

OMNIBUS HOUSING & URBAN DEVELOPMENT ACT

House Bill No. 1300

Introduced by Representative Eduardo Zialcita

March 2000

RATIONALE & SUMMARY

The proposed Omnibus Housing and Urban Development Act addresses the critical housing problem in its totality. It incorporates a package of essential measures relative to the four major aspects of land and housing development: Finance, Production, Regulation, and Administrative Structures.

It is CREBA's view that any half-measures, focused on only one or two of these aspects, would be largely ineffective in view of the gravity of the housing situation, and may only result in waste of government funds and effort, if not failed expectations on the part of the millions of homeless.

The housing backlog currently stands at some 4.5 homeless families, 75% of whom are squatters or illegal settlers in urban centers. To eliminate this backlog within at least 20 years would require a housing production rate of at least 500,000 units per year. To be affordable by the underprivileged, these housing units must be priced at not more than P500,000 per house/lot package, and yet still, homebuyer financing assistance must be extended at affordable rates and terms.

The government does not have the funds and technical expertise to undertake this massive effort on its own. It therefore has to rely on the private shelter sector to complement NHA efforts. However, for the private sector to get deeply involved in this effort on a continuing basis, the following must be effected through legislative intervention:

1. Homebuyer financing assistance must be made available on a permanent basis since – considering the substantial investment and risks – the private sector cannot participate or engage in a large-scale housing production effort unless there is an assured effective demand in terms of purchasing power.

At the targeted private sector production rate of 400,000 per year, annual homebuyer funding of P100 Billion is required and, in view of Government's limited resources, these funds must be privately sourced.

2. Land access for residential development purposes must be facilitated, not only to ensure effective production programming and unhampered project implementation, but also to reduce costs and thereby reduce the prices of housing packages to the affordability levels required.

At the aforementioned target annual production rate, a total of not more than 200,000 hectares of raw lands are needed annually inclusive of provisions for commerce, industry, infrastructure, etc.

3. The administrative and regulatory infrastructure must be overhauled not only to promote bureaucratic efficiency and effectiveness, but also to ensure stability, responsiveness and a holistic approach in policy-making and program formulation for land, housing and urban

development purposes, as well as to accord the critical housing problem the national attention and concerted government effort that it deserves.

While the proposed Act is specifically attuned to the needs of the millions of homeless, it will nonetheless provide a tremendous boost to the economy if enacted in its entirety and implemented effectively. This is due to the enormous economic pump-priming impact of housing activity in terms of providing employment and income opportunities for millions of the unemployed and underemployed, catalyzing business activity for sixty-five other industries, and generating billions in revenues for Government.

Admittedly, the proposed Act contains certain provisions that some may find contentious, particularly those concerning the fund sourcing-measures and the realignment of responsibilities and bureaucratic processes as far as land development and land use policy-making are concerned.

It is emphasized, however, that nothing in this proposed Act may be considered unjust or unreasonable in the light of the exigencies and prevailing conditions. The provisions are anchored on existing laws, and were carefully studied and crafted with the paramount interest not just of the homeless but also that of the entire nation in mind.

In this light, there should be little doubt that the Members of Congress would muster the political will sufficient for the speedy passage of this proposed Act in its entirety.

SALIENT FEATURES

The Omnibus Housing and Urban Development Act now pending in the Lower House contains the following major features proposed by CREBA:

- A. **Creation of a Department of Housing and Urban Development.** – The aim is to help ensure that the critical housing problem is accorded the attention it deserves at the highest level. The consolidated House Bill seeks the creation of a full-fledged Department. CREBA is of the view, however, that a simply structured “lean and mean” Department would be more appropriate (a) in view of budgetary constraints and in the interest of a higher degree of cost-efficiency, and (b) considering that the bulk of operations will be undertaken by the attached agencies already existing.
- B. **Shelter Finance.** – Under the consolidated House Bill, this has three components:
 - 1. **CENTRALIZED HOMEBUYER FINANCING PROGRAM** (CHFP) for purposes of private sector-led housing. The proposed Act institutes this as a permanent, stable, sustainable and viable homebuyer financing assistance program.

It has been carefully designed to catalyze a continuing, massive, demand-driven socialized and low-cost housing production effort by the private sector. Under this Program, (1) all the flaws of previous home lending programs are corrected; (2) all the concerns of the participants (government, funders, buyers and developers) are addressed; and (3) all their respective interests are amply protected.

Among its main features are:

- Without any government subsidy, reasonably low home financing rates can be viably provided;
- The fund sources are all private in character, and without any government budgetary outlay it is capable of financing 400,000 socialized and low-income housing units per year on a fund recycling basis;
- It is open to all income-earning underprivileged citizens whether or not members of SSS, GSIS or Pag-IBIG; and
- It is exclusively for homebuyer financing for socialized and low-cost housing.

CHFP FUND SOURCING: – Portions of the investible funds (allocated for housing) of the SSS, GSIS and Pag-IBIG, plus a portion of the unused Agri-Agra funds of banks as provided under RA 7835, are centralized into a single CHFP Fund. This will result in an initial fund of P100 Billion.

It should be noted that while these “private” funds are available, however, successive executive fiats could not prevail upon the designated funders to release said funds for housing purposes, thus the need for a specific mandate under the law.

CHFP FUND USE/LENDING PROGRAM: – The maximum lending rate for socialized housing will be 9%. The lending guidelines (Annex A) that is proposed to be adopted by the Department:

- Ensures a 100% loan collection performance;
 - Transfers the loan risk from the government to the developer (and to a certain extent the buyer);
 - Ensures the highest-quality housing loans/mortgages and the strongest asset hold for the government financing arm; and
 - Ensures that the interest and concerns of all players – funders, buyers, developers, and the government – are amply protected and reasonably served.
2. **SECURITIZATION PROGRAM.** – Loans/mortgages generated under the CHFP will be securitized and offered to the secondary capital markets in the form of housing bonds/securities. This will ensure the continuing recycling of the initial CHFP Fund, and is expected to generate an annual funding of at least P75 – P80 Billion. To ensure success, the housing bonds must be able to compete effectively in the capital markets. For this purpose, the proposed Act provides for necessary securitization enhancement measures.
 3. **SOCIAL HOUSING FUND** for the purely governmental programs of the NHA.
- C. **Land Access** – Designation of Lands for Housing and Urban Development. – This is meant to resolve the controversies involving land jurisdiction, particularly the CARP/conversion issues. These issues not only serve as the major impediment to housing and non-agricultural development, but also result in the unabated spiral of land prices and development costs, which in turn impact severely on the affordability of housing packages.

Under the proposed Act, urban lands, striplands and lands zoned by LGUs ~ all of which are already set aside by existing laws for urban and non-agricultural purposes ~ are placed under the exclusive jurisdiction of the HUD Secretary. The DAR is specifically mandated to abide by these existing laws by completely "keeping its hands off" of these lands, as far as both LGU zoning and private development project approval is concerned.

- D. **Regulatory Reforms.** – Additional powers are conferred upon the HLURB (which is restructured under the consolidated House Bill), to address an existing regulatory vacuum in certain areas of the broad spectrum of housing activity.

Additionally, the Socialized Housing One-Stop Processing Center (SHOPC), provided for under RA 7279 and operationalized by EO 184, is institutionalized to permanently streamline the bureaucratic processes in the issuance of the many various clearances, licenses and permits required at every stage of land/housing development.