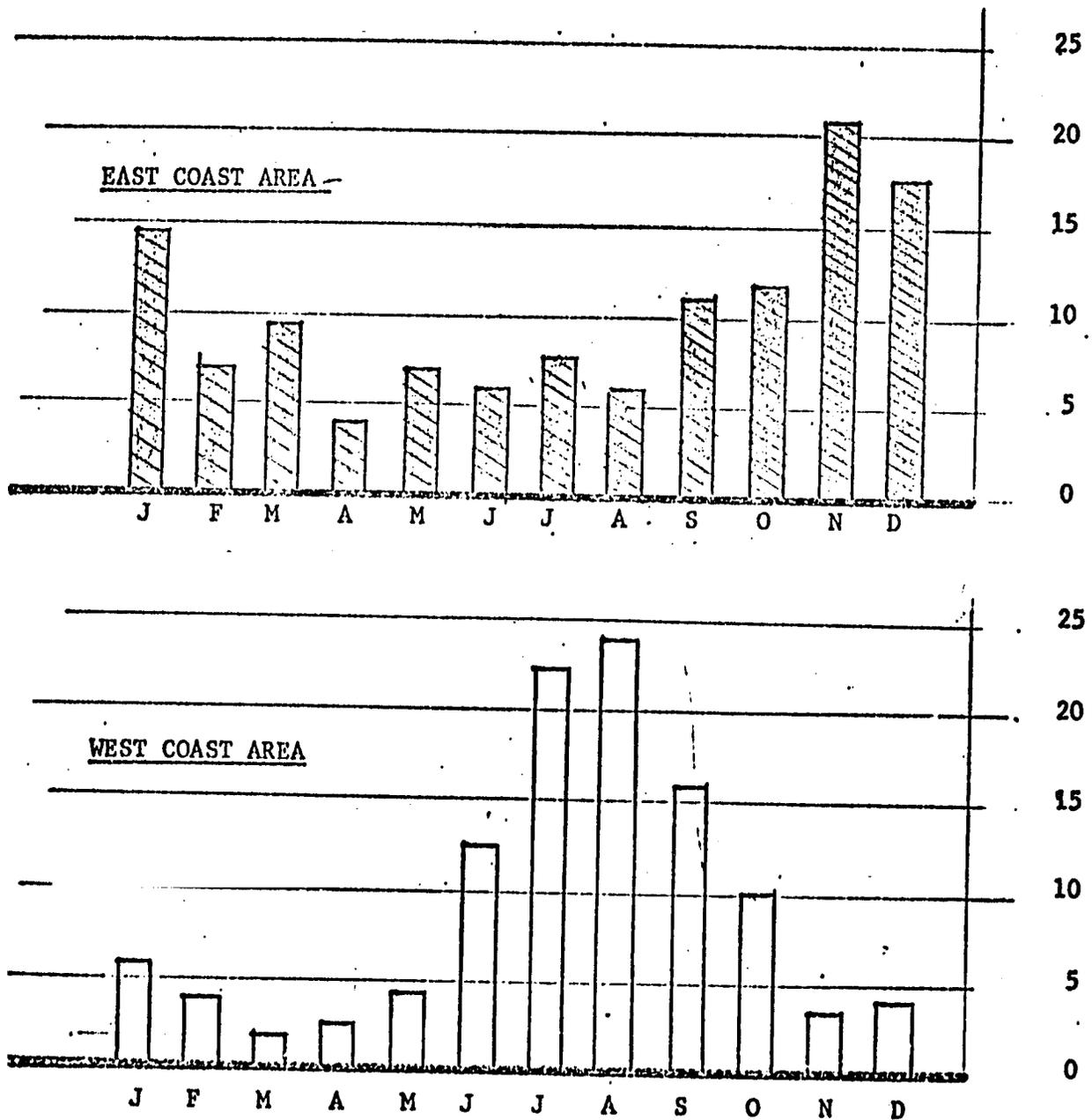
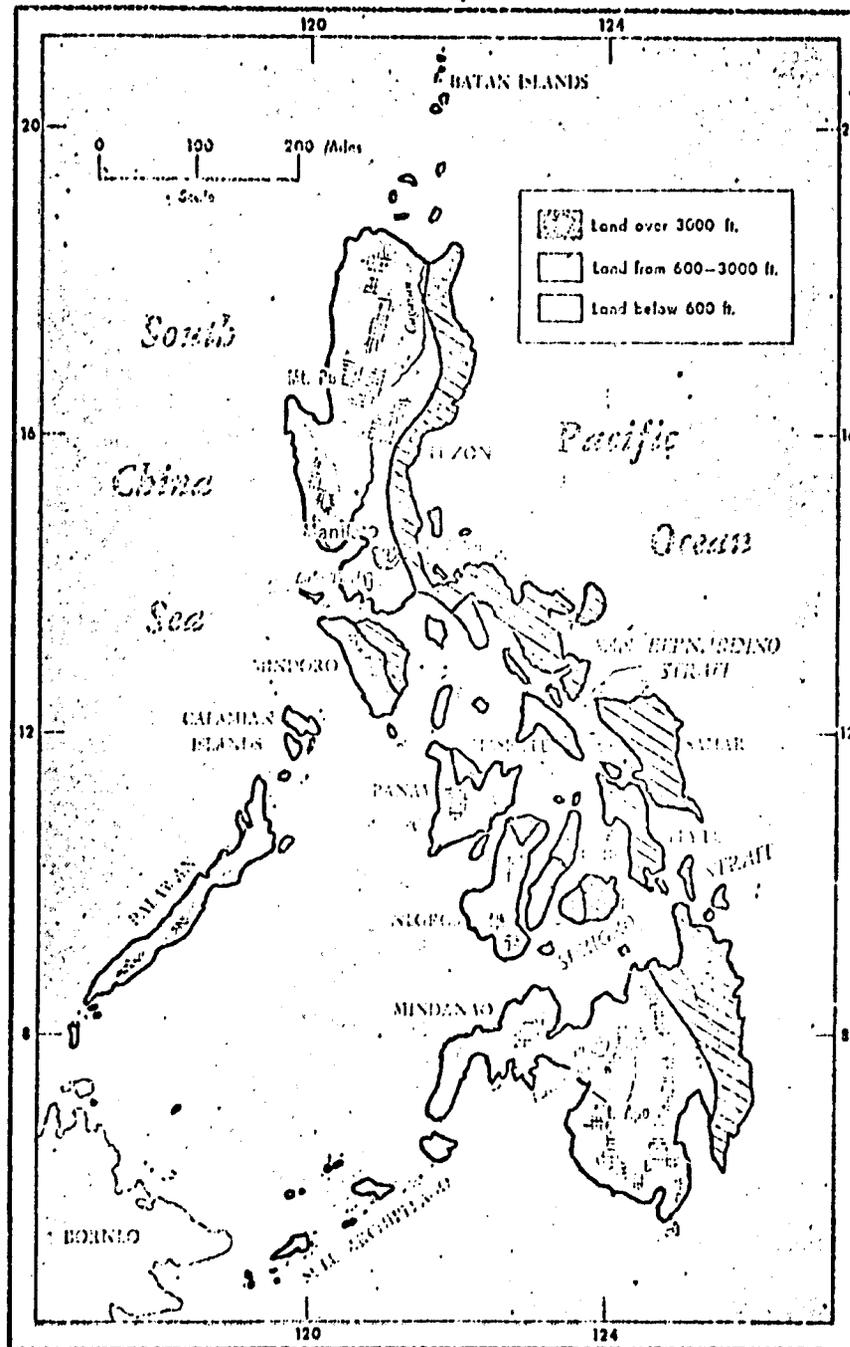


FIGURE NO. 3

inches

AVERAGE MONTHLY

RAINFALL DISTRIBUTION (SEE MAP FIGURE 4)



**FIGURE NO. 4**

**PHYSICAL GEOGRAPHY OF  
THE PHILIPPINES AND RAINFALL DISTRIBUTION**

Philippines is slightly smaller than Japan but larger than Great Britain or West Germany. Its total land area of 116,000 square miles is divided into three geographic regions each about equal in size. Luzon and the attendant islands constitute 36% of the total land area; the Visayas, which lie just south of Luzon compose 30% of the land area; and Mindanao, which borders Indonesia to the south, constitutes about 34% of the total land area. Most of the islands show evidence of volcanic and coral origin. The larger islands of Luzon and Mindanao are mountainous with peaks approaching 10,000 feet above sea level.

The climate is moderately warm, with temperatures ranging from 60° - 90° F. Generally, the days are pleasant and the nights, cool. Being a tropical nation, seasons vary more in terms of rainfall than temperature. (See Figures 3 and 4). Most of Luzon experiences a rainy season from May through October and a dry period the rest of the year. In much of Mindanao and the other southern islands, rainfall is distributed fairly evenly throughout the year. Destructive typhoons visit some parts of the archipelago and many active volcanoes exist. Lake Taal, which is of volcanic origin, possesses an active island volcano and is located about 70 km south of Manila. Its eruption caused 1,335 deaths in 1911 and in 1965 it caused widespread destruction.

### 3. The People

The Filipino is a blend of various racial stocks, basically, Malay, with an admixture of Chinese, Spanish, Japanese, Indian and American. Culturally, the Filipino also represents a blending of Oriental and Western traditions. An Asian in many of his social habits, the Filipino in outlook and goals is nevertheless Western. Approximately 93% of the population is Christian (mostly Catholic) and about 5% Muslim.

4. The Economy

The Philippine economy historically has been dependent on the export of a few traditional products, and in the past has suffered whenever prices of commodities drop. This dependency is less true today. The economy is essentially dualistic with 53% of the population engaged in traditional agriculture, which is inadequate to meet the needs of an expanding population, and a growing minority finding employment in industry. Chiefly the production of consumer goods is largely dependent on imported raw materials.

Farmers still work the land largely as their ancestors did. Output, especially of food crops, remains low. Rice and corn are the main staple foods. Cash crops (mostly coconut products and sugar), are the main support of the export trade, supplying half the value of total exports.

The tropical rain forests are one of its most precious assets. In 1968 the 377 sawmills in the country turned out .4 billion board feet of lumber of which 10% was exported. In November 1971 a paper mill was established in Bislig in eastern Mindanao. This uses many of the formerly unutilized species and the millions of cubic feet of sawmill waste. It is expected that this paper mill will soon be supplying all the paper needs of the country.

Mining is also important because of its contribution to export earnings. Gold, copper, iron ore, chromite and manganese are produced in large quantities. Reserves of chromite are among the most extensive in the world. Although rich in mineral resources, only a small portion of the country has been adequately surveyed for this economic resource.

The overall economy is organized on the basis of private initiative, with economic rewards going to the private entrepreneur. The results of this are more evident in the urban than in the rural parts of the country. The state is largely a bystander and does not assume responsibility for many of the

social and public service needs. There is generally a lack of taxing, spending and regulatory powers.

There also has been a continuing sporadic inflationary problem.

#### 5. Settlement Patterns

The mid-1970 population of the Philippines was 38.4 million with a yearly increase estimated at 3.5%. This growth rate is one of the world's largest with approximately 200,000 new families formed each year. The average family size is 6.1

The Philippines is still a rural nation. Over 70% of the current population lives in rural areas with family income less than \$100/year.

However, as a result of rural-urbanization, practically all urban areas in the Philippines have a large squatter population with its attendant social problems. In the two cities of Butuan and Marawi in northern Mindanao, for example, the squatter/slum population equals almost half the population of the city. Table 1 shows the extent of the squatter and slum population in metropolitan Manila and other selected cities in the Philippines in 1965.

TABLE 7

#### SQUATTER AND SLUM POPULATION IN

#### METROPOLITAN MANILA & OTHER SELECTED CITIES - 1965

<u>CITY</u>	<u>POPULATION</u>	<u>SLUM AND SQUATTER POPULATION</u>	<u>% OF TOTAL POPULATION</u>
Metropolitan Manila	2,685,100	405,000	15%
Bajuio	60,400	15,100	25%
Iligan City	70,000	7,000	10%
Davao City	269,300	26,930	10%
Ozamis City	52,400	13,100	25%
Catabato City	44,600	13,380	30%
Butuan City	97,000	43,650	45%
Marawi City	32,500	14,625	45%

Source: USAID, Housing and Urban Development  
Bureau of the Census and Statistics

There are few large urban areas in the Philippines. Other than Manila, only five other cities - Debu, Davao, Iloilo, San Carlos and Bacalot - have populations of over 100,000.

Urban growth has been concentrated in Manila. In the years between World War II and 1960, while the country's population increased by 40%, the population of Metropolitan Manila increased by over 60%. In other areas of the Philippines the urban growth rate has not exceeded that of the country, as a whole.

#### 6. The Greater Manila Area

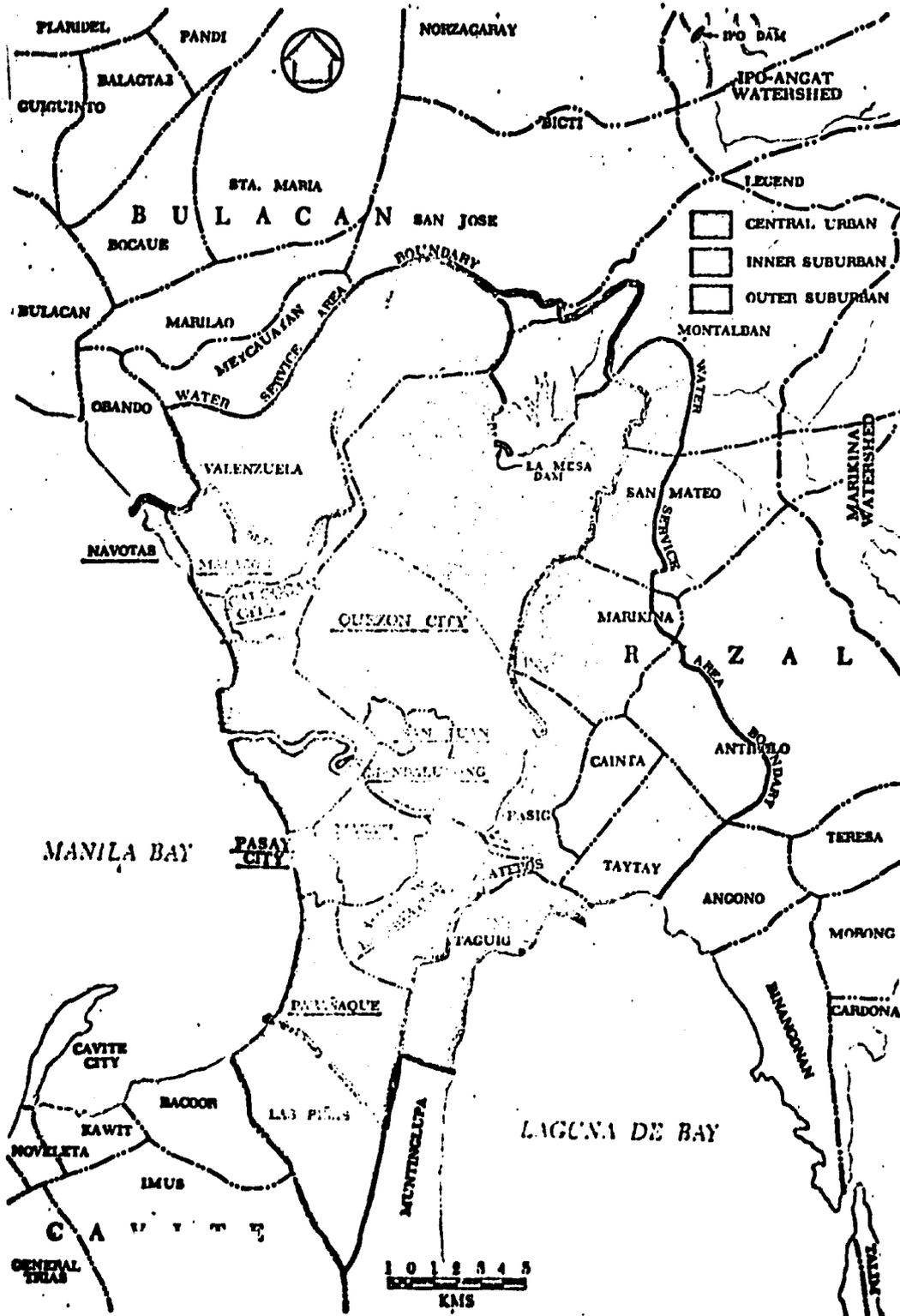
The Manila Metropolitan Area is generally considered to consist of 10 cities around Manila Bay (see Figure No. 5). In a report made by Metcalf & Eddy\* to the National Waterworks and Sewerage Authority it was suggested that three development zones be used in planning for future water needs in the Greater Manila Area (see Figure No. 6). The geographic area represented by these 3 zones will be used in describing the Greater Manila Area.

##### a. Topography and Climate

The Western edge of this area borders Manila Bay and is relatively flat. At about 5 kms from the Bay, the land begins to rise and blends into a series of rolling hills at the Western outer zone rising to an elevation of about 80 meters above sea level. Urbanization is taking place in this semi-circle area having a radius of about 20 kms. The main drainage for this area is the Marikina River which empties into the Pasig River and Laguna Lake. The Pasig River, which nearly bisects the City of Manila flows from Laguna Lake into Manila Bay.

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\* Report to National Waterworks & Sewerage Authority, Volume I, 1968, Metcalf & Eddy, Limited.



**FIGURE NO. 5**

**Metropolitan Manila includes the following cities:**

- |               |             |
|---------------|-------------|
| Caloocan City | Makati      |
| Passy City    | Malabon     |
| Paranaque     | Mandaluyong |
| Quezon City   | Manila      |
| San Juan      | Navotas     |



The area has two pronounced seasons: the dry season, from January to June; and the wet season, from June to January. The average annual precipitation is about 110 inches/year. The temperature on the Fahrenheit scale shows a maximum of 101 degrees, a minimum of 53 degrees, and an average of 81 degrees.

b. Population Distribution

About half of the population of the Philippines is located in Luzon with 2.7 million living in Metropolitan Manila. Only 8 of the 54 provinces have more than one million people. The largest concentration of people is located in the Manila Metropolitan Area with the central city (Manila City) having 1.3 million people. The density of Manila City is about 30,000/sq. km. The area next in density is Pasay City (9,497/sq.km.) located adjacent and south of Manila City. The squatter population in Metropolitan Manila was estimated by USAID in 1971 as approaching 1 million with a 12% annual growth rate. At this rate the squatter population would equal 50% of the population of Metropolitan Manila by 1980. In the report made to NAWASA in 1968 population projections were made to identify water and sewer needs in the Greater Manila area. Using the 3 urban development zones shown in Figure No. 6, Table 8 below shows the population forecast for these 3 zones.

TABLE 8  
 POPULATION AND FORECAST OF DEVELOPMENT  
 (Greater Manila Area)  
 Zones (See figure 6)

<u>Census Year</u>	<u>Central Urban Area</u>	<u>Inner Suburban Area</u>	<u>Outer Suburban Area</u>	<u>Total</u>
1918	285,306	180,974	Rural	466,280
1939	623,495	233,500	160,376	1,017,371
1948	983,906	378,050	194,240	1,566,196
1960	1,138,611	1,000,000	374,213	2,512,824
1965	1,190,000	1,460,000	470,000	3,120,000
1970	1,210,000	2,100,000	670,000	3,980,000
1975	1,230,000	2,890,000	960,000	5,080,000
1980	1,230,000	3,830,000	1,380,000	6,440,000
1985	1,210,000	4,890,000	2,020,000	8,120,000

From an analysis of Table 8, the historical and projected growth rates of the three development zones can be summarized as follows:

1. The Central Urban Zone (Manila City) has undergone a period of rapid growth. Recent growth rates, however, are less than the national growth rate indicating possible saturation and future migration from the Central City.
2. The annual growth rate of the Inner Suburban Zone is now more than twice the national average. This growth rate is expected to level off and resemble the national average by 1985.
3. In the period from 1948 to 1970 the Outer Suburban Zone began to show a growth rate larger than the national average. This is now climbing steadily and is expected to reach a maximum growth rate of two and one-half times the national average by 1985. A further analysis of these figures with respect to age

groupings gives us some indication of the future needs of this population. About 80% of the present population is under the age of 35 and nearly 40% of the population is under 10.

c. Planned Urban Development

There is no official planning agency for the Manila Metropolitan Area. Although future growth projections have been made by both private and public bodies, no overall plan has ever been developed. Only four municipalities around the metropolitan area have zoning ordinances or land use controls and all of them are poorly administered.

There is an indiscriminate mixture of incompatible land uses with industrial plants found side by side with residential areas. Land-grabbing has become a common practice among land speculators as a result of a laissez-faire attitude on the part of the government.

The result is a completely unplanned physical environment for the metropolitan area and an uncoordinated, spotty planning of individual subdivisions. The only bright spot in the future development of the Manila area is the increasing importance and responsibility being given to the National Waterworks and Sewerage Authority. At the present time urbanization is taking place without any overall plan to control water pollution. All future development in the Manila area should be closely related to the timing and development of water and sanitary services for the Metropolitan Area.

B. BUILDING CONSTRUCTION INDUSTRY & AVAILABILITY OF CONSTRUCTION MATERIALS

It has been estimated that about 200,000 new families are formed each year in the Philippines and only about 100,000 new dwelling units constructed. Approximately 80% of all housing starts are by private enterprise. These are for

sale on the open market, although only 12% of the families that need housing can afford to buy the housing that is produced.

There are few problems with respect to the availability of building materials. Reliance on imported materials is limited to hardware items, and some contractors indicated they did not use imported materials at all. There are 6-8 cement plants in the Philippines with four of them located in the Manila area. Many general contractors buy building materials in bulk quantities, subcontract most of the work out, and sell these materials at a big mark-up. In addition to the General Contractor being a materials supplier or "Middle-man", there is a generally accepted "kick-back" system throughout the Philippines. The cost to homebuyers is thus 10% - 15% higher than it should be. With proper public controls combined with the imposed restrictions of the HG program, lower cost housing should be a realistic objective.

The Architectural and Engineering professions are quite sophisticated and well developed. There are two professional journals published on a monthly basis, "The Philippine Architecture and Building Journal" and "The Philippine Architecture and Engineering Construction Record."

There is a Philippine Institute of Architects in Manila, which is highly professional and has recently formed an Architectural Foundation. The expressed purpose of this foundation is "to provide educational programs and research projects which will lead to the development of a culturally relevant man-made environment for the Philippine people."

There is a School of Architecture and an Institute of Planning at the University of the Philippines. Many of the leading architects and engineers have received their degrees from major schools in the United States, such as Harvard and Cornell. The World Health Organization and the United Nations Technical

Assistance Fund have offices in Manila. A Home Builders Association is located here, under the name of "Builders and Developers, Inc." and over 120 Architectural and Engineering firms are listed in the yellow pages.

From the point of view of the competence of a building construction industry, or the professional level of the architecture and engineering professions, there should be no problem in developing a sound housing program in the Philippines.

### C. AVAILABILITY OF LAND

Land ownership in the Philippines dates back to the days of Spanish rule when missionaries came to the islands and established monasteries. Large tracts of land were owned by the Catholic Church, and although some of these holdings had been broken up, it was almost impossible to institute land reforms and have this land given to the tenant farmer.

This phenomenon is not uncommon in most developing nations and the result becomes visible in the urbanizing parts of the world. Development does not take place in any logical, orderly manner. Landgrabbing and land speculation becomes a common practice. The result is quite evident in flying over metropolitan Manila. Urban growth is spotty and uneconomical with uncoordinated subdivisions intensely developed on isolated tracts of land. Large tracts of land go undeveloped, the use of land for farming is neglected, and Squatter colonies proliferate. There is a great amount of developable land within commuting distance to downtown Manila and job opportunities, but some form of metropolitan policy must be established with respect to land use and urban growth.

At 20 km from the central city, raw land costs in the Manila area vary from P5/m<sup>2</sup> north of the city to P20/m<sup>2</sup> south of the city. Three to eight times this figure is used in selling urbanized lots. Private developers readily admit that they make most of their profit (between 100% and 300%) by selling urbanized lots.

It is not customary to have the house and lot under the same mortgage. The people who buy urbanized lots pay exorbitant prices and must wait for a number of years before they can afford to build a house. This effectively eliminates many families from owning their own home because they cannot afford the double payments of renting an apartment and making payments on a lot.

D. METHOD OF CONSTRUCTION AND TYPICAL HOUSE COSTS

The building construction industry in the Philippines is labor intensive, and any attempt to develop mass-production techniques is resisted. There are a number of technical problems being worked out with respect to the production of building components by the National Housing Corporation (See Part II, Section C.3), but both public and private agencies maintain that mass-production techniques are not cheaper than custom built housing.

A typical house costing P20,000 (\$3,100+) would have the following specifications:

Lot size: 200 m<sup>2</sup> = P 8,000

House floor area (3 Br): = P 12,000

Building materials:

- interior walls are double wall plywood
- zinc-weld G.I. roofing
- exterior walls of hollow concrete block
- gang-nail trusses
- clear glass jalousie windows
- Dutch Boy painting
- pre-cast concrete septic tank
- concrete floor slab

A typical house costing P 50,000 (\$7,700+) would have the following specifications:

Lot Size: 360 m2 = 21,500

House Floor Area (3 Br) 100 m2 = 28,500

- terrace and carpet
- 2 bathrooms
- interior walls of 4" hollow concrete block or double wall plywood
- exterior walls reinforced pre-cast concrete panels with a facade of perma-split blocks, ornamental adobe, or synthetic rubble
- floor finish of vinyl asbestos tile for kitchen and dining area, with parquet wood tile for the bedrooms & living room
- windows are a combination of aluminum framed rotor-operated glass jalousies and standard steel casement, swing-out type
- all lumber is termite-proof treated
- pre-cast concrete septic tank
- buyers choice of paint color
- concrete driveway and carport paving
- roof is made of concrete hollow core panels on reinforced concrete beams or G.I. roofing.

House costs vary between P 200/m2 & 400/m2. About P 300/m2 could be used for the Manila Area for standard housing.

More details on the cost of construction materials and typical house specifications are in Appendix I.

In the context of any proposed housing guaranty proposal, we believe that a minimum feasible house in the Manila area could be priced at P 20,000 (+\$3,100).

A minimum feasible house price in the provinces would be somewhat less because

of lower land costs. The Team saw under construction houses in Mindinao costing P11,500(+1,880) for a basic two bedroom home with add-on third bedroom and carport. To this basic cost should be added \$200 - 300 a unit for the cost of a sewerage treatment plant and connections, bringing total house price to \$2,100 - \$2,200 for a home to be financed in provincial cities.

E. AVAILABILITY OF CONSTRUCTION LABOR

The labor force in the Philippines is identified as that population which is 10 years old or older. The rural-urban distribution of this labor force is about the same as that of the population: 70% rural and 30% urban. Although the work force (and the population) is increasing at about 3.5%/yr., the absolute number of people engaged in agriculture has been decreasing while those engaged in non-agriculture occupations is increasing. However, five out of eight households are still dependent on agriculture and related industries.

The labor force is exceptionally young, and there is a general shortage of skilled craftsmen. There is an over supply of professionals such as architects and engineers, many of whom are under employed, but vocational schools are not supplying the need of skilled workers in the building trades and need to be developed.

Minimum wages for common laborers are P8/day (\$1.25) and for skilled workers between P8 - P14/day(\$1.25 - 2.25/day). In general, wages and working conditions are established unilaterally by employers in accordance with local labor supply. Minimum wage laws and guidelines are established by the Department of Labor, but a great amount of work is done on a piece-work basis. On this basis, quality standards and minimum wage rates are difficult to enforce.

The labor movement in the Philippines is highly fragmented and ineffective. The number of strikes per year has been increasing, but the number of idle man-

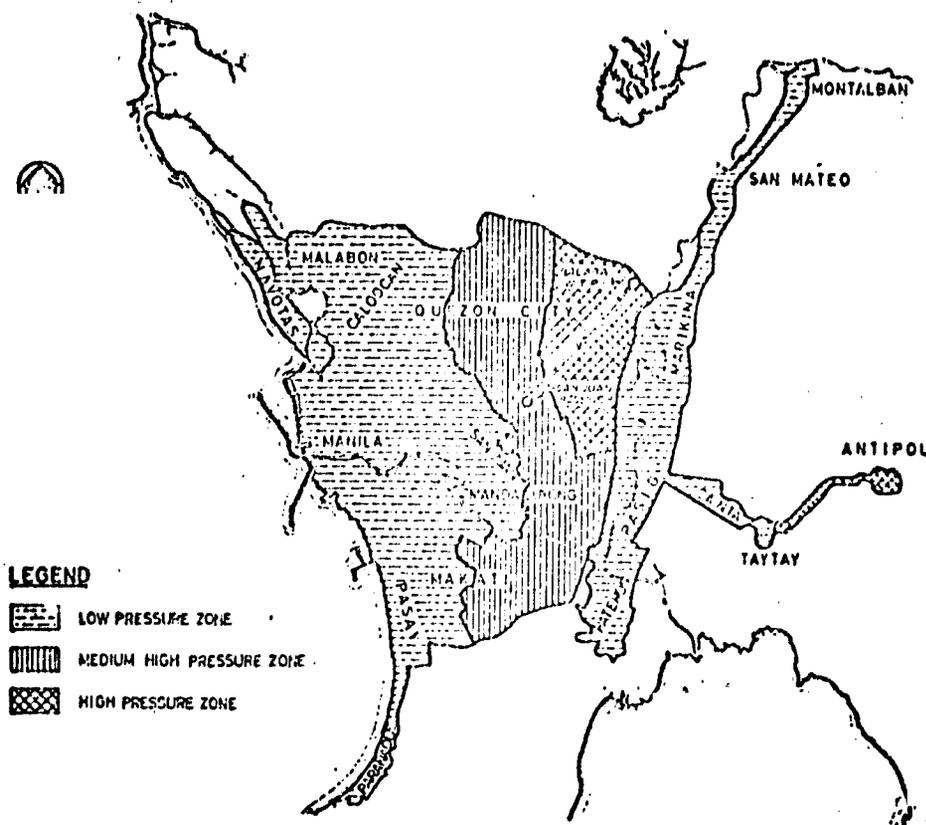
days has been decreasing, largely because of government participation in settling disputes.

F. CUSTOMARY UTILITIES

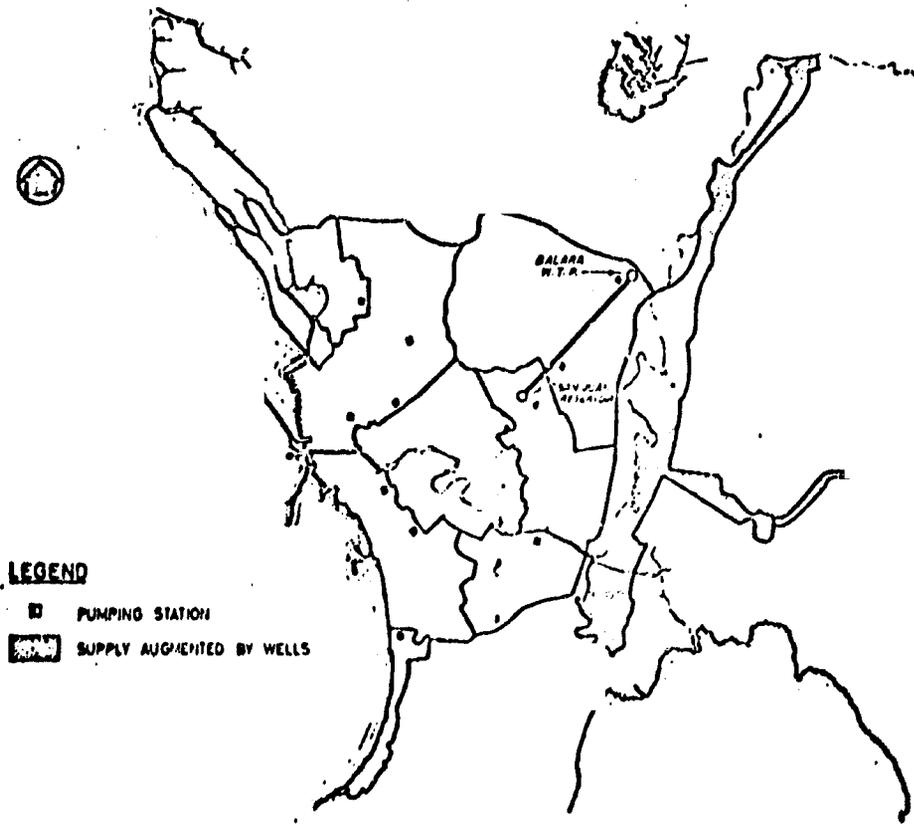
1. Water Supply & Distribution System

Further water supply requirements of the Manila area is expected to increase from 300 mq/day in 1970 to 830 mq/day in 1985. The existing service area is shown in figure 7 which indicates pressure zones and areas served by pumping stations and wells. Existing and interim supply facilities are shown as the First Phase Program (see figure 8). The Second Phase Program (figure 9) is scheduled for construction between 1970 and 1985. The water service area shown in figures 8 & 9 is administered by the National Waterworks & Sewerage Authority (NWSA). Urbanized areas outside of the Manila area must provide their own service. This is usually done on a private basis. In most cases the municipality or province is not willing -- and usually not able -- to provide the service or take over the operation and maintenance of the water supply system. Thus, what is normally considered to be public services, becomes services provided by the contractor on a piece meal, subdivision by subdivision basis.

All of the residents of a subdivision must become members of a Home-owners Association, but it is questionable if they have any control over the rates charged. The water supply is usually adequate for the size of each development which show wells and elevated reservoirs dotting the landscape. Table 9 below, shows the sources of drinking water in the Philippines. As might be expected, the inadequacy of drinking water is more pronounced in rural areas. In the Manila area the demand far ex-



PRESSURE ZONES



AREAS SERVED BY PUMPING STATIONS

EXISTING AND INTERIM PRESSURE ZONES

FIGURE NO. 7

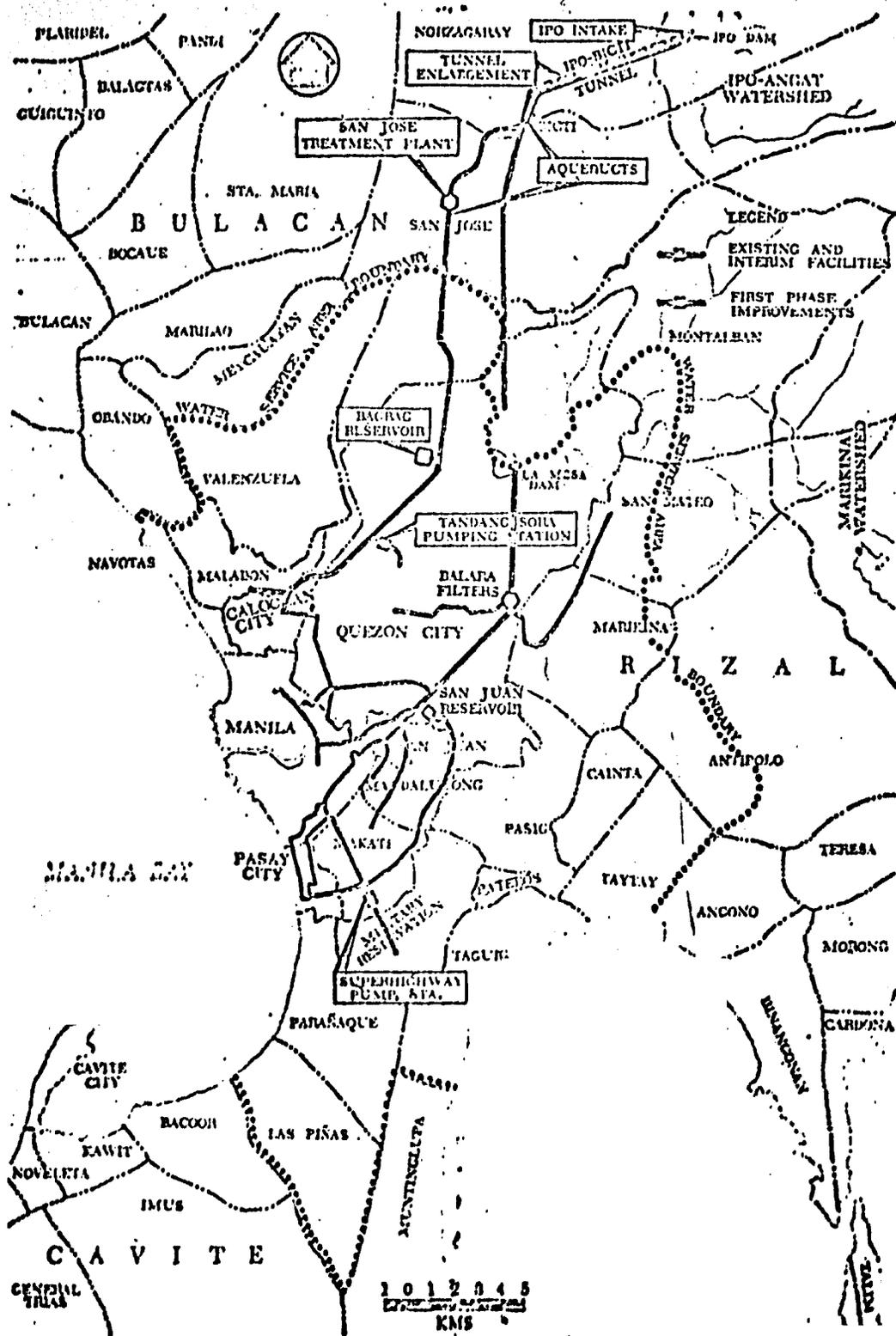
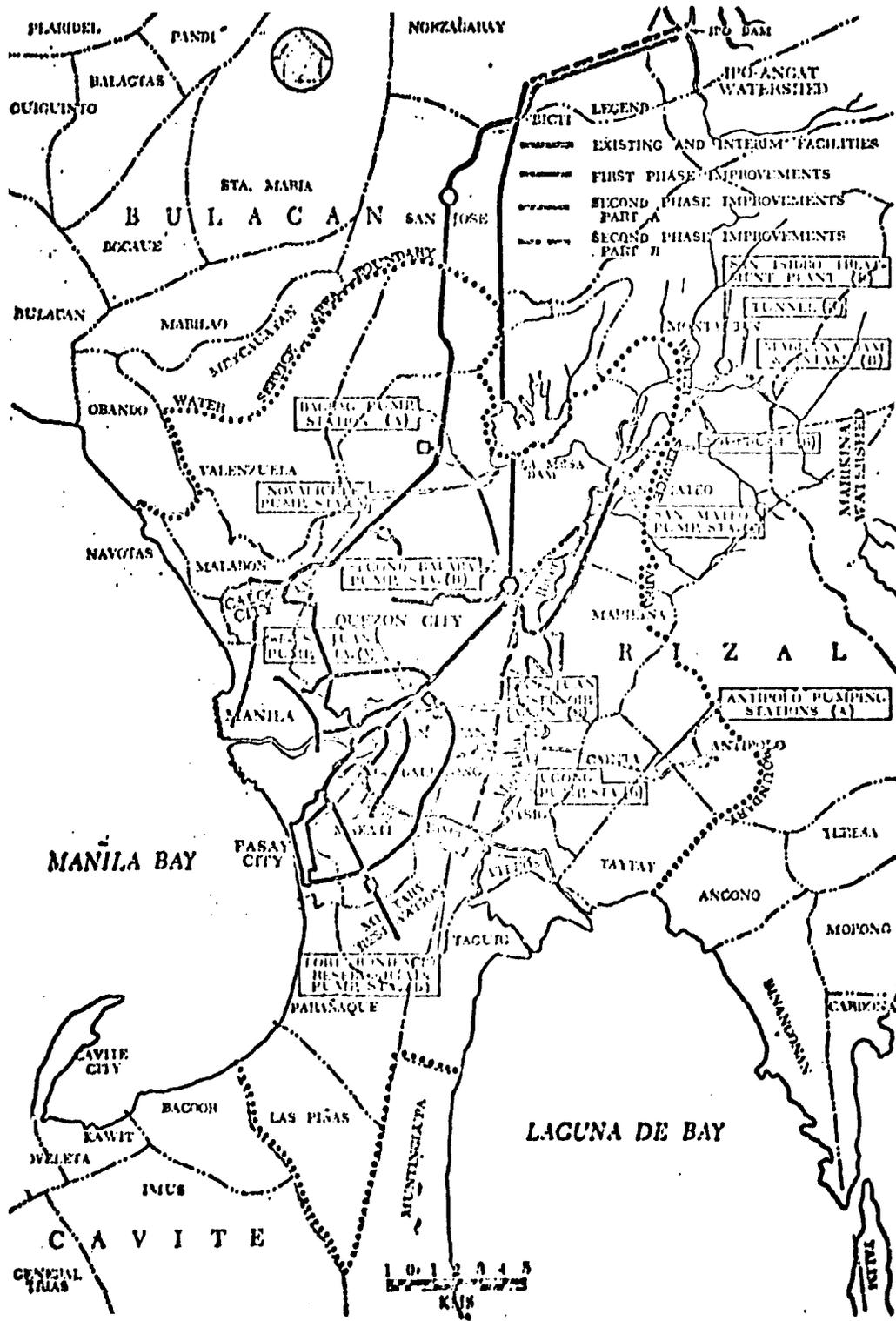


FIGURE NO. 8

FIRST PHASE PROGRAM



**FIGURE NO. 9**  
**SECOND PHASE PROGRAM**

ceeds the supply, and the shortage is aggravated by leaking faucets, misuse of fire hydrants, broken and unlawful water connections.

TABLE 9  
SOURCES OF DRINKING WATER

<u>Sources of Drinking Water</u>	<u>Philippines</u>	<u>Urban</u>	<u>Rural</u>
Water Works	22.9	56.2	8.6
Community drilled well	15.9	13.7	16.7
Home or private drilled well	11.4	13.5	10.5
Open well with pump	11.5	6.9	27.4
Closed well with pump	11.5	6.7	13.5
Spring	11.5	0.8	16.1
Creek, stream, river, irrigation	4.4	0.6	6.0
Rainwater	1.3	1.5	1.2
Total Percent	100.0	100.0	100.0

Source: Journal of Philippine Statistics, July - September, 1968

## 2. Sanitary Sewerage & Treatment System

Greater Manila is a metropolis without a sanitary treatment system. Only 12% of its population is served by sanitary sewers. The rest use either private or community septic tanks; or none at all. Raw sewage is usually discharged directly into esteros or open sewers. Only a few individual subdivisions have secondary treatment facilities. Precast concrete septic tanks is the common method of sanitary disposal with the effluent running into an open ditch or into an existing stream.

Table 10 below shows that in 1968 one-third of the households in the coun-

try had no sanitary facilities of any kind. The sanitary disposal problem is more pronounced in rural areas where over 40% of the households are without any system of waste-disposal. The World Health Organization is in the process of trying to develop better methods of sewage treatment and disposal.

TABLE 10

SANITARY TREATMENT FACILITIES & DISPOSAL

<u>Type of Toilet Facilities</u>	<u>Philippines</u>	<u>Urban</u>	<u>Rural</u>
Water sealed (enamel bowl and cement bowl sitting)	12.8	34.0	3.7
Cement bowl (Squatting)	7.2	14.1	4.2
Closed Pit	26.9	21.4	29.3
Open Pit	17.6	9.4	21.2
Public toilet	1.7	3.8	0.8
Pail System	0.3	1.1	--
None	33.2	16.0	40.7
Not reported	0.2	0.1	0.2
Total Percent	100.0	100.0	100.0

SOURCE: Journal of Philippine Statistics, July - September 1968

3. Electrical Supply & Distribution System

Total electrification of the Philippines became a national policy with the enactment of R.A. 6038 in July 1969. The development of cheap and dependable electric service has been hampered by the reluctance and inability of independent and municipal systems to extend electric power

to outlying barrios and rural areas. Table 11 below shows that only 23% of the Philippine households had access to electric power in 1968. Quite contrasting situations exist between rural and urban areas. However, with the help of USAID, the World Bank and the Asian Development Bank, progress is being made to establish Rural Electric Service Cooperatives in the less populated areas of the Philippines. With proper planning there should be no problem in establishing housing projects in areas where electric service is available.

TABLE 11

<u>Kind of Lighting Used</u>	<u>Philippines</u>	<u>Urban</u>	<u>Rural</u>
Electricity	22.9	62.8	5.8
Kerosene pressure lamps	14.2	10.7	15.8
Other kerosene lamp	57.7	24.1	74.1
Others	5.2	2.3	6.4
Not Reported	0.1	0.1	--
Total Percent	100.0	100.0	100.0

Source: Journal of Philippine Statistics, July - September 1968

G. CUSTOMARY FACILITIES

1. Schools & Recreation

During the period from September 1970 to November 1970 the country was hit by 2 typhoons destroying 7,000 public school classrooms. These disasters made it apparent that there was a need for a typhoon-resistant building in all communities which could serve as a permanent classroom space as well as a focal point for adult education and other community related activities. A local and international effort was made to marshal resources for

reconstruction. Design standards were established and USAID has been providing inspection to maintain quality of materials and workmanship.

Education standards are established by the Bureau of Public Education. Less than 5% of the children in grades 1 - 7 attend private schools with free compulsory education as a constitutional mandate for grades 1 - 4. Children are usually not admitted in school until they have reached 7 years of age. With an average family size of 6.1, about 4 children per family are of school age.

This causes a fairly heavy load on the school and recreation facilities, and this should be taken into consideration when designing a project. In most projects a site for a school building is provided by the developer with the land cost distributed to the salable lots. Open areas for recreation are also handled this way, but maintenance is usually neglected unless the community agrees to maintain the space through the Homeowners Association. The municipality or province rarely takes over the operation and maintenance of neighborhood recreation areas.

## 2. Shopping Facilities & Job Opportunities

Small shopping areas usually spring up adjacent to major urbanized areas. These are usually done with very little capital investment and are operated by a resident of the subdivision. In addition, a large number of small shops and local stores develop in the front yard or as an extension of the dwelling unit. These are operated as a secondary source of family income.

Rarely are the subdivisions big enough or planned in any coordinated way so that shopping and job opportunities become part of the total plan. This kind of planning must be done on the municipal or provincial level, but local government units have not done so in the past.

H. TYPICAL HOMEOWNERSHIP

The single family detached dwelling is the most popular from the point of view of marketability. Some row and semi-detached houses have been built and sold but not without some difficulty. Condominium and cooperative ownership is legal in the Philippines, but very little has been done to promote it. It is usually considered a second-class type of home ownership. Lack of mutual trust and a fear of something new got in the way of increasing housing production through high rise or multi-family structures.

I. INTERIM FINANCING

In the absence of any system for financing land and improvements, most developers finance their own land development operations through speculative profits on incremental land prices realized through installment sales of the urbanized lots.

Short-term commercial loans are available for purchase of materials during the period of home construction.

Bank loans can be secured by land or structures, but it is not the practice to offer the improved property itself as security.

EARLIER HOUSING STUDIES

The Housing problem of the Philippines has received considerable attention over the past 27 years by successive teams from the United States, the United Nations and the World Bank.

Bernard Wagner, who spent a two-year tour with AID/Manila as Chief of its Housing and Urban Development Division, provided a useful summary of those earlier studies. One can almost hear the deep sigh that must have accompanied the frequent comment of Wagner, "No program was implemented."

"In 1946, a U.S. housing advisory mission recommended concentration of housing activities in one agency, annual appropriations for low cost housing, public acquisition of slum areas and their redevelopment, creation of local housing authorities, and undertaking of technical (and social) housing and planning research. Very little of this was implemented.

"In 1951-53 Frank Cordner, U.S. (FAO) expert, made similar suggestions but added the recommendations to make widespread use of 'land and utility type' projects, to provide rental housing, to promote the acquisition of vacant land, and the control of squatter areas. Some of these measures were implemented but the problems grew faster than the remedies that were provided to eliminate or to minimize them. Roy Burroughs, on TDY from HUD (then HHEFA) supported Cordner and made additional recommendations of his own.

"In 1958, two-man team of Abrams and Koenigsberger made recommendations in regard to general housing policy and drew up estimates of housing requirements and targets including the provision of infrastructure. They also suggested the use of multi-story construction for low-income housing, the creation of a sound mortgage financing system, the provision of "core" housing, the better use of local building materials, the improvement of housing administration, the revision of tax policies, and the control of squatter areas. Again, little was implemented and the situation continued to grow worse.

"In 1961 and In 1964, a U.N. self-help housing specialist made recommendations in regard to aided self-help housing program. No program was implemented.

In the spring of 1962, a World Bank team prepared a report on the economy of the Philippines, including housing. The team's recommendations, in some instances, follow those made by the U.N. team of Abrams and Koenigsberger in 1958.

"(Between) 1962 and 1966, Mr. Morris Juppenlatz, U.N. housing and planning expert made extensive recommendations on the organization of a National Housing Agency, a Home Loan Bank, a Squatter Relocation Institute, and a Housing and Planning Research Center. None was implemented. He also made a careful analysis of the housing need, and developed, with the PIHC, two pilot projects: one concerning the rehousing and rehabilitation of squatters at Sapang Palay, the other involving the construction multi-story (five floors) condominium apartment structure for low income groups, making use of pre-fabricated elements...

"In the spring of 1966, Raymond P. Harold, President of Worcester Federal Savings and Loan Association and Layton F. MacNichol, AID Housing Advisor, made brief surveys of the housing situation and recommended technical assistance in the Savings and Loan field.

"Upon request of the President's Economic Staff, an Urban Development and Housing Advisor (Bernard Wagner) was engaged for a regular two-year tour of duty with AID, starting October 25, 1966."

(Wagner's own proposals, memoranda and articles, put together in one binding by USAID/Manila in January, 1968, constitute another important documentary source on housing in the Philippines.) The last entry in Wagner's chronology of technical assistance is the following:

"The United Nations has made arrangements for technical assistance from two planners: Mr. W.G. Faithful, to help organize the new Institute of Planning at the University of the Philippines; and Mr. Frank T. Martocci, to advise the Philippine government on physical regional planning."

In the context of prior efforts regarding housing, it is useful finally to quote Wagner on earlier AID financial assistance for housing:

"AID provided financial assistance in the 1950's for the construction of 3,580 low-cost housing units administered by PHHC. The funds were used for commodities in three projects and supplemented GOP funds. (AID's total contribution was \$618,000.)

Wagner commented:

"This type of assistance was discontinued because it did not make a real contribution to solving the housing problem of the lower income groups. Furthermore, AID has changed its policy from supporting individual projects to promoting institutions which will be able to develop and finance a continuing and permanent program."

Bernard E. Loshbough, as a consultant to AID/Manila, wrote a report on the PHHC Tondo Condominium Housing Proposal, July, 1971.

The present Survey Team's study followed closely on a month-long visit to the Philippines of Eric Carlson, U.N. Center for Housing. Carlson's report, "A Housing and Environmental Development Strategy for the Philippines," provided (along Carlson's verbal briefings) most useful backdrop for the Team's own efforts.

Appendix 'B' is a list of documents that are on file in AID's Office of Housing as Annexes to this report. They comprise most of the studies cited above by Wagner as well as a number of more recent studies done by sources within the Philippines. The Annexes include the most complete set of studies and documents on Housing in the Philippines as probably exists on this side of the Pacific.

SOURCE MATERIAL ON HOUSING:

List of Annexes to Housing Survey  
on File in AID Office of Housing

Annexes:

- A -- "Some Aspects of the Housing Situation in the Philippines," Economic Development Foundation, Inc., Technical Bulletin #3, June, 1971.  
(A very useful, objective, up-to-date compilation of the statistics regarding housing.)
- B -- "The Housing Problem and the Government Effort in the Philippines," People's Homesite and Housing Corporation, October 29, 1971.  
(An intelligent, objective and well-written analysis.)
- C -- "Recommendation toward A Housing and Environmental Development Strategy for the Philippines," by Eric Carlson, U.N. Center for Housing, United Nations, N.Y. (Preliminary report, U.N. Mission on Housing Policy and Financing, The Philippines, July 11 - August 5, 1971.)  
(Note: there will soon be available the report of Carlson's December, 1971 visit to Manila; it should be made part of this Annex)
- D -- "Housing and Urban Development in the Philippines," USAID/Manila. A collection of papers written by Bernard Wagner during 1967 in his position as Chief, Housing and Urban Development Division, USAID/Manila. (The first paper in the bound volume is "Housing and Urban Development in the Philippines: A proposal for AID Technical Assistance.)
- E -- "Housing the People in the Philippines," prepared for the Government of the Philippines, an expert appointed under the United National Program of Technical Cooperation. (Report No. TAO/PHI/14) July 10, 1968.
- F -- "A Housing Program for the Philippine Islands," prepared for the Government of the Philippines by Charles Abrams and Otto Koenigsberger, U N Advisors on Housing, 1958.
- G -- "A National Housing Program for the Seventies," Draft prepared by the Bancom Development Corporation, Manila.
- H -- "Towards CED Position Paper on the Housing Bill, a Tentative Draft Prepared by the Economic Development Foundation for the Consideration of the CED Committee on Housing Responsibility, August, 1970.
- I -- "Metro Manila: Today and Tomorrow," (Working paper for the Aneneo Round Table held at Asian Institute of Management, July 17, 1971) Institute of Philippine Culture.

- J -- "Family Income Distribution and Expenditure Patterns in the Philippines: 1965, "Journal of Philippine Statistics" (Republic of the Philippines, Department of Commerce and Industry, Bureau of the Census and Statistics, Vol. 19, No. 2, April - June, 1968, pp. ix-xxx.
- K -- "Living Quarters in the Philippines, "Journal of Philippine Statistics," Vol. 19, No. 3, July - Sept., 1968 pp. ix-xxiv.
- L -- "National Legislation for Environmental Planning," Institute of Planning, University of the Philippines.  
(Includes summaries and comments on housing and related legislation).
- M -- "The New Urban Pioneers," written by W.G. Faithful, Institute of Planning, University of the Philippines.  
(An extremely well-written and provocative analysis of the plight of the squatters who the author considers the true urban pioneers. It is the document singled out by the Survey Team for must reading by the AID Mission Director.)
- N -- "Report on the PHHC Tondo Condominium Housing Proposal," by Bernard Loshbough, Housing Consultant to AID/Manila, July, 1971.
- O -- "PHHC at a Glance," People's Homesite and Housing Corporation.
- P -- "Savings and Loan Associations in the Philippines" (Articles and papers by Raymond S. Navarro, President, Pioneer Savings and Loan Association, Inc.  
1 - "Housing Finance Compared. The Philippines and the United States"  
2 - "Savings and Home Loan Institutions in the Philippines"  
3 - "SIA's Assets Growing Fast," Manila Times, July 31, 1970.  
4 - "Philippine S & L's. Highlights in 1971" by Celso Bate
- Q -- Davao Development Foundation, Inc. (including descriptions of housing project)
- R -- Materials from the Department of Commerce and Industry:  
1. Foreign Trade Statistics of the Philippines - 1969  
2. Journal of Philippine Statistics (Vol. 19 & 22).  
3. Bureau of Census & Statistics - March 1971 - August 1971  
4. Economic Indicators December 1968 (to see if it contains information we should subscribe to )  
5. Census 1970 - Population & Housing (Rizal, Quezon, Manila, Davao del Sur.)  
6. Consumer's Price Index for Low-income families in Manila
- S -- Central Bank News Digest, October 5th, 12th and September 28, 1971
- T -- Home Financing Act (1969)

U -- People's Homesite & Housing Corporation (PHHC)

Annual Report - (1967 - 1968)

Annual Report - (1969 - 1970)

Iloilo Housing Project (Area B)

V -- Drawings of typical homes constructed in Tondo under PHHC (10 pages)

W -- The Fookien Times Yearbook (1971) Internationally Recognized chronicler of Philippine Progress.

X -- Material from Seminar on Housing and Environmental Planning at Institute of Planning, University of the Philippines

(Most of the following are student papers; some are good, some not. They are a useful compilation of information on many of the subjects relating to this report).

1. "A Critical Review of the National Housing Corporation Program," by Mariana Grino, Jr.
2. "Financiers" Responses and Viewpoints on Slum and Squatter Problems," by R. Barbon and A. Lucman
3. "The People's Homesite and Housing Corporation. An Analysis of Its Role in the Housing Industry," by Rufino S. Cruz and Bonifacio N. Perlado.
4. "The Land and Housing Development Corporation Approach to Low-Cost Housing," by Edilberto M. Flores.
5. "Bianco Filipino's Approach to the Housing Problem," by ExsuanDagbusan
6. "The Role of the Philippine American Life Insurance Company in Housing," by Eva A. Kimpo
7. "Philippine Business for Social Progress," by Virgilio R. Ybanez
8. "The Role of the Social Security System in Housing."

Y -- Miscellaneous Memoranda Relating to HG Housing Survey

Z -- Other Miscellaneous Material: Related legislative Bills, etc..

APPENDIX 'C'

From Four-Year Development  
Plan, FY 1972-75. Republic  
of the Philippines (Adopted  
by National Economic Council  
July 23, 1971)

CHAPTER 17

*Housing Program*

The national housing need has been estimated at about 470,000 dwellings per annum, both urban and rural. The urban need is about 100,000 dwellings per year. Although relatively smaller in number, the urban problem is more serious because higher urban standards require more expensive dwellings and lots. Moreover, migration from the rural areas accentuates the housing requirements of the slums and squatter dwellers. According to a 1968 survey, there were about 180,000 squatters and slum families in Metropolitan Manila.

It is estimated that only 12 per cent of the urban families can afford housing at open market prices of about P17,500 for house and lot. About 23 per cent more can afford mass-produced housing on government-owned or government-controlled land financed by government supported loans. The remaining 65 per cent will require subsidized housing.

Only about 11,600 building permits were issued in 1970 in the large cities and towns whose population constituted about 15 per cent of the total population. The number of constructions in these places would amount to about 2 new dwellings per 1,000 population instead of the 12 per 1,000 estimated requirement. In 1970, the government resettled 1,200 families in the Carmona Resettlement project, and built there 78 relief houses mostly from civic contributions. The government also erected 110 economic housing units in PHHC and GSIS housing projects in Caloocan and Davao. In addition, SSS, GSIS and DBP issued 7,531 housing loans totalling P179 million. Although the entire government housing effort benefited 11,700 families, a substantial accomplishment compared to previous performance, this is still far below the housing need of urban areas.

**1. THE FOUR-YEAR PROGRAM**

The National Housing Program covers (1) social housing financed and built by the government, (2) economic housing financed and built by the government, and (3) privately-owned housing financed by the government.

Social housing will include the resettlement of squatter families in the remaining portions of Carmona Resettlement Project, and the opening of new settle-

ment areas in Montalban and Cebu in lands already reserved for this purpose. Two thousand nine hundred (2,900) hectares of public land in Montalban was programmed for resettlement and housing in 1970. This resettlement program will benefit about 20 thousand families at a total cost of P1.51 million. The social housing portion also includes the construction of tenement housing in portions of the Tondo Foreshore that are still available for development. Social housing is primarily funded by appropriations, but the Tondo Foreshore Tenement will be funded initially with bond funds, and later by allocation from the NHC.

The economic housing program will cover the housing development on lands already owned by the PHHC, GSIS and SSS, most of which are in the Metropolitan Manila area. NHC home or building components shall be used in the construction of these houses.

The National Housing Corporation (NHC) was organized in 1968 with GSIS, SSS, DBP and PNB contributing a total capital subscription of P100 million. In 15 months, it completed the construction of its plant complex for the production of various housing components. There are at present four plants in operation out of its seven projected plants. Its scheduled production capacity of 20 per cent in 1971 should increase to its maximum programmed capacity of 12 thousand new dwellings a year by 1973. The NHC, as originally planned, was to manufacture 50 per cent of the components for the construction of private houses financially assisted by the housing corporation.

The government financing of private home construction, usually in the form of individual loans to GSIS and SSS members, will now take a new form. To achieve economies of scale that will be passed on to the homebuyers, both GSIS and SSS will finance private housing development complexes, the units of which will be sold to GSIS and SSS members, who in turn will transfer their mortgages to these government institutions. If there are not enough private developers, GSIS and SSS institutions will put up their own developments. Both institutions, as stockholders of NHC, will naturally use or require utilization of NHC houses or components. Hence, in the program, GSIS, SSS and PHHC investments include the construction of houses to be purchased from NHC. Since

Part IV Human Resource Development 220

NHC provides logistical support to the implementing agencies, its estimated output of 12,000 houses a year is absorbed and included in the programmed investments of the GSIS, SSS, and PHHC outlay which represent a combined total of 117,540 dwellings and involve a financial outlay of about P1,972 million during the period.

The proposed law for the creation of the NHC provides funds for social, as well as for economic, housing. The NHC will draw its financial resources from the new taxes enumerated below. Dwellings produced with tax funds are part of government-financed projects. When enough mortgages are contracted, NHC will issue and insure financial instruments called participation or share in the pool of consolidated mortgages and sell these insured instruments with tax incentives to private investors. Hence, part of the future home production attributable to NHC will be financed by private investors. However, this phase will probably start beyond the program period contemplated herein, since the first year will be spent for organization as well as the collection of taxes for its operation, the second year for erecting or financing NHC initial projects, and the third and fourth years for accumulating a pool of mortgages that may be offered to private investors in the fifth year.

2. NEW SOURCES OF FUNDS.

There will be a renewed effort to increase private capital participation in the production of houses, thru the establishment of a workable secondary mortgage system that would ensure liquidity of mortgages serviced by private financing institutions and adequate interest subsidy or incentives to insure fair returns to private investors. To effectively attract greater private financing to economic housing and to finance the construction of more social housing by the government, it is proposed that new taxes be imposed to raise P170 million in the first year to P440 million in the tenth year, as follows:

It must be said that a large low-cost housing program depends critically on the financing element. This means that if Congress is not able to fund it through a financing scheme, the achievements can only be small.

Administrative Machinery

There has been filed in Congress a bill which provides the framework and the basic structure under which an aggressive and rational housing program may be formulated and implemented. The bill proposes the creation of a National Housing Authority (NHA) to undertake massive low-cost housing projects, resettle and rehabilitate squatter families, and assist in urban planning and development.

Under the provisions of the bill, incentives are provided to interest the private sector to invest directly or in partnership with government in housing ventures, so as to diversify risks and enable government to mobilize private investments, conserve its limited resources, and apply efficient business management and experience readily available from the private sector.

Concerning government financing institutions' (SSS, GSIS, DBP) investible funds for housing, the Act stipulates 30 per cent for individual loan and 70 per cent for group housing of low-income families through the NHA or through joint ventures with employers subject to the approval of the Authority.

Four constituent administrative machineries to carry out the activities to support the National Housing Authority in implementing the national housing and urban development policy declared under the Act shall be established with corresponding functions as follows:

(1) National Housing Ventures Corporation - to participate in joint ventures or partnerships with the private sector in undertaking low or medium income housing development.

(2) National Mortgage Investment Bank - to purchase selected types of home mortgages, etc.

NEW TAXES	ESTIMATED TAXES IN MILLION PESOS	
	1970	1990
Employer's payroll tax or levy	P160.0	P287.6
Employee's refundable assessment	21.6	38.5
Tax on high-cost dwelling	n.n.	n.n.
Civil registration fee	1.4	1.9
Additional alien registration fee	0.3	0.6
Additional real estate registration fee	n.n.	n.n.
Additional residence tax	0.6	0.0
Special housing development tax (Extended Science Tax)	-	108.1
<b>TOTAL</b>	<b>P167.9</b>	<b>P412.7</b>

cipally those on dwelling built with NIIVC participation, and to provide supplementary assistance to a secondary mortgage market.

(3) National Trustee Mortgage Corporation — to provide trust services for home mortgages, so as to insure investor confidence in the secondary mortgage market, and to act as the fiscal agent to service

**Part IV Human Resource Development**

obligations secured by home mortgages.

(5) National Mortgage Insurance and Guaranty Corporation — to establish loan and mortgage insurance, reinsurance and guaranty programs, so as to encourage more participation of private capital and to establish development standards for insurable projects.

Table 17.1—NATIONAL FOUR-YEAR HOUSING PROGRAM

PROJECTS	1972			1973			1974			1975			TOTAL		
	HAS. OF LAND	FAMILIES SERVED	NEEDED P M	HAS. OF LAND	FAMILIES SERVED	NEEDED P M	HAS. OF LAND	FAMILIES SERVED	NEEDED P M	HAS. OF LAND	FAMILIES SERVED	NEEDED P M	HAS. OF LAND	FAMILIES SERVED	NEEDED P M
<b>Gov't-owned Housing</b>															
<b>Social Housing</b>															
PHHC Resettlements	201.0	3,038	3.10	250.0	3,750	3.00	400.0	6,000	4.00	500.0	7,500	5.00	1,354.0	20,288	15.10
PHHC Tenants															
Tenements .....	0.5	178	2.80	1.5	534	8.40	1.5	534	8.40	4.0	890	14.00	7.5	2,156	23.60
Sub-Total Soc. Hsg.	201.5	3,216	5.90	251.5	4,284	11.40	401.5	6,534	12.40	504.0	8,390	19.00	1,361.5	22,434	48.70
<b>Economic Housing*</b>															
PHHC Projects .....	15.0	367	5.30	—	—	—	—	—	—	—	—	—	—	—	—
PHHC NHC Projects	—	—	—	100.0	2,000	27.00	200.0	4,000	54.00	300.0	6,000	81.00	—	—	—
PHHC GSIS															
Projects .....	48.7	1,218	16.12	81.8	2,067	24.81	200.0	4,000	54.00	250.0	5,000	67.00	—	—	—
GSIS NWSA															
Projects .....	12.0	500	10.00	14.0	614	12.28	—	—	—	—	—	—	—	—	—
GSIS Projects .....	60.0	900	28.10	80.0	1,100	35.10	74.0	1,710	41.75	100.0	2,000	60.00	—	—	—
SSS Projects .....	75.0	400	9.00	75.0	400	9.00	75.0	400	9.00	75.0	400	9.00	—	—	—
Sub-Total Eco. Hsg.	210.7	3,285	68.82	353.8	6,181	108.19	549.0	10,110	158.75	725.0	13,400	217.00	1,838.5	33,076	552.76
Total Gov't. Owned	415.2	6,601	74.72	605.3	10,465	119.59	950.5	16,644	171.15	1,229.0	21,790	237.00	3,200.0	55,510	602.46
<b>Private-Owned Housing*</b>															
GSIS Financed .....	124.0	4,130	145.18	131.0	4,370	152.81	132.0	4,410	154.25	127.0	4,230	148.00	—	—	—
SSS Financed .....	210.5	7,350	141.00	219.0	8,300	166.00	283.5	9,550	191.00	324.0	10,800	216.00	—	—	—
DBP Financed .....	40.0	2,000	12.50	41.0	2,200	13.20	480	2,400	14.50	520	2,600	16.00	—	—	—
Sub-Total Pvt. Hsg.	374.5	13,480	298.48	424.0	14,870	332.01	466.5	16,360	359.75	503.0	17,630	380.00	—	—	—
GRAND TOTAL ..	789.7	19,781	373.20	1,029.3	25,335	451.60	1,417.0	33,004	530.90	1,732.0	39,420	616.00	4,968.0	117,540	1,971.70

\* Investment figures include housing components purchased from NHC.

Table 17.2—PHHC FOUR-YEAR HOUSING PROGRAM  
(Updated March 1971)

PROJECTS	1972			1973			1974			1975			TOTAL		
	HAS. OF LAND	FAMILIES SERVED	NEEDED P/M	HAS. OF LAND	FAMILIES SERVED	NEEDED P/M	HAS. OF LAND	FAMILIES SERVED	NEEDED P/M	HAS. OF LAND	FAMILIES SERVED	NEEDED P/M	HAS. OF LAND	FAMILIES SERVED	NEEDED P/M
<b>SOCIAL HOUSING</b>															
Carmena Resettlement	104.0	1,568	P1.60	—	—	—	—	—	—	—	—	—	—	—	—
ment: .....	100.0	1,500	1.50	200.0	3,000	P2.00	300.0	4,500	P3.00	400.0	5,000	P4.00	—	—	—
Montalban Resettle-	—	—	—	50.0	750	1.00	100.0	1,500	1.00	100.0	1,500	1.00	—	—	—
Cebu Resettlement ..	—	—	—	1.5	534	8.40	1.5	534	8.40	4.0	890	14.00	—	—	—
Tondo Tenements *	0.5	173	2.80	—	—	—	—	—	—	—	—	—	—	—	—
Sub-Total, Social	204.5	3,216	5.90	251.5	4,284	11.40	401.5	6,534	12.40	504.0	8,390	29.00	1,361.5	22,424	48.70
<b>ECONOMIC HOUSING</b>															
Calapan .....	10.0	255	3.30	—	—	—	—	—	—	—	—	—	—	—	—
Pt. Bonifacio AFP*	5.0	112	2.00	—	—	—	—	—	—	—	—	—	—	—	—
N. Avenue Condomi-	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
nium Q.C. ....	2.3	320	4.44	2.2	320	4.30	—	—	—	—	—	—	—	—	—
Rolla City .....	1.9	14	0.12	10.0	242	2.07	—	—	—	—	—	—	—	—	—
S. Jose, Bulacan ....	20.3	390	5.30	20.4	392	5.31	—	—	—	—	—	—	—	—	—
Paranaque .....	24.2	494	6.26	—	—	—	—	—	—	—	—	—	—	—	—
Naga .....	—	—	—	31.8	721	7.65	—	—	—	—	—	—	—	—	—
Roxas City .....	—	—	—	20.4	392	5.31	—	—	—	—	—	—	—	—	—
Tala .....	—	—	—	100.0	2,000	27.00	200.0	4,000	54.00	200.0	4,000	54.00	—	—	—
Dasmariñas .....	—	—	—	—	—	—	100.0	2,000	27.00	100.0	2,000	27.00	—	—	—
Cebu * .....	—	—	—	—	—	—	100.0	2,000	27.00	100.0	2,000	27.00	—	—	—
Higan * .....	—	—	—	—	—	—	—	—	—	50.0	1,000	13.50	—	—	—
Alabang * .....	—	—	—	—	—	—	—	—	—	100.0	2,000	54.00	—	—	—
Sub-Total, Economic	63.7	1,585	21.42	184.8	4,067	51.77	400.0	8,000	108.00	550.0	11,000	175.50	1,198.5	24,652	356.69
GRAND TOTAL .....	268.2	4,801	P27.32	436.3	8,351	P63.17	801.5	14,534	120.40	1,054.0	19,390	P194.50	2,560.0	47,076	405.39
Land to be acquired															

Table 17S—FOUR-YEAR HOUSING PROGRAM FOR GSIS, SSS & DBP

PROJECTS	1972			1973			1974			1975			TOTAL		
	HAS. OF LAND	FAMILIES SERVED	NEEDED P.M.	HAS. OF LAND	FAMILIES SERVED	NEEDED P.M.	HAS. OF LAND	FAMILIES SERVED	NEEDED P.M.	HAS. OF LAND	FAMILIES SERVED	NEEDED P.M.	HAS. OF LAND	FAMILIES SERVED	NEEDED P.M.
GSIS Davao Project ...	20.0	500	8.40	30.0	600	10.10	—	—	—	—	—	—	—	—	—
Fairview, QC .....	40.0	400	20.00	50.0	500	25.00	—	—	—	—	—	—	—	—	—
Payatas, QC .....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Alta, QC .....	—	—	—	—	—	—	20.0	450	11.25	—	—	—	—	—	—
Bacolod .....	—	—	—	—	—	—	30.0	700	17.50	—	—	—	—	—	—
Antipolo .....	—	—	—	—	—	—	24.0	500	13.00	—	—	—	—	—	—
Paranaque .....	—	—	—	—	—	—	—	—	—	50.0	1,000	30.00	—	—	—
Loans to: NWSA ..	12.0	500	10.00	14.0	614	12.28	—	—	—	50.0	1,000	30.00	—	—	—
PHHC .....	45.7	1,213	16.12	84.8	2,067	24.81	—	—	—	—	—	—	—	—	—
Others .....	124.0	4,130	145.48	131.0	4,370	152.81	200.0	4,000	54.00	250.0	5,000	67.00	—	—	—
GSIS Sub-Total ....	(244.7)	6,743	200.00	309.8	8,151	225.00	403.0	10,120	250.00	477.0	11,230	275.00	1,487.5	36,209	950.00
SSS Montalban Project	75.00	400	9.00	75.0	400	9.00	75.0	400	9.00	75.0	400	9.00	—	—	—
Loans .....	210.5	7,050	141.00	210.0	8,000	168.00	286.5	9,550	191.00	324.0	10,800	216.00	—	—	—
SSS Sub-Total .....	285.5	7,450	150.00	324.0	8,700	175.00	361.5	9,950	200.00	399.0	11,200	225.00	1,370.0	37,300	750.00
DBP Loans .....	40.0	2,000	12.00	44.0	2,200	13.20	43.0	2,400	14.50	52.0	2,600	16.00	184.0	9,200	55.70
GRAND TOTAL ....	570.2	16,193	362.00	677.8	19,051	413.20	815.5	22,470	464.50	928.0	25,030	516.00	2,991.5	82,749	1,755.70

ESTIMATED FOUR-YEAR FINANCING PROGRAM OF NHA

FUNDS AVAILABLE	1972				1973				1974				1975		TOTAL
	FIGURES ARE IN MILLIONS OF PESOS				FIGURES ARE IN MILLIONS OF PESOS				FIGURES ARE IN MILLIONS OF PESOS				FIGURES ARE IN MILLIONS OF PESOS		
Estim. taxes due .....	—	170.00	—	—	200.00	—	—	230.00	—	—	—	260.00	—	—	860.00
Estim. collection ...	40%	68.00	—	50%	100.00	—	—	133.00	—	—	60%	168.00	—	—	474.00
Available during year	—	none	—	—	68.00	—	—	100.00	—	—	—	133.00	—	—	306.00
Proposed Allocation															
Social Housing 30% 1	—	none	—	—	20.40	—	—	30.00	—	—	—	41.40	—	—	91.80
Econ. Housing 30% 2	—	none	—	—	40.80	—	—	60.00	—	—	—	32.80	—	—	153.60
Adm. & free portion 10% .....	—	none	—	—	6.80	—	—	10.00	—	—	—	13.80	—	—	30.60
1 & 2 PHHC needs from NHA for social & economic housing are well within proposed NHA allocation.															

Republic of the Philippines  
PEOPLE'S HOMESITE AND HOUSING CORPORATION  
Quezon City

SUMMARY OF FUNDING STATUS & PROGRESS REPORTS  
(As of Sept. 30, 1971)

No	NAME & LOCATION	HECTARES	NO OF DWELLINGS	DEV'T CASH NEEDS MP	FUNDS NOW AVAIL-ABLE MP	WORK STATUS
<u>ON-GOING PROJECTS</u>						
1	Tondo Hsg., Manila	6.57	1,656	P46.29	P2.88	Superstructure of 4-story Bldg. about to be started.
2	Caloocan Hsg., Cal.	23.48	562	3.30	3.30	Road contract awarded. NHC offers increased bldg. cost.
3	Paranaque Hsg., Rizal	24.22	495	6.11	1.00	Lowest bid for rd. contract pending approval. GSIS loan application.
4	Carmona Resettlement, Cavite	332.45	5,440	11.00	0.85	AFP road & bldg. construction going on.
5	S. Palay Resettlement, San Jose, Bul.	752.49	5,347	12.00	x	Sales award going on.
	Sub-total	1,139.21	13,500	P78.70	P8.03	
<u>PROJECTS ON THE PIPE LINE</u>						
6	North Ave. Multi-story, Parcel "A", Q.C.	4.47	640	P10.82	P2.00	Specs. for 3 bldgs. (96 units) ready for bidding.
7	Liberty Hsg., S. Jose, Bulacan	40.70	783	10.27	1.00	Road grading plan complete. GSIS loan applictn.
8	Iloilo(B) Hsg., Iloilo City	11.90	260	3.13	0.12	Joint venture arrangement under consideration.
9	Naga Hsg., Naga City	31.86	758	8.29	x	GSIS loan application.
10	Tala New Town, Caloocan City	808.00	24,000	310.00	x	BPH undertaking survey of nat'l roads. PHHC detailed plan undergoing refinements.
	Sub-Total	896.93	26,441	342.51	P3.12	
<u>PROPOSED PROJECTS</u>						
11	San Fernando Hsg., S. Fdo., Pamp.	100.00	2,354	30.00	x	Detailed plans undergoing refinements.
12	Roxas (B) Hsg., Roxas	9.10	234	2.73	x	Awaiting Financing.
13	AFP Housing, Fort Bonifacio	5.00	112	2.00	x	PHHC evaluating policy issue whether PHHC can afford to be a financier.
	Sub-Total	114.10	2,700	34.73	x	
	<b>GRAND TOTAL</b>	<b>2,150.24</b>	<b>42,441</b>	<b>455.94</b>	<b>11.15</b>	

GIST OF THE PROPOSED 1970 HOUSING BILLExplanatory Note

The 13-page explanatory note that introduces the Bill discusses the magnitude and causes of the severe housing shortage in the country. The reason that not enough housing is available is a basic one: the price which most people can afford to pay for housing is much lower than the cost for which housing can be produced. The note shows that based on data on estimated urban income levels, only an estimated 20% of urban households can afford to acquire a minimum priced house of P11,375, the estimated average minimum cost in all urban areas, under existing financing terms, if they have the land on which to build. The housing needs of the remaining 80% are not being met. Efforts previously exerted by the government to alleviate the housing problem, even considering its combined output of 1000 units per year for the last 20 years, have proved inadequate.

The note sets 1980 as the target year in which the urban housing problem would be substantially remedied by the bill, owing to the long planning horizon required of a housing program and the intervening period required for organizational restructuring, tooling up and mobilization of productive resources. A program calculated to satisfy the total urban housing demand by 1980 will require a massive production program of about 13,000 units in 1970, 22,000 units in 1971, to increase every year to 154,000 units in 1980, and the allocation of increasing amounts from the country's GNP to the urban housing program, starting from 0.32% in 1970 to 3.54% in 1980.

To support the shift of GNP allocation, the explanatory note devotes a full page to enumerate and quantify the priming effect of a massive housing production program to the overall economy, especially labor, the building and materials industries, the financial markets, and the increased buying power.

The explanatory note states that the bill does not provide for an immediate solution to the existing housing problem, but merely provides the framework and the basic structure under which an aggressive and rational housing program may be formulated and implemented.

Substantive Features of the Bill: The Bill proposes:

1. To make more funds available for home construction by means of 6 new taxes, which may be augmented by loans from international credit institutions. These new taxes are:

	<u>Estimated Taxes in ₱M</u>	
	<u>1970</u>	<u>1980</u>
Employer's payroll tax or levy	₱160.6	₱287.6
Employee's refundable Assessment	21.5	38.5
Tax on high-cost dwelling	n.a.	n.a.
Civil Registration Fee	1.4	1.9
Additional alien registration fee	0.3	0.6
Additional real estate registration fee	n.a.	n.a.
Additional residence tax		
Special housing development tax (extended Science tax)	---	<u>108.1</u>
<b>Total</b>	<u><u>₱167.3</u></u>	<u><u>₱442.7</u></u>

Administrative expenses may only be defrayed by a separate ₱2 million to be appropriated every year.

2. To allow the Authority to use these funds -
  - a. In the main, to expand and liberalize the existing home mortgage financing terms, by:
    - (1) prescribing liberal terms to low and moderate income families, so that more families may own their own homes, and
    - (2) establishing a secondary market on home mortgages, by making mortgages liquid and flexible so as to induce secondary market buyers, who will be given tax concessions plus protection thru the establishment of mortgage trusts, mortgage insurance, and credit guarantees.
  - b. To purchase the mortgages on huge projects of at least 500 dwelling units per project, in order to insure the use of mass construction techniques which in turn will reduce costs to the home owners.
  - c. In part,
    - (1) as loans to local governments for the preparation (not implementation) of urban development and/or urban renewal plans.

- (2) as loans to school-owned housing for students and faculty
  - (3) as guaranty for credits for new urban developments
  - (4) to establish resettlement areas for squatters, housing for the poor, and slum clearance, as well as to expropriate tenement housing sites
  - (5) to undertake the researches and studies authorized in the bill.
3. To limit the government's role in housing as a catalizer (not as a builder or developer), i.e., as a mere investor in housing ventures in partnership with land developers, architects, materials suppliers, investment companies, etc., so as to diversify risks and enable the government to mobilize private investments, conserve its limited resources, and apply efficient business methods, technology and management know-how readily available from the private sector.
4. To establish a novel administrative machinery to carry out the activities authorized under the bill consisting of
- a. A National Housing Authority of 6 men directing the whole network, with special limitations on age (30-55 years) and tenure (6 years for the Chairman, 5 years for the Vice Chairman, 4 years for the others and their deputies, and the Auditor, with no re-appointment) to insure dynamism and innovative spirit at the top level.
  - b. Four constituent corporations, whose respective functions are:
    - (1) National Housing Ventures Corporation - to participate in joint ventures, or partnerships with the private sector in undertaking low or moderate income housing development
    - (2) National Mortgage Investment Bank - to purchase selected types of home mortgages, principally those on dwellings built with NJVC participation, and to provide supplementary assistance to a secondary mortgage market.

- (3) National Trustee Mortgage Corporation - to provide trust services for home mortgages, so as to insure investor confidence in the secondary mortgage market, and to act as the fiscal agent to service obligations secured by home mortgages.
- (4) National Mortgage Insurance and Guaranty Corporation - to establish loan and mortgage insurance, reinsurance and guaranty programs, so as to encourage more participation of private capital, and to establish development standards for insurable projects.

These 4 corporations have no board of directors, but to insure centralized control, their managing heads will constitute 4 of the 6-man Authority. They are made "corporations" instead of mere "divisions" of the Authority in order to achieve functional independence and responsibility, since each will have its own independent profit and loss elements, and in order to handle more effectively their respective segments of the housing and credit market.

- c. A National Housing Advisory Council composed of 8 men, two of whom will come from Congress, to advise the Authority.

Transitory Features of the Bill: The bill also proposes that upon its approval

1. The Authority shall formulate a plan of action, program of activities, recruitment policy, and operating procedures, before appointing any permanent personnel.
2. A Special Committee of 7-private citizens shall be created to formulate recommendations, to be implemented upon approval thereof by the President of the Philippines with the concurrence of the Senate President and the Speaker of the House, on whether or not PHHC, HFC, and NPC shall continue operating, or be dissolved and their functions, personnel, assets and liabilities phased out or transferred to the Authority.

Physical Features of the Bill: Preceded by a 13-page explanatory note, the bill contains 82 sections covering 89 pages. The sections are distributed among 11 articles, six of which are devoted to the Authority, the Advisory Council and the four constituent corporations, and the remaining 5 on general statements, special projects, funding, incentives, and miscellaneous matters. Attached is a list of the titles of the 11 articles and 82 sections for handy reference.

Seventh Congress of the Republic )  
of the Philippines )  
Third Regular Session )

APPENDIX 'F'

**SENATE**

S. NO. 713

AMENDMENT BY SUBSTITUTION

---

Introduced by Senators Benitez, Roy, Tolentino, Teves, Aytona  
and Roxas and the Committee on Housing, Urban Development  
and Resettlement

---

AN ACT  
CREATING A NATIONAL SAVINGS AND HOME LOAN FUND, AND  
FOR OTHER PURPOSES

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

SECTION 1. Declaration of Policy. It is hereby declared to be the policy of the State to improve the quality of life by enabling more families to obtain, build, and improve their own homes and encouraging planned community development. To this end, it is further declared to be the policy of the State to more fully promote voluntary mobilization of private sector savings and stimulate the participation of citizens' groups, private mortgage and financial institutions, rural banks, and selected entities in order to augment the consistent flow of investment for housing and related facilities and environmental services.

SEC. 2. Name - Domicile and Place of Business. There is hereby created a fund to be known as the National Savings and Home Loan Fund. Its principal domicile and place of business shall be in the Greater Manila Area.

SEC. 3. Corporate Powers and Duties. The said Fund shall be a body corporate and shall have the following functions and duties:

3.1 Serve as a channel for investment in housing and

- related facilities of private mortgage and financial institutions, rural banks, foundations, special funds, and selected entities, and citizens' groups and individuals, including Filipinos living abroad.
- 3.2 Aggregate financial resources and organize market demand for housing to regularize production and increase employment.
  - 3.3 Assist in the establishment of savings and credit institutions, facilities and services, particularly in areas where these are not readily available.
  - 3.4 Promote investment by mutual benefit, pension, and welfare funds and maximize use of aggregated resources to encourage housing for citizens' groups such as farmers, students, workers, veterans, employees and professionals.
  - 3.5 Engage in home mortgage insurance, guaranty, and other operations in order to enlarge investment operations of Fund-Affiliated Institutions and enable more members of the Housing Incentives Savings System to acquire homes.
  - 3.6 Make available credit facilities and other resources for rural housing through credit facilities of rural and private development banks for the construction or improvement of living units utilized for agro-industrial productivity.
  - 3.7 Initiate the Cooperative Housing Movement in rural and urban areas through technical and financial assistance and help set up Cooperative Housing Guaranty Plans for housing projects.

- 3.8 Encourage innovative indigenous designs, and the utilization of integrated systems in financing, production, and management of housing.
- 3.9 Maximize cooperation of Fund-Affiliated institutions and investors in the Fund with local governments, organizations, and other legal entities for integrated urban development and housing programmes particularly for sites and services, self-help, and pilot and demonstration projects.
- 3.10 Promote research and development of techniques for housing analysis and evaluation.
- 3.11 Establish educational and foster institution building programmes for the mobilization of savings.
- 3.12 Cooperate with international organizations and agencies in order to strengthen the development of institutions and services concerned with mobilization of savings for housing and environmental development.
- 3.13 Serve as the national coordinating agency and clearing house for national and international research programmes and international technical services for housing and environmental development.
- 3.14 Review development plans for rural and urban integrated communities with a view to evaluating the need for Fund investment in housing projects.
- 3.15 Establish or cause to be established a secondary mortgage market system for mortgage papers of the Fund by utilizing existing institutions or creating new ones.

SEC. 4. Other Corporate Powers. The Fund shall also have the following corporate powers:

- 4.1 Prescribe its by-laws, adopt and use a seal, sue and be sued; set up rules and regulations to govern the investment and other operations, and to carry out the purpose of the Fund.
- 4.2 Borrow local and foreign funds or incur indebtedness; issue or cause to be issued bonds, notes, debentures, and other certificates of indebtedness.
- 4.3 Provide investment services to the building and loan associations, savings and loan associations, and savings and mortgage banks and other Fund-Affiliated financial institutions.
- 4.4 Create necessary departments or offices essential for the efficient operation of the Fund and hire personnel and use established financial institutions for assistance operations.
- 4.5 Acquire, transfer, or hold in trust land for use in Fund housing projects and to this end receive donations of real estate and acquire, by expropriation proceedings or other means, sites for community development projects for housing.
- 4.6 Perform such other functions and exercise powers necessary to carry out the policy and functions of the Fund under this Act.

SEC. 5. Fund-Affiliated Institutions and Groups. The Fund shall

serve the following institutions and groups, subject to the conditions and requirements set forth in Section 6:

- 5.1 Building and Loan Associations
- 5.2 Savings and Loan Associations
- 5.3 Savings and Mortgage Banks
- 5.4 Financial Institutions, including Commercial Banks, Insurance and Investment Companies
- 5.5 Commercial Companies
- 5.6 Private Development Banks
- 5.7 Rural Banks
- 5.8 Mutual, Special, Pension, and Other Funds and Credit Unions and Cooperatives
- 5.9 Members of the Housing Incentives System.

SEC. 6. Investment and Assistance Requirements.

- 6.1 Corporate Assessment. There is hereby imposed on the taxable net income received during each taxable year from all sources by every corporation subject to the payment of income tax under the laws of the Republic of the Philippines on additional tax equivalent to per centum ( %) of the amount payable by them as income tax. The tax shall be paid in the same manner as corporate tax and shall be remitted by the Commissioner of Internal Revenue to the Fund within days from receipt of said tax. The development Bank of the Philippines shall be exempt from this provision and shall be covered by Subsection 6.3.

6.2 Investment of Increase in Annual Assets. In lieu of the additional corporate tax in Subsection 6.1, every corporation subject to the payment of income tax under the laws of the Republic of the Philippines shall annually invest in the Fund per centum ( %) of the increase in annual assets which investment shall earn interest of at least seven per centum (7%) tax-free.

For the first year of operation, the increase in assets shall be the difference between the first year of operation and the base year. The average annual assets for the three calendar years preceding the effectivity of this Act shall be deemed the base year. Thereafter, the annual increase in assets shall be the difference between the assets for the current calendar year and that of the preceding calendar year.

6.3 Rural Housing Trust Resources. Any provision of law to the contrary notwithstanding, the corporate tax annually payable by the Development Bank of the Philippines shall accrue to the Fund as an investment of the Bank and shall constitute trust resources to match savings for rural housing deposited in Rural and Private Development Banks. The Bank shall remit the amount to the Fund and notify the Commissioner of Internal Revenue of said remittance. The investment shall earn interest of at least seven per centum (7%) tax-free.

6.4 Savings Incentives for Overseas Filipinos. Any provision of law to the contrary notwithstanding, any Filipino

living abroad whose individual income is subject to income tax shall be levied an income tax equal to what he would pay if he were living in the Philippines and earning in pesos: provided, that he shall invest the difference in foreign exchange between what he would have paid and what he is levied under this paragraph in Housing Investment Certificates which shall entitle him to be a member of the Housing Incentives Savings System.

- 6.5 Individual Assessment or Investment. There is hereby assessed on every public or private employee an amount equal to one per centum (1%) of his monthly income which amount shall accrue to the Fund. In lieu of the monthly assessment, said employee has the option to invest five per centum (5%) of his monthly income in Housing Incentives Certificates and shall entitle him to membership in the Housing Incentives Savings System.

The one per centum (1%) individual assessment or five per centum (5%) housing investment shall be deducted and withheld from the employee by the employer and transmitted to the Fund within \_\_\_\_\_ days from receipt thereof.

- 6.6 Savings Incentives for Small Tax Payers. Any provision of law to the contrary notwithstanding, the whole or part of tax refunds of one thousand pesos (P1,000) or less from income taxes of individuals shall

immediately be refundable upon filing of the income tax form; provided, that the whole or part of such amount immediately refundable are invested in Housing Incentives Certificates upon filing of the income tax.

SEC. 7. Local Government Housing Resources.

7.1 There is hereby imposed an additional tax of one-half per centum ( $\frac{1}{2}\%$ ) on the assessed value of real property in addition to the real property tax regularly levied thereon under R.A. 5447 and other existing laws. The additional assessment shall be collected by the municipal or city treasurer where the real property is situated and transmitted to the Fund within \_\_\_ days of receipt thereof.

Fifty per centum (50%) of the amount collected from said additional real estate tax shall be held in trust by the Fund and shall be used for acquisition of real property, sites and services, and housing and environmental review services for the Fund-Affiliated projects within the jurisdiction of the local government where such assessment was levied.

7.2 Any provision of law to the contrary notwithstanding, at least thirty per centum (30%) of all sales and indirect tax assessments of local governments shall be set aside as resources for Fund-Affiliated housing projects. Fifty per centum (50%) of the resources set aside shall be utilized for land acquisition, sites and services, and housing and environmental review services within the jurisdiction of the local government where such assessments were levied.

7.3 Savings Incentives for Employees and Policy Holders.

Dividends not in excess of one thousand pesos (P1,000) earned by any employee, member, or policy holder from participation in insurance and savings systems, public and private, shall be tax-free; provided, that fifty per centum (50%) thereof shall be invested in Housing Incentives Certificates and that such dividends shall be withheld by the system issuing the same and transmitted to the Fund at the beginning of every calendar year. Notice of the option to invest fifty per centum (50%) thereof shall be circularized to the members of the particular system and unless a notice not to exercise the option to invest fifty per centum (50%) is received, the employee, member or policy holder shall be deemed to have agreed to invest in the Fund and the corresponding Housing Incentive Certificates shall be given to him together with the remaining fifty per centum (50%) of the dividends.

SEC.8 Guaranty and Supervisory Instrumentality.

8.1 The Development Bank of the Philippines is hereby authorized to issue for and in behalf of the Fund Housing and Environmental Development Bonds in denominations of not less than fifty pesos (P50.00) nor more than one thousand pesos (P1,000.00) redeemable by the Bank on demand at the option of the holder of said bonds, which may be of the following types: (1) bonds at progressive scattered interest with cumulative face value; and

(2) bonds bearing interest as may be determined by the Development Bank of the Philippines and the Fund, said interest to become due and payable quarterly and payment thereof to be annotated on the back of each bond. Maturity shall be fixed by the Development Bank of the Philippines and by the Fund but in no case to exceed ten (10) years.

8.2 The Development Bank of the Philippines shall, any provision of laws to the contrary notwithstanding, serve as the guaranty and supervisory instrumentality for any external and domestic credit of the Fund. The Bank shall rediscount loans and/or mortgages of the Fund and perform such other necessary functions as guaranty supervisory instrumentality of the Fund. All bonds and credits guaranteed by the Development Bank of the Philippines for and in behalf of the Fund shall be fully guaranteed by the Government of the Republic of the Philippines.

8.3 The Fund shall issue or cause to be issued through the Development Bank of the Philippines Housing Incentives Certificates which shall be redeemable in five (5) years and earn interest of at least seven per centum (7%) tax-free. The Certificates shall be fully guaranteed by the Government of the Republic of the Philippines both as to payment of principal and interest.

SEC. 9 Fund-Affiliated Institutions. The following shall be required for any Institution to be affiliated with the Fund and

for it to be a part of the Housing Incentives Savings System:

- 9.1 An amount equivalent to        per centum (      %) of the annual total loan portfolio shall be invested in the Fund by the Institution, in addition to the continuing investment or additional corporate tax provided under Subsections 6.1 and 6.2
- 9.2 No banking or service fees and charges shall be imposed on Institutional transactions connected with the deposit and release of Fund-Affiliated housing and environmental development loans.
- 9.3 The Institution shall match savings for homebuilding and construction deposited in the Institution under the Housing Incentives Savings System. The ratio of matching Institutional resources to the savings received under the Housing Time Deposit Plans shall be determined by the Board of Trustees and shall take into consideration the percentage of the loan portfolio invested in the fund.
- 9.4 The Institution shall in no case earn more than one per centum (1%) on resources channeled to it by the Fund for Fund-Affiliated construction and technological services loans.
- 9.5 Fund-Affiliated Institutions shall render an annual accounting of savings deposits and loanable resources channelled to them by the Fund under the Housing Incentives Savings System.
- 9.6 Fund-Affiliated Institutions may withdraw from the Fund under such terms and conditions as the Board of Trustees may provide.

SEC. 10 Definition of Terms.

- 10.1 Fund is the National Savings and Home Loan Fund, and is the body corporate and legal entity established under this Act.
- 10.2 The Housing Incentives Savings System (HISS) is the comprehensive system whereby savings are mobilized and homes are constructed for and paid by the homeowners.
- 10.3 The Fund-Affiliated Institution (FAI) is one which invests in the system under the continuing investment plan and investment of annual increase in assets, provides construction loans, and received remittances of amortization payments.
- 10.4 Investors are individuals, corporations or institutions who mobilize savings for housing under the Housing incentives Savings System (HISS).
- 10.5 Homeowner is one who as a member of the Housing Incentives Savings System (HISS) mobilizes savings for housing and provides the equity payment for the home he will own. The equity payment is the difference between the Fund-Affiliated Institution Loan and the cost of the house he will purchase.
- 10.6 The Fund-Affiliated Construction and Technological Services (FACTS) is the arm of the Fund for the development of sites and housing plans and for the preparation of investment programmes for the Housing Incentives Savings System members.
- 10.7 The Housing Environmental Review Services (HERS) reviews

sites and housing plans and endorses investment programmes for Fund-Affiliated housing and environmental development projects. The review shall include consultation with local government area development authorities and national economic planning body.

- 10.8 The Secondary Mortgage Market System (MART) is an affiliate of the Fund which purchases mortgage papers from Fund-Affiliated Institutions.
- 10.9 The Cooperative Housing Guaranty Plan is a plan whereby the Housing Incentives Savings System members of a project guarantee the payments of its members and insures against default in amortization payments.
- 10.10 The International Technological Services (ITS) shall include technical consultative assistance from the United Nations and International and Regional Agencies.
- 10.11 The Housing and Environmental Research Organization and Services (HEROS) shall include all activities related to or arising from research projects on housing and the environment, whether national or international.

SEC. 11. Incentives for Companies and Organizations.

- 11.1 Companies and organizations who shall provide the whole or part of the homeowner's equity either in the use of the land or in loans for down-payments shall receive tax exemption credits commensurate to the value of the usufructuary rights or loans granted. The tax exemption shall be determined by the Fund in consultation with the Secretary of Finance.

11.2 Tax exemption shall also be provided for the costs of actual construction of sites and services for Fund-Affiliated housing projects. The tax exemption shall be determined by the Fund in consultation with the Secretary of Finance.

SEC. 12. Secondary Mortgage Market System (MART)

12.1 The Fund shall insure or cause to be insured primary mortgages to lower equity payments and to guarantee default when necessary.

12.2 It shall promote the cooperative housing guaranty plan for projects to the end that the cooperative serve as a guarantor against default or foreclosure.

12.3 Whenever possible home mortgage insurance should include outright ownership of the home in the case of the death of the mortgagor.

SEC.13. Cooperating Agencies. The Fund shall cooperate with and whenever possible channel its operations through existing public agencies presently engaged in operations that have to do with housing and environmental development.

13.1 The Fund shall coordinate with the Department of Agriculture and Natural Resources, Public Works and Communications, Agrarian Reform and the Building Commission on land acquisition and use for all Fund-Affiliated housing and environmental development projects.

SEC. 14. Administration of the Fund.

14.1 Board of Trustees. The Fund shall be administered by the Board of Trustees consisting of a Chairman, a

Vice-Chairman, and five members from the private sector. The Chairman of the Board shall be the Chairman of the Development Bank of the Philippines or his designated representative. The representative from the private sector of the Joint Building and Environmental Planning Research and Standards Commission shall be the Vice-Chairman. The five members from the private sector shall be appointed by the President of the Philippines and confirmed by the Commission on Appointments. The President shall appoint the members from a list composed of one official nominee of the respective National Association of Fund-Affiliated Institutions under Section 5.

Members from the private sector shall serve for four years without reappointment or until their successors shall have been dully appointed and qualified; provided, that of the first five members to be appointed, three shall serve for two years and the other two shall serve for four years. Should a member from the private sector resign or otherwise be incapacitated to serve for the whole term, his successor shall be appointed in the same manner as the other members of the Board for the unexpired term.

14.2 Personnel. The Executive of the Fund shall be the Managing Director who shall be appointed by the Board upon nomination of the Chairman. The Managing Director and the Staff shall be exempt from Civil Service rules and

regulations both as to position and emoluments. The Staff of the Fund shall be appointed by the Chairman upon nomination by the Managing Director.

SEC. 15. General Provisions.

15.1 Corporate Life. The Fund shall continue to enjoy corporate life until its dissolution by Act of Congress and its assets and other holdings shall be disposed of in accordance with said Act of Congress; provided, that the investment rights of Fund-Affiliated Institutions and members of the Housing Incentives Savings System shall not be impaired. Provided, further, that should the Fund be dissolved or otherwise be modified in order to create another legal entity to take over its functions, said assets and properties, as well as obligations and liabilities, shall accrue to the newly created legal entity established by the appropriate Act of Congress.

15.2 The Fund shall be subject to audit by the Development Bank of the Philippines and shall render an annual report and financial statement to the President of the Philippines and to Congress at the beginning of every calendar year.

SEC. 16. Separability of Provisions. If any provision of this Act shall be held invalid, the remainder of the Act shall not be affected thereby.

SEC. 17. Date of Effectivity. This Act shall take effect upon its approval.

Approved,

SENATE COMMITTEE ON HOUSING, URBAN  
DEVELOPMENT AND RESETTLEMENT  
Congress, Manila

**Subject:** GIST OF DISCUSSIONS MADE DURING THE MEETING HELD ON  
WEDNESDAY, 22 DECEMBER 1971, AT 8:30 AM AT THE OFFICE  
OF SENATE PRESIDENT GIL J. PUYAT, MANILA BANKING  
CORPORATION PENTHOUSE, AYALA, MAKATI.

**Presiding:** Senate President Gil J. Puyat

**Present:** A. Senate

- A. Senator Helena Z. Benitez, Chairman  
HUDR Senate Committee  
Senator Lorenzo Teves, Chairman  
Senate Committee on Banks and Currencies  
Senator Mamintal Tamano, Vice-Chairman  
HUDR Senate Committee  
Senator Ambrosio Padilla, Member  
HUDR Senate Committee  
Senator Eva Estrada Kalaw, Member  
Senate Committee on Banks and Currencies  
Senator Rene Espina, Member  
Senate Committee on Banks and Currencies

B. Executive Department and Government Institutions

- Secretary David Consunji, Chairman  
Presidential Committee on Housing  
Governor Grerorio Licaros  
Central Bank of the Philippines  
Chairman Gerardo Sicat  
National Economic Council  
Commissioner Gregoria Cruz Arnaldo  
Insurance Commission  
General Manager Sebastian Santiagó  
People's Homesite and Housing Corporation  
Mrs. Carlota Valenzuela, Superintendent of Banks  
Central Bank of the Philippines  
Chairman Armand Fabella  
Government Reorganization Commission  
Director Celso Bate, Savings and Loan Department  
Central Bank of the Philippines  
Director Honesto Francisco, Rural Banks Department  
Central Bank of the Philippines  
Deputy Administrator Reynaldo Gregorio  
Social Security System  
Miss Fe Villafuerte, Consultant to the Chairman  
Development Bank of the Philippines  
Mr. Luis Liwanag, Economist  
Presidential Economic Staff

C. Private Sector

Mr. Sixto Roxas, President  
BANCOM Development Corporation

D. Consultants and Technical Staff

Mr. Eric Carlson, Chief, Housing Section  
Centre for Housing, Building and Planning, United Nations  
Assistant Secretary Amado Villavert  
Senate

Atty. Arturo Mojica, Chief  
Senate Legislative Counsel

Atty. Daniel Alfonso, Acting Chief  
Senate Legislative Counsel

Atty. Felix Desiderio, Assistant Chief  
Senate Bill Division

Dr. Jose Regala, Head  
Senate General Technical Staff

Atty. Ester Amor, Head, Legislative Staff  
Office of Senator Helena Z Benitez

Dr. Josefina Ramos, Head  
HUDR Senate Technical Staff

Mr. Ben Tecson, Technical Assistant  
Office of Senate President Puyat

Miss Thelma Lopez, Secretary  
Secretary, HUDR Senate Committee

Mr. Bert Fenix, Private Sector  
Consultant, Marinduque Exploration Mining Co., Inc.

Mr. Jose Cabazo, Chief, Public Relations  
Office of Senator Benitez

- 
1. Senator Benitez explained the need for a legal entity to serve as a catalyst for mobilization of savings and a channel for investment in housing and related facilities. In this context, the rationale for the creation of a National Savings and Home Loan Fund was discussed. The FUND would be an attractive channel for sound investment of growing public and private sector resources and of more fully mobilizing savings. It would serve as an instrumentality for external credit and assistance including seed capital for institutional building and savings promotion. It would also serve as an encouragement for planned rural and urban community development.
  2. Different ideas relating to housing development and finance were presented. The following are some of the main points taken up:

- a. Secretary David Consunji: There should be a continuity of allocation of resources for housing, i.e., 5-year program, starting with a P10 million allocation for the first year to be accelerated in the subsequent years. There should also be a continuity of land acquisition and stabilization of land values through expropriation and regulations.
- a.1 Land used for housing should be leased; shelter, however, can be sold. The government should preserve ownership of land. The Department of Public Works and Communications, for example, owns several parcels of public land that can be used for housing.
- a.2 Recognizing the need of research specially on materials and standards for housing, the Department of Public Works and Communications is planning to organize a Building Research Institute.
- b. Chairman Gerardo Sicat: While the continuity of allocation of resources is important, this depends upon the availability of funds for housing -- this source, however, is not clear. The availability of external credit is subject to the Foreign Borrowing Act. A sounder view is to depend on internal resources for housing as against external resources.
- b.1 Some of the disincentives for a massive housing program are the minimum wage and other labor laws.
- b.2 We should make squatters respectable members of society by providing them jobs and creating economically viable communities.
- c. Mr. Sixto Roxas: The problem in housing is not lack of financing but lack of a systematic allocation of resources. We have to re-allocate our resources.
- c.1 The mere transfer of funds from one institution to another does not generate new sources. We should tap the original income flow of savings through additional money from forced savings or taxation. We should have a systematic continuing mechanism that will become a system of forced savings.
- c.2 Interest rates are dictated by the amount of money supply which in turn is determined to a large extent by government monetary policy. The FUND can be a secondary mortgage source.

- 2.3 We have to consider planning in terms of areas and not merely sectors. We have to plan settlements rather than merely housing.
- d. Governor Gregorio Licaros: The contribution of member institutions being transferred to a central institution does not affect the money market and is not inflationary. The mere transfer of assets does not generate new savings; such transfer would only meet resistance from the proposed institutions, since the resources of these institutions have been earned through their own efforts. Some other formula has to be devised other than a transfer of funds.
- d.1 In connection with the proposed S.No. 713 bill, the contribution of the Central Bank would be a release of printed money so that there would be an increase of money supply which is inflationary. The GSIS and SSS contributions to the FUND would not work. The charter of the Development Bank of the Philippines itself has provisions similar to that and it never worked.
- d.2 No government can provide principal mortgage money.
- d.3 We cannot get mortgage money where rates of interest are low. The moment mortgage money becomes profitable, no new institution is needed because it will naturally attract investment.
- d.4 Governor Licaros proposed an additional 1/2% real estate tax or reassessment of real estate values with the reassessment difference on tax generated for housing, interests, or subsidy for secondary mortgage papers. The real estate tax or reassessment difference for every city or municipality should go to the housing program of such city or municipality.
- e. Senator Rene Espina: The goals for a massive housing program should be quantified in terms of the problem, the identification of priorities, etc.
- e.1 With regards to financing housing, what guaranty can we have that funds generated will really go to housing? Corollary to this, he cited the present educational funds being generated to salaries of teachers and employees instead of to education.
- e.2 Senator Espina suggested that 30% of existing indirect sales taxes in cities and municipalities be set aside for housing in that locality. We have to tax resources of cities and municipalities.

- e.3 Expropriation of government lands is good if it is necessary and we should expropriate not only private lands but also city or municipally owned lands.
- f. Senator Mamintal Tamano: Environmental planning is a major function in most developed countries and many developing countries. In this regard, housing is considered as a major factor in economic development. The example shown in Singapore can be used as a model for Philippine conditions.
- g. Senator Ambrosio Padilla: The government should encourage private sector middle-class "accessoria-type" housing; and the government should take charge of social housing. In principle, he is against rental control because it is a disincentive for construction of housing for rental and proper replacement or rehabilitation of existing ones.
- h. Senator Eva Estrada Kalaw: Senator Kalaw questioned the scope of the proposed FUND -- whether it will include economic as well as social housing. Will it serve all sectors of those needing housing?
- i. Senator Lorenzo Teves: Public housing should be a function of the government. Through the FUND, the private sector will have an important role in housing development. In general the Senator showed a favorable reaction towards S. No. 713.
- j. Miss Fe Villafuerte: A special legislation is needed to enable the Development Bank of the Philippines to administer trust funds and to guaranty any financial programs. Charges, which are internal, may be waived.
- k. Commissioner Gregoria Cruz Arnaldo: Insurance companies are not averse to participating in the FUND provided that the interest rates are tax free and at least 9-1/2%. We will implement whatever laws are passed affecting insurance companies.
- l. Deputy Administrator Reynaldo Gregorio: The Social Security System has funds only for its members. Now, we can only serve group housing arrangements rather than individual housing.
- m. Chairman Armand Fabella: There should be an additional involuntary contribution of a continuing nature. New payroll and real estate property taxes are good sources of funds generated for housing.
- n. Mr. Eric Carlson:
- n.1 In many developed countries and in some developing countries, housing is increasingly recognized as a major economic accelerator. With a well-conceived

- n.1 national housing policy and programming techniques, investment in housing is not considered inflationary. Housing employs underutilized resources, encourages the development of the country and is considered a productive industry.
- n.2 Many countries have national housing banks that regularize investment in housing, mobilize more savings, and serve as a major financial institution for housing in urban and rural areas. Some countries have financial institutions that mobilize savings specifically for housing. Examples include Savings and Loan Associations, Building Societies, Cooperative Housing Organizations, etc.
- n.3 In considering new housing legislation, the Philippines should take advantage of the relevant experience of other countries to establish a systematic approach to the financing and mobilizing of savings and the channeling of investment for housing and environmental development purposes.
- n.4 International agency programmes are currently being re-oriented to the worldwide problem of rapid urbanization and environmental conservation and development, but this must be matched by determined new national effort in this field.

PERSONS CONTACTED BY HOUSING SURVEY TEAM  
(November 15, 1971 - December 8, 1971)

USAID/Manila

Thomas C. Niblock, Mission Director  
Christopher H. Russell, Deputy Director  
Joseph C. Guardiano, Program Officer  
Raymond Cohen, Regional Program Officer  
William C. Larsen, Assistant Director, Capital Development  
Thomas Johnson

U.S. Embassy, Economic Section

Terence Arnold  
Walter Lenahan  
Charles Angevine

United Nations

Eric Carlson, UN Centre for Housing, United Nations, New York

Office of the President of the Philippines

Alex Melchor, Executive Secretary

Office of Senator Helena Benitez

Senator Helena Benitez  
Attorney Ester Amor  
Dr. Josefina Ramos  
Miss Thelma Lopez

Presidential Economic Staff

Ramon B. Cardenas, Director, Administration and Economic  
Operations  
Joselito Gallardo, Director, Financial Program Office  
Dennis Mendoza, Staff Assistant

Institute of Planning, University of the Philippines

D. W. Faithful

National Irrigation Administration

Benjamin U. Bogadon, Assistant Project Manager,  
Rizal in Nueva Ecija

People's Homesite and Housing Corporation

Sebastian Santiago, General Manager  
Jacob De Vera, Assistant General Manager  
Ricardo Reyes, Chief Architect  
Manuel Rebuena, Engineer

Central Bank of the Philippines

Celso S. Bate, Director, Department of Savings and Loan  
Association  
Manuel C. Santos, Jr., Associate Director, Dept. of  
Savings & Loan  
Rafael Enrile, Jr., Assistant Director, Dept. of Savings  
and Loan  
Erasto A. Pacis, Assistant Director, Dept. of Savings  
and Loan  
Mrs. Angie Changco, Associate Director, External Debt  
Management Section  
Ernesto Romero  
Marino Corpus

Development Bank of the Philippines

Leonides Virata, Chairman

Social Security System

Gilberto Teodoro, Administrator  
Reynaldo J. Gregorio, Deputy Administrator  
Manuel Veloso, Acting Manager, Commercial and Industrial  
Loan Department

Banco Filipino (BF Homes)

Tomas B. Aguirre, President, Banco Filipino  
B. P. Ocampo, Senior Vice President, BF Homes  
Florencio Orendain, BF Homes  
Antonio Lim, BF Homes  
Rene Punzalan, Market Analyst, BF Homes  
Tommy Testa, Jr.

First National City Bank

James Collins, Assistant Manager  
Wilfredo L. Reyes

Bancom Development Corporation

Luis Villafuerte, Senior Vice President  
Federico C. Gonzales, Assistant Vice President

Philippine American Life Insurance Co.

Cesar C. Zalamca, President

Sycip, Gorres, Velayo & Co.

Washington Sycip, Managing Partner  
Adriano C. Dy, Management Services Division

Pioneer Savings and Loan Association

Raymond Navarro

Economic Development Foundation

Cesar Sarino, Executive Vice President  
Gil Garcia

Davao Development Foundation, Inc.

Ernesto Aboitiz, President  
George V. Jover, Coordinator

Mantrade Industries, Inc.

Andres E. Siochi

Social Action Department, Catholic Bishops Conference

Rev. E.L. Victoriano, S.J.

Economic Development Foundation, Inc.

COMPARATIVE RETAIL PRICES OF  
CONSTRUCTION MATERIALS

Construction Materials	Price Range	
	July 31, 1970	July 31, 1971
1. Galvanized Iron Roofing (per sheet) 32" x 6', corrugated 32" x 10', corrugated	6.60 14.20	7.50 17.50
2. Eternit Asbestos Roofing (per sheet) 1/4" x 38-1/2" x 5' 1/4" x 38-1/2" x 10'	11.00 22.60	12.60 25.75
3. Aluminum Sheet (per sheet) .016 x 33" x 8' .032 x 33" x 8'	16.50 38.50	16.50 39.00
4. Plywood, Lagan and Tanguile (per smt) 4 MM x 4' x 7' Class C 1/2" x 4' x 8' Class C	5.50 18.00	7.50 26.00
5. Plywood, Narra and Dao (per pc.) 1/4" x 4' x 8' Class C 1/4" x 4' x 8' Class B	18.00 22.00	24.00 26.00
6. Luanit Board, Standard (per pc.) 1/8" x 4' x 8' 1/4" x 4' x 8'	6.50 9.80	8.50 12.00
7. Luanit Board, Tempered (per pc.) 1/8" x 4' x 8' 1/4" x 4' x 8'	9.00 16.50	15.00 21.00
8. Lavatory Sink Faucet, C.P. 1/2" drain Japan 1/2" drain U.S.A.		12.00

<u>Construction Materials</u>	<u>Price Range</u>			
	<u>July 31, 1970</u>		<u>July 31, 1971</u>	
9. Northern Hill Kitchen Sink Porcelain Enamelled	25.00	38.70	32.00	42.55
10. Square Bars 3/8" x 20' - 1" x 20'	4.50	42.00	4.50	40.00
11. Round Bars 1/4" x 20' - 1" x 20'	2.20	9.00	2.00	29.00
12. Flat Bars 1/8" x 1/2" x 20' - 1/4" x 1" x 20'	4.80	24.40	2.60	26.40
13. Angle Bars 1/8" x 1" x 20' - 3/8" x 3" x 20'	6.00	17.80	6.00	80.00
14. Galvanized Iron Pipes 1/2" x 20' - 2" x 20'	12.50	48.60	12.00	48.00
15. Black Pipes, Iron (a pc.) 1/4" x 20" - 2" x 20"	11.00	46.00	10.00	41.00
16. Barbed Wire (per roll) 35 lbs, -70 lbs.	33.00	70.00	33.00	65.00
17. Post Stap (a pr.) 3/16" x 1-1/2" x 20" 1/4" x 2" x 20"	2.20	3.50	2.20	3.50
18. Machine Bolts with Nuts (kilo) All sizes	2.20	3.50	2.40	2.60
19. Common Wirenails (kilo) 3"-3-1/2" to 1"-1-1/2"	1.70	2.00	1.60	1.80

	<u>Construction Materials</u>	<u>Price Range</u>	
		<u>July 31, 1970</u>	<u>July 31, 1971</u>
20.	Finishing Nails (kilo) 3" up - 1" 1-1/2"	2.00 2.20	1.80 2.00
21.	Galvanized Iron Roofing Nails (Kilo) 2"-2-1/2"	3.00	2.50
22.	Gravel, per cu.m., ord.	16.00	16.00
23.	Sand, per cu.m. ord.	14.00	14.00
24.	Lime (1 bag)		1.30
25.	White cement (1 bag of 94 lbs.) Japan	17.50	16.50
26.	Cement (1 bag of 94 lbs.), local	4.20	5.80 6.00
27.	Tiles(per 100 pcs.)	16.65 27.00	15.75 35.65
28.	Adobe Stone, Ordinario, (per 100 pcs.) Manda- luyong, 5" x 5" x 16"	30.00	35.00
29.	Hollow Blocks, Concrete (per pc.) 4" x 1-3/8" x 1 m 6" x 8" - 3/8" x 16'	0.26 0.55	0.30 0.55
30.	Concrete Pipe (per pc.) Non-reinforced 4" x 1-3/8" x 1 m 8" x 1' - 3/8" x 1 m	1.30 4.00	1.50 4.50
31.	Nipa Shingles (100 pcs.) 2nd Class-1st class	40.00 50.00	50.00 60.00
32.	Bamboo (per pole) 2nd Class-1st Class	4.50 5.00	4.50 5.00
33.	Sawali (per roll) 2 m x 2 m skinless 2 m x 2 m with skin	3.20 5.50	3.50 5.50

<u>Construction Materials</u>	<u>Price Range</u>			
	<u>July 31, 1970</u>		<u>July 31, 1971</u>	
34. Sherwin Williams Ext. House Paints (gal.)	30.10	31.75	30.10	30.50
35. Sherwin Williams Int. House Paints (gal.)	24.60	25.00	22.00	25.00
36. Al Williams Master Maintenance Paint (gal.)	23.25	23.75	21.15	
37. Sherwin Williams Roofing Paints (gal.)	19.00	33.50	19.00	33.50
38. Dutch Boy Paints (gal.)	19.50	23.50	21.50	30.50
39. YCC Paints (gal.) Flat White-Marine White, Gloss	16.00	17.00	16.00	17.00
40. Sinclair Paints (gal.) Stn-D-Life-Standard	15.50	20.20	15.50	20.00
41. Fuller Paints (gal.) Industrial Enamel - House Paints	22.00	23.00	22.00	23.00
42. Enamel Flat Wall Paints	--	--	19.50	20.00
43. Miscellaneous Paints Columbus-Central Enamel Paints	7.00	22.00	8.00	23.00

# Current Prices of Construction Materials

(as of July 20, 1971)

G. I. ROOFING SHEETS, per sheet:	
Corr. No. 26 -- 32" x 6'	P10.50
7'	12.25
8'	14.00
9'	15.75
10'	17.50
Plain No. 26 -- 35" x 8'	14.00
Corr. No. 31 -- 32" x 6'	7.50 Unq.
7'	8.75 Unq.
8'	10.00 Unq.
9'	11.25 Unq.
10'	12.50 Unq.
Plain No. 31 -- 35" x 8'	10.00 Unq.
ALUMINUM SHEET, per sheet:	
Gauge No. .016 x 33" x 8'	P16.50
.019 x 35" x 8'	22.00
.024 x 35" x 8'	27.00
.027 x 35" x 8'	30.50
.032 x 36" x 8'	38.50
ETERNIT ASBESTOS ROOFING, per sheet:	
Corr. 1/4" x 33-1/2" x 5'	P12.40
6'	14.55
7'	17.20
8'	19.75
9'	22.55
10'	25.30
3/16" x 4' x 8'	16.30
PLYWOOD, LAUAN OR YANGG., per piece:	
4MM x 4' x 7' Class C	Unq.
D	"
SG	"
3/4" x 4' x 8' Class C	11.00
D	9.50
SG	Unq.
3/16" x 4' x 8 Class C	P3.00
D	7.50
SG	Unq.
1/2" x 4' x 8' Class C	24.00
D	20.00
SG	Unq.
PLYWOOD, Narra & Dao, per piece:	
1/4" x 4' x 8' Class B	P26.00
C	P24.00
D	Unq.
LAWANIT BOARD, Standard, per piece:	
1/8" x 4' x 8'	P3.50
3/16" x 4' x 8'	9.50
Tempered, per piece:	
1/8" x 4' x 8'	P13.50-P12.00
3/16" x 4' x 8'	15.30-14.00
1/4" x 4' x 8'	Unq.-16.00
SQUARE BARS, 20' length	
3/8"	P4.50
1/2"	8.40
5/8"	13.70
1"	40.00
ROUND BARS, 20' length	
1/4"	P2.00
3/8"	2.50
1/2"	4.50
5/8"	9.00
3/4"	13.36
1"	29.10
FLAT BARS, 20' length	
1/8" x 3/8"	P2.00
1/8" x 1/2"	3.00
3/16" x 1/2"	4.00
1/4" x 1/2"	6.00
1/2" x 1"	19.50
1/2" x 1-1/2"	26.40
ANGLE BARS, 20' length	
1/8" x 3/4"	P6.00
1/8" x 1"	5.00
3/16" x 1"	13.30
1/4" x 1"	18.00
3/8" x 3"	60.00
G. I. PIPES, 20' length	
1/2"	P12.00
3/4"	17.00
1"	23.00
1-1/2"	35.00
2"	43.00
BLACK IRON PIPES, 20' length	
1/4"	Unq.
1/2"	P10.00
1"	19.00
1-1/2"	32.00
2"	41.00

POST STRAP, a pair:	
1/4" x 1-1/2" x 20"	P2.00
1/4" x 2" x 20"	3.50
5/16" x 2" x 20"	2.50
3/16" x 1-1/2" x 20"	2.20
MACHINE BOLTS with nuts	
All sizes	P2.40 per kilo
COMMON WIRE NAILS, per kilo:	
1" -- 1-1/2"	P1.00-P37.00/keg
2" -- 2-1/2"	1.70-65.00/keg
3" -- Up	1.00-63.00/keg
FINISHING NAILS, per kilo:	
1" -- 1-1/2"	P2.00-P69.00/keg
2" -- 2-1/2"	1.00-67.00/keg
3" -- Up	1.00-65.00/keg
G. I. ROOFING NAILS, per kilo:	
2" -- 2-1/2"	P2.50-P2.00(wh)
BARBED WIRE, per roll, local:	
70 lbs.	P65.00
60 lbs.	60.00
35 lbs.	33.00
CEMENT, local, 94 lbs. bag:	
Rizal	P3.90
Republic	5.50
Filipinas	5.00
Island	5.00
GRAVEL, Ordinary	P16.00/cu.m.
SAND, Ordinary	14.00/cu.m.
WHITE CEMENT, 94 lbs.	16.00/bag

CONCRETE HOLLOW BLOCKS	
3"	Unq.
6"	P9.45-P9.43
4"	0.28-0.30

CONCRETE PIPE (non-reinforced)	
1-3/8" x 1.00m. x 8"	Unq.
6" P4.00-4.50	P3.50
4" 1.50-2.00	P1.50

TILES	
Pioneer Floor tiles	
Unglazed, 100 pcs/carton:	
4" x 4" Class A	P20.00-P17.50
B	17.00-15.00

Fit Hispano Tiles	
Glazed, 100 pcs/carton:	
4-1/4" x 4-1/4" Class A	P17.55-P16.10
(White) B	15.70-15.50
4-1/4" x 4-1/4" Class A	23.60-21.00
(Colored) B	16.55-14.50
Premium Tiles Class A	25.23-22.50
4-1/4" x 4-1/4" colored	35.65-29.90
Corona Tiles Glazed:	
4-1/4" x 4-1/4" Class A	P0.10-P17.00/h
B	0.16-14.00/h

Wall Tiles, Japanese:	
6" x 6" White	0.37-35.00/h
4-1/4" x 4-1/4" colored	0.47-45.00/h
Floor Cement Tiles: (plain, colored)	
4" x 4"	0.24-20.00/h
6" x 6"	0.27-24.00/h
6" x 8"	0.32-28.00/h

ADOBE STONES, Ordinary	
Mandaluyong, 5" x 16"	P35.00/h
HIPA SHINGLES, 1000 pieces:	
1st Class	P60.00-P30.00
2nd Class	50.00-45.00

SAWALS 2m. x 2m. roll:	
With skin	P 5.50-4.50
Skinless	3.50-3.00
KITCHEN SINK, porcelain enameled:	
Northern Hill	Retail Whole
14" x 20"	P25.00 P22.75
16" x 24"	23.00 20.00
18" x 30"	30.70 35.20

LAVATORY SINK FAUCET 1/2" Dia.	
U. S. A	P17.00 19.00
Italy	15.00 17.00
Japan	12.00 14.00

GALVANIZED WIRE, per kilo:	
No. 8 to 16	P1.00-P2.00
18 to 19	2.30-3.00
20 to 22	3.25-3.50

WATER METER, Japanese, each:	
3/4" dia	P110.00-P120.00
1/2" dia	95.00-110.00
Germany, each:	
3/4" dia	P120.00-P140.00
1/2" dia	100.00-120.00
DOOR HINGES, Germany, a pair:	
3" x 3"	P3.50-P4.50
4" x 4"	4.50-5.00

DOOR LOCKSET, each:	
Us. Wicket Brand	
Entrance w/ key	P79.00-P63.50
Bedroom w/ key	45.70-42.90
Bathroom w/ key	45.70-42.90
Sliding Door Lock (ASA)	50.00-45.45
US Trojan Brand, Pol. Chr:	
Entr. Lockset	P43.35-P37.50
Private Lockset	23.25-20.00

LUMBER	
1st Group: Narra	P1.45-1.65/bf
Yakal	1.24-1.25/bf
Ipil	1.20-1.25/bf
2nd Group: Gulo	1.10-1.15/bf
3rd Group: Red Lauan	0.70-0.75/bf
Tanguile	0.70-0.75/bf
Palosapis	0.70-0.75/bf
Apatog	0.70-0.75/bf
4th Group: Almon	0.60-0.70/bf
White Lauan	0.60-0.70/bf

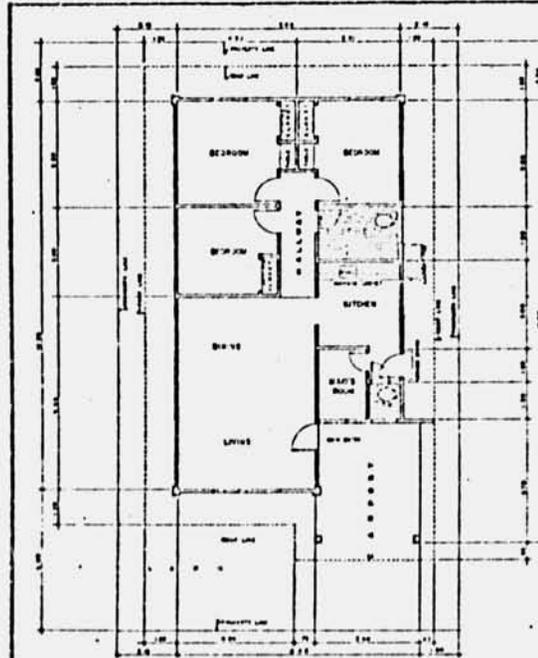
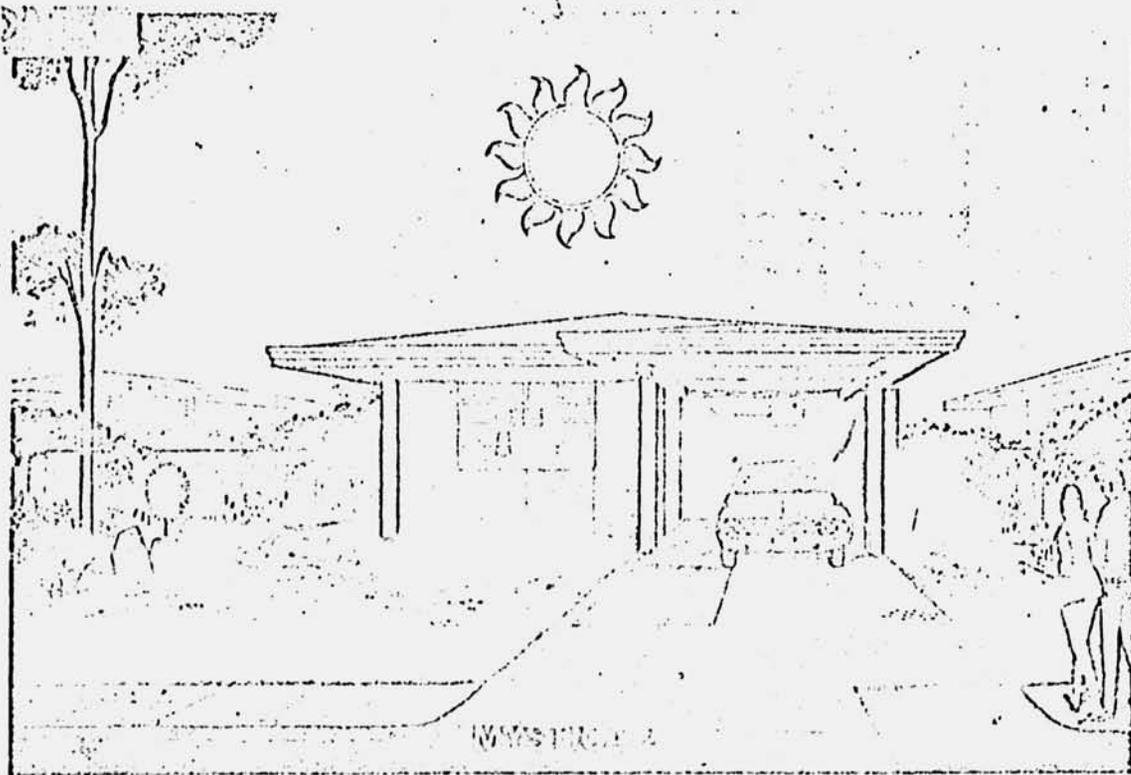
FLYWOOD, local: Tanguile or Lauan:	
1/4" x 3' x 6'	P 6.00/pc.
1/2" x 3' x 6'	12.50/bag
LIME: 2000 lbs	1.30/bag

PAINTS	
SHERWIN WILLIAMS, Exterior House Paint	
SWP Gloss White	P143.45/5 gals.
	P30.10-P30.50/gal.
S. W. Gloss White	P113.50/5 gals.
	P24.00-P25.00/gal.
S. W. MAINTON Maintenance Paint	P105.00/5 gals.
All Colors	23.25-23.75

S. W. ROOFING PAINTS	
Galvite green	P33.00-P33.50/gal.
White	23.10-23.50/gal.
Green	22.30-23.00/gal.
G. I. Paint red	20.00-22.00/gal.
DUTCH BOY, Exterior House Paint	
White	P101.00/5 gals.
Other colors	P23.00-P23.50/gal.
French gray, Ivory,	
cream	30.00-30.50/gal.
Enamel Flat Wall	P95.10/5 gals.
All colors	19.50-20.00/gal.

YCO	
Marine White Gloss	P16.00-P17.00/gal.
Flat White	16.00-16.50/gal.
SINGLAIR	
Standard	P75.00/5 gals.
	P15.50-P16.00/gal.
Stuc-O-life	P93.00/5 gals.
	P19.00-20.00/gal.

TIARRA BEAUTY PANELS	
Painted (4 x 8)	Retail Whole
Pre-finished (4 x 8)	P15.95 Unq.

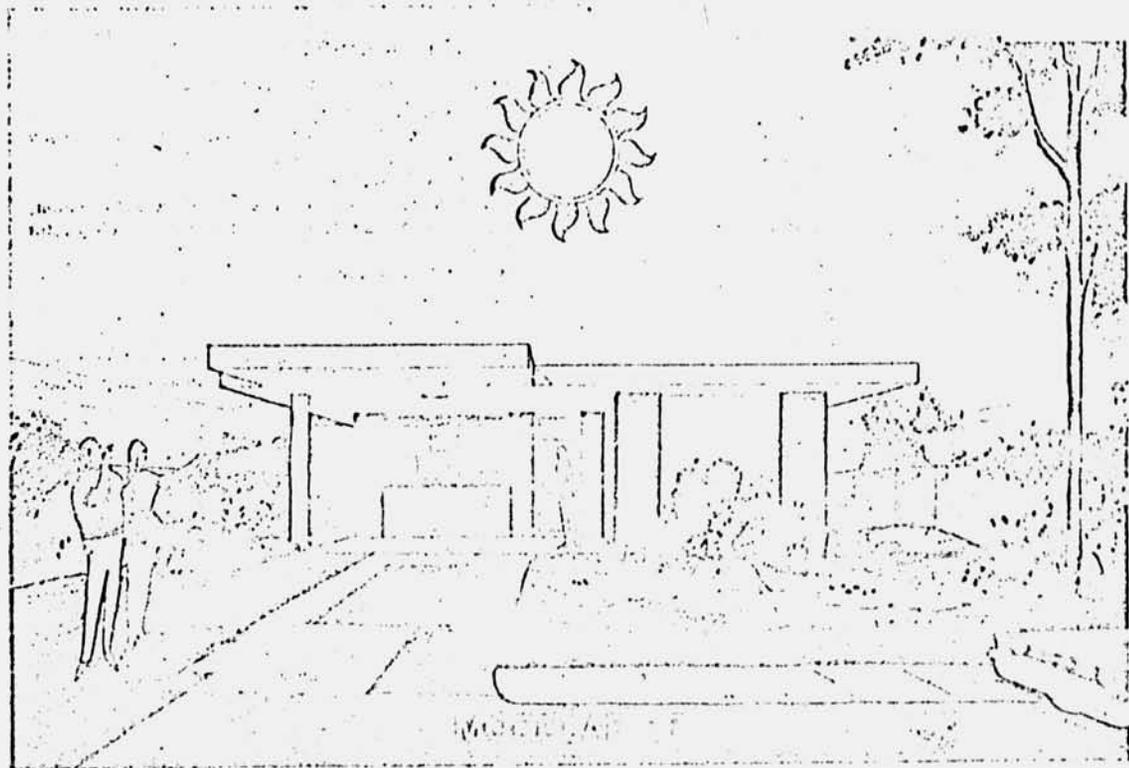


MYSTICA 2

**SPECIFICATION DIGEST**

- 104 square meters floor area consisting of:
  - three regular-sized bedrooms
  - one common toilet and bath
  - a large living and dining area
  - kitchen area with built-in overhead cabinets, maid's quarters with service toilet and bath.
  - laundry area
  - covered carport
- Exterior walls are high grade reinforced pre-cast concrete Permacote wall panels with a facade finish of either adobe rubble or synthetic adobe.
- Floor finish for living, dining and kitchen areas is of vinyl asbestos tiles while bedroom floor finish is of parquet tile wood. Plain cement finish is used in the maid's quarters, laundry area and carport.
- Windows are a combination of aluminum framed rotor-operated glass jalousies and standard steel casement swing-out type.
- Termite-proof treated lumber is used for all wooden structural parts.
- Other features include quality plumbing fixtures, lighting fixtures for all ceiling outlets, built-in closets for all bedrooms, drainage system, a concrete driveway and the buyer's choice of the painting color scheme.

Architect: Armando Orozco  
 Builder: R. L. Santos Construction  
 5 Manga Road, Quezon City

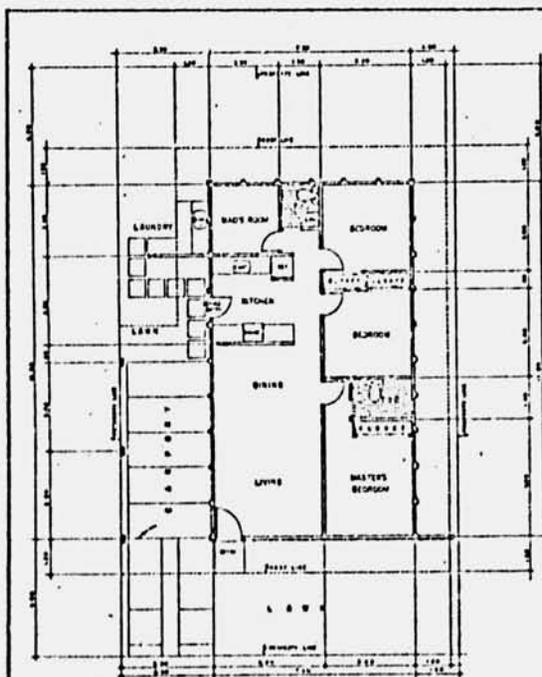
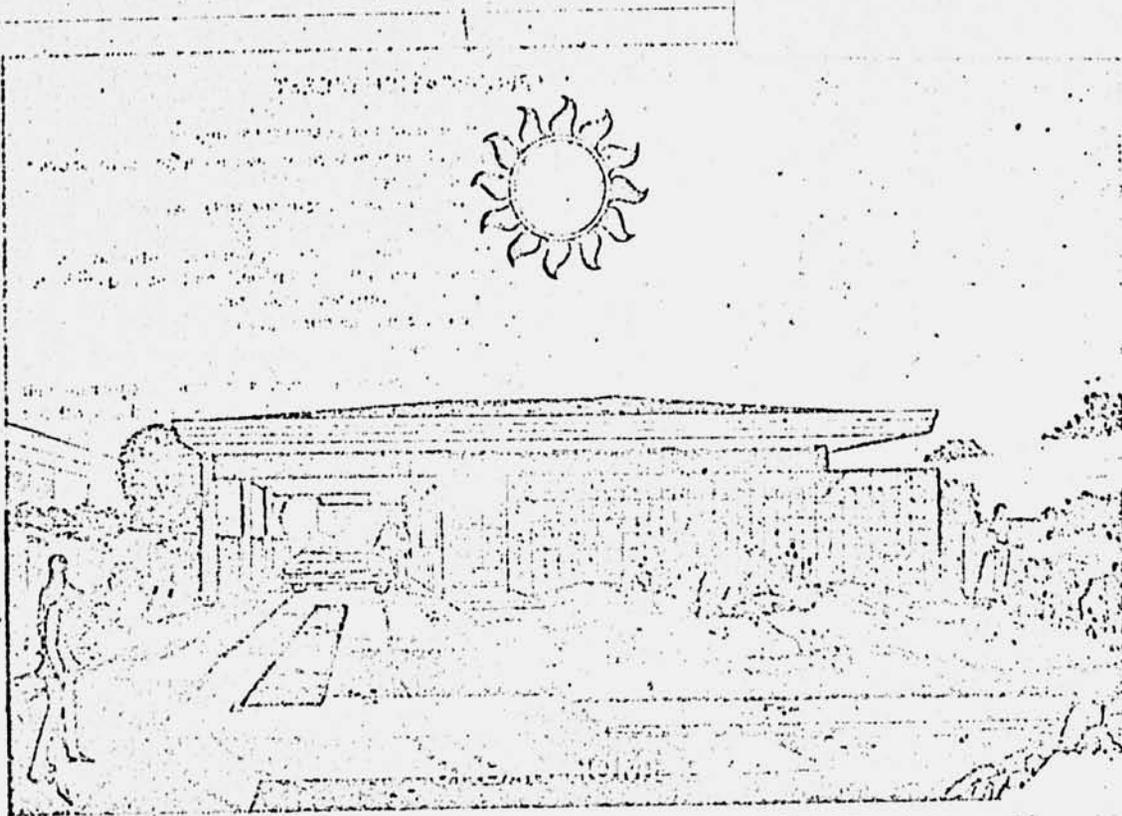


**SPECIFICATION DIGEST**

- 110 square meters floor area consisting of:
  - one master's bedroom
  - common toilet and bath, shower and water heater
  - two regular-sized bedrooms
  - one utility maid's room
  - a kitchen area with a formica topped working counter, built-in overhead cabinets and spaces for refrigerator and range.
  - living and dining area
  - laundry space
  - covered carport
- Exterior walls are 4" reinforced concrete hollow blocks with a sand blasted facade finish. Double wall ribbon-grained plywood make up the interior partitions.
- Windows are of the steel casement type with integral grills
- Floor finish for living, dining and bedrooms is of parquet tile wood, while kitchen flooring is used in the utility room, laundry and carport.
- Termite-proof treated lumber is used for all wooden structural parts.
- Other features include a flat post-tensioned cement roof, quality plumbing fixtures, lighting fixtures for all ceiling light outlets, elevated bedrooms, built-in closets for all bedrooms, drainage system and a concrete driveway

**MODULAR 2 B**

Architect: Antonio Heredia  
 Builder: Modular Homes, Inc.  
 1003 Filipinas Bldg.  
 Ayala Avenue, Makati, Rizal

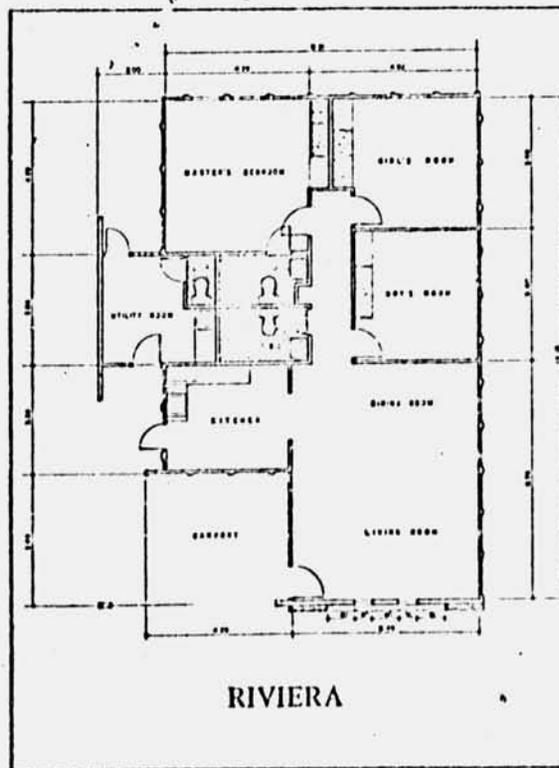
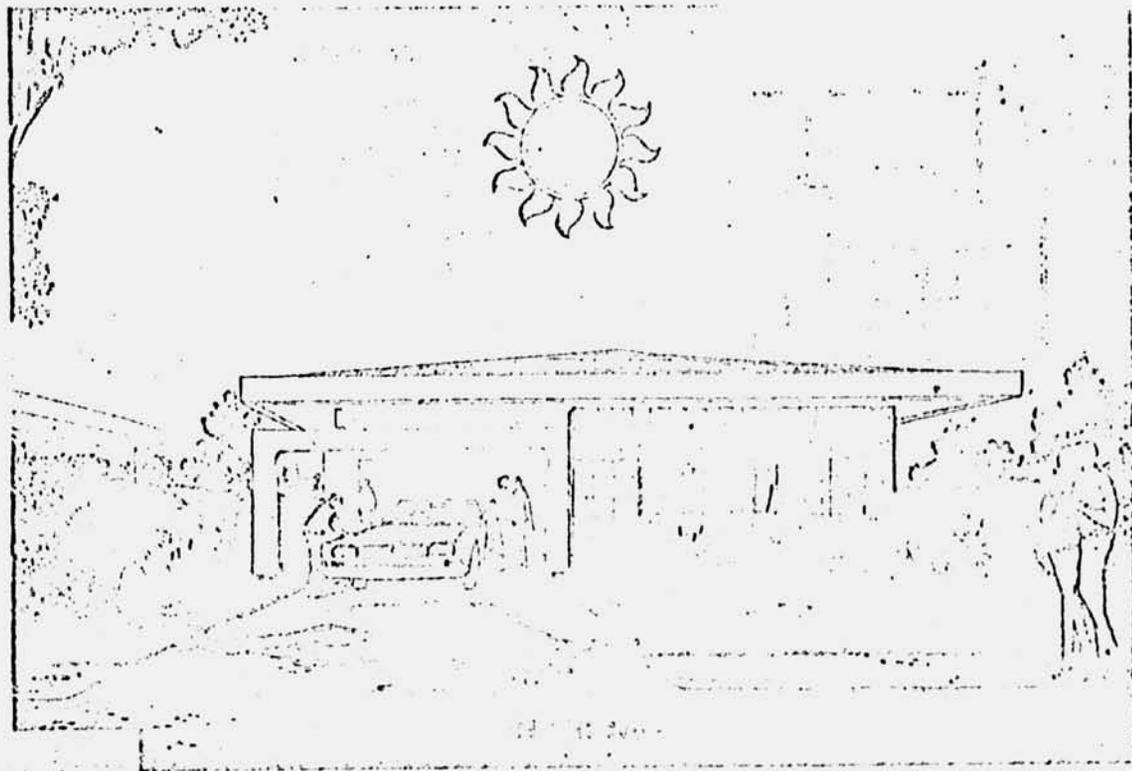


**SPECIFICATION DIGEST**

- 126 square meters floor area consisting of
  - master's bedroom with its own toilet and bath, shower and water heater
  - two bedrooms with a common toilet bath
  - one utility - maid's room
  - living - dining area delineated with divider
  - a kitchen area with built-in working table and cabinets and spaces for refrigerator and range
  - service porch and laundry area
  - covered carport
- Exterior walls are typical precast reinforced concrete wall panels with a facade finish combination of either synthetic rubble or sand spray finish on decorative precast cement. 4" & 6" concrete hollow blocks and double wall plywood make up the interior partitions.
- Floor finishes: tilewood for living, dining and bedrooms; pebble washout for kitchen; plain cement for utility area.
- Termite-proof treated lumber is used for all wooden structural parts.
- Windows: steel casement with integral grills.
- Other features include quality plumbing fixtures, lighting fixtures for all ceiling light outlets, narra decorated front door, built-in closets for all bedrooms, drainage system, concrete driveway.

**URBAN HOME 2**

Architect: Renato Punzalan  
 Builder: J. T. Garcia Construction  
 162 Aurora Blvd., Quezon City



**SPECIFICATION DIGEST**

- 136 square meters of floor area consisting of:
  - a masters' bedroom with its own toilet and bath, shower head and water heater.
  - two regular sized bedrooms with a common toilet and bath.
  - a large living dining area.
  - a kitchen area with a tile-topped working counter and spaces for a range and a refrigerator.
  - a utility room with a service toilet and bath with the laundry area integrated.
  - a covered carport.
- Floor finishes for the living, dining, kitchen, regular-sized bedrooms and corridor are of vinyl asbestos tile finish while the floor of the masters' bedroom is of parquet wood-tile finish. Plain cement finish cover the utility room area and the covered carport.
- Windows are standard steel casemen, swing-out type.
- Exterior walls are first class reinforced pre-cast concrete panels with a facade of perma-split blocks and ornamental synthetic adobe.

Architect: Ephraim Santos  
 Builder: Pilar Development Co.  
 5th Floor Aguirre Bldg  
 Plaza Sta. Cruz, Manila



# BF HOMES

## INTRODUCES

# THE BF BUNGALETTE

OWN A COMPACT BUNGALOW ON A 240 SQ. M. LOT  
FOR ₱ 254.52 A MONTH

PRICE LIST & AMORTIZATION SCHEDULE  
"SPECIAL CENTURY PROJECT"  
CALOOCAN BF HOMES

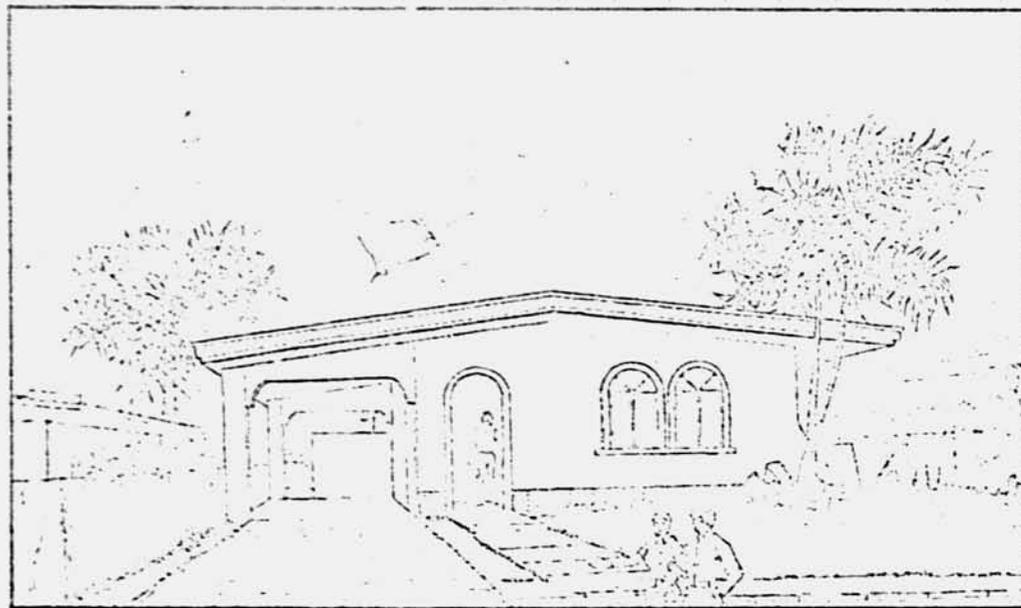
Cost of lot (240 sq. m. at ₱64/sq. m.)	=	₱15,360.00
Cost of house (2 bedrooms)	=	21,000.00
Total Cost	=	₱36,360.00
Required Downpayment	=	7,272.00
Loan Value	=	<u>₱29,088.00</u>
<b>DOWNPAYMENT:</b>		
Initial Payment	=	₱ 3,636.00
Add: HFC Fees	=	59.00
Total Initial Payment	=	<u>₱ 3,695.00</u>
Second Payment (after 30 days)	=	₱ 3,636.00
Add: Registration and Insurance Exp.	=	564.32
Less: Discount (5% of total cost)	=	1,818.00
Total Second Payment	=	<u>₱ 2,382.32</u>

HOUSE COST

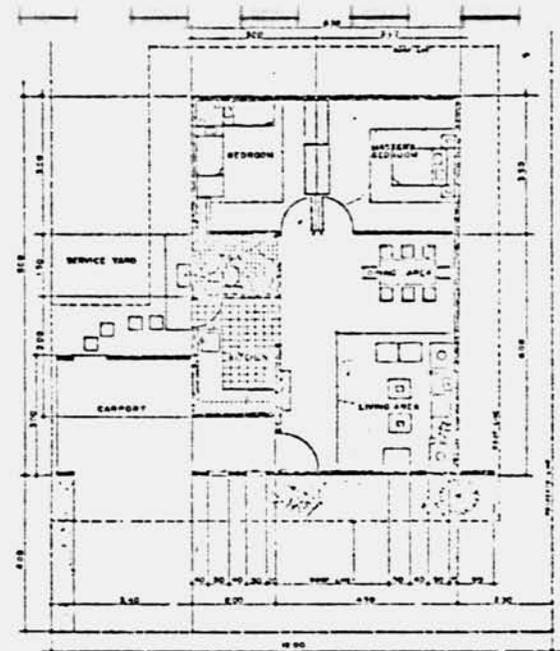
₱ 300 m<sup>2</sup>

GRADUATED MONTHLY AMORTIZATION

<u>TIME</u>	<u>LOT PAYMENT</u>	<u>HOUSE PAYMENT</u>	<u>TOTAL</u>
During the construction of house	₱107.52		₱107.52
After the completion of house or occupancy whichever is first, up to the 24 <sup>th</sup> month	₱107.52	₱147.00	₱254.52
For the third year	₱137.16	₱187.53	₱324.69
For the fourth to the fifteenth years	₱147.52	₱201.67	₱349.19



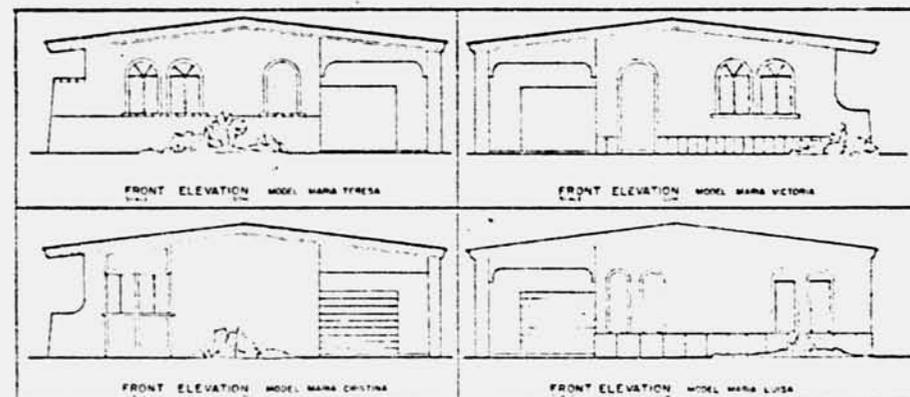
PERSPECTIVE (MODEL) MARIA VICTORIA



FLOOR PLAN  
SCALE 1:500

**CALOOCAN SPECIAL BF BUNGALETTE PROJECT  
SPECIFICATIONS DIGEST**

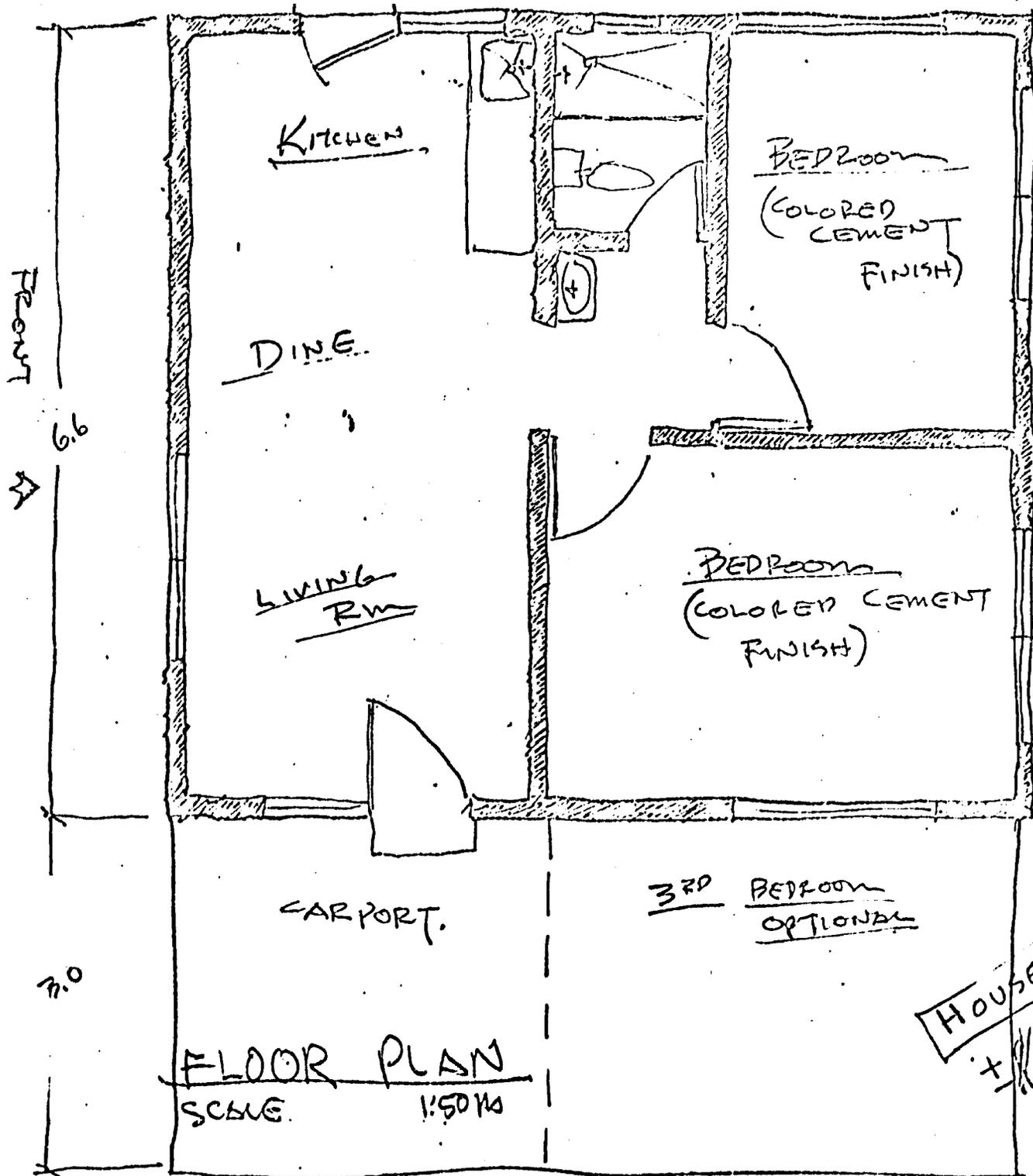
- 70 square meter floor area consisting of:
  - two regular-sized bedrooms with common toilet and bath;
  - a spacious living and dining area;
  - a functional kitchen layout with a tiled top working table, built-in overhead cabinets, and space for refrigerators;
  - cemented service porch;
  - a covered carport.
- Floor finish for living, dining and kitchen areas is of cement tiles, while bedroom is of vinyl asbestos tiles. Plain cement finish is used for the carport and service porch.
- Exterior walls are high grade reinforced 6" concrete hollow blocks. The facade finish for each type of model are as follows:
  - a) Maria Luisa - combination cement plaster and cement plaster with grooves and painted red bricks in color.
  - b) Maria Victoria - combination cement plaster and tooled finish painted red bricks in color.
  - c) Maria Teresa - combination cement plaster and stucco finish.
  - d) Maria Cristina - combination stucco and cement plaster finish plus low wall with tooled finish.



- Windows are a combination of rotor operated glass jalousies and steel casement windows. Main entry door is a panel type and the rest are flush wood hollow core type.
- Termite-proof lumber is used for all wooden structural parts.
- Other features include Philippine Standard plumbing fixtures, built-in closets for all bedrooms, house drainage system, septic tank, a concrete driveway and buyer's choice of the painting color scheme.

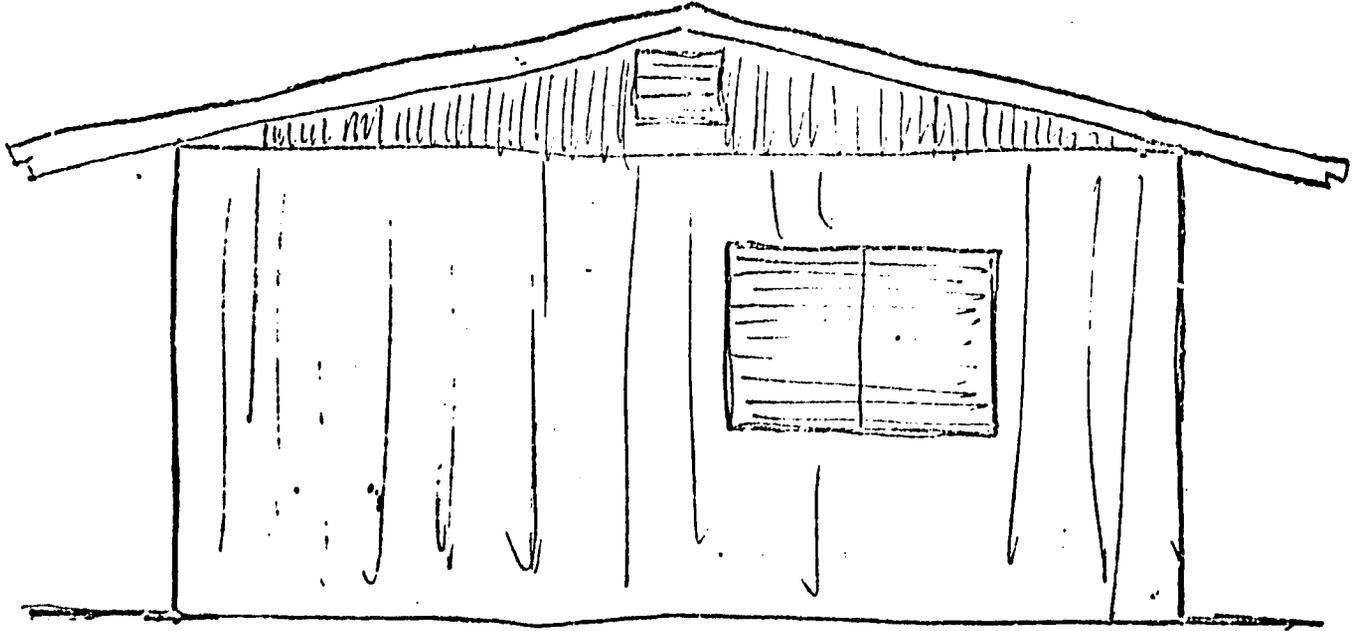
Architect: Pablo M. Secretario

Builder: Complex Engg. Inc.  
5th Floor Architectural Center Bldg.  
Ayala Ave., Makati  
Rizal



HOUSE	45 m <sup>2</sup>	FINISHED	₱ 8,500
LOT	180 - 200 m <sup>2</sup>	UNFINISHED	3,000
HOUSE COST + LOT			₱ 11,500
			(U.S. \$ 1,850)

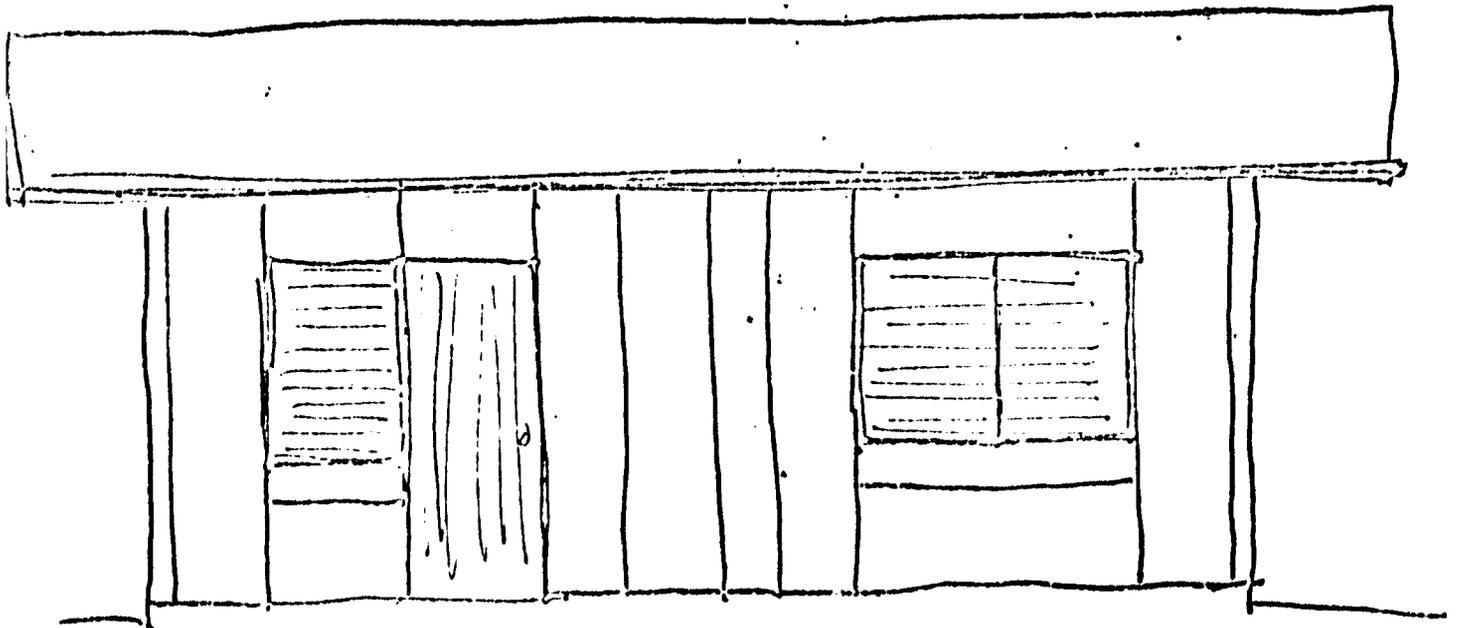
**DAVAO DEVELOPMENT FOUNDATION**



FRONT ELEVATION

SCALE

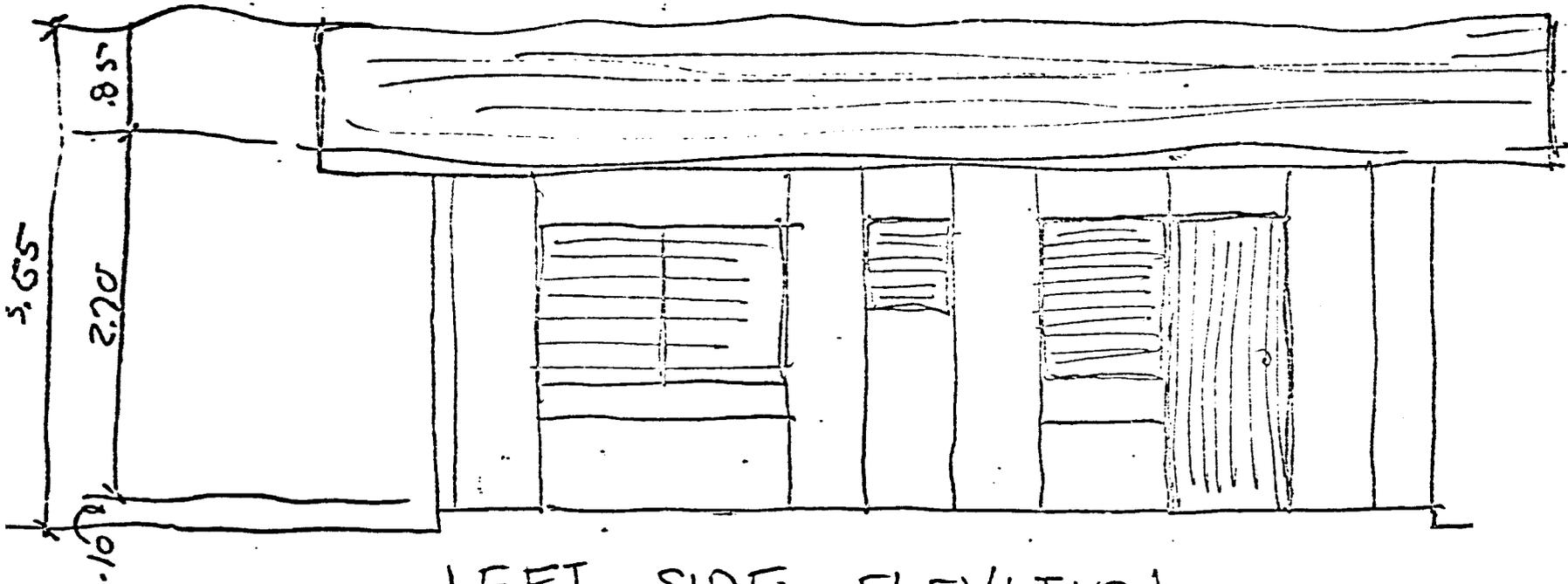
1:50 M



RIGHT SIDE ELEVATION

SCALE

1:50 M



LEFT SIDE ELEVATION  
SCALE 1:50 M