



A Home for Every Filipino

CHAMBER OF REAL ESTATE & BUILDERS' ASSOCIATIONS, INC.

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## Position Paper

Relative to

### **Proposed Amendments to PD 957 and BP 220 IRR**

29 September 2000

The essence of BP 220, which the HLURB IRR seeks to implement, is to empower the HLURB to lower the standards and technical requirements for land and housing development imposed under PD 957, the National Building Code and other laws.

The intent of the law is to enable developers to produce lot/housing packages within the affordability levels of the underprivileged homeless.

The Chamber, however, finds that the proposed amendments to the IRR would achieve exactly the reverse.

Even now under the existing rules and standards and the prescribed price ceiling of only P180,000, socialized housing has become impossible to package in urban areas due to the increase over the past years in the price levels of land, building materials and other inputs.

Low-cost housing, while still possible, has become extremely difficult in the face of the continuing effect of the 1997 economic crisis, spiraling costs of inputs, eroded purchasing power, depreciating peso, rising interest rates, the oil crisis and a host of other problems.

With the proposed amendments – which maintains the price ceiling (for social housing) but raises the standards and prescribes new requirements for additional facilities and amenities – the government is in effect completely abolishing socialized housing, by imposing a cost burden that simply cannot be absorbed.

As far as economic housing is concerned, any favorable effect of the contemplated increase in the price ceiling to P500,000 would simply be negated by the proposed amendments' impact on costs.

This is so for the following reasons:

1. The revision in standards would mean that the greater the density is (in terms of a larger number of smaller lots), the bigger would be the area required for the road network, open space and community facilities. This, in turn, would mean a reduction in the net saleable area, thus creating problems of cost recovery.

On the other hand, coming up with a lower density (in terms of bigger lot sizes) in order to avoid loss of saleable area, would simply create problems of affordability and marketability. This therefore places the developer in the classic situation of being caught between the devil and the deep blue sea. And the bigger the project, the bigger would be the costs and corresponding problems.

2. This is compounded by the requirement for additional facilities and amenities as listed under Table I of the Design Standards (i.e. swimming pool, talipapa, elementary school, high school, commercial area, etc) – all of which would not only further reduce the saleable area, but would also entail additional considerable costs.
3. All these would be further compounded by:
  - a) The contemplated 20% completion requirement in the issuance of License To Sell, which is tantamount to a ban on pre-selling. This would result in considerable carrying costs in view of the rising cost of borrowing, not to mention the capital-intensive nature and the long gestation period of housing production; and
  - b) The contemplated increase in the required performance bond.

We cannot comprehend the rationale of these proposed amendments, particularly since these are contrary to the spirit and intent of BP 220, even as these would discourage large-scale projects and thus throw a monkey wrench at the administration's avowed thrust towards a production target of at least 350,000 housing units per year.

There is no debate that the upward adjustment in standards would result in a more aesthetic and pleasant environment. It is the Chamber's view, however, that at this particular time of extreme difficulties, government effort should be focused instead on allowing developers enough flexibility to provide basic decent shelter for the greatest possible number.

In view of the foregoing, the Chamber recommends that:

1. The proposed amendments be shelved, and the status quo as far as the existing rules, design standards and required facilities/amenities should be maintained; and
2. In order to offset the adverse impact of the increased price levels of land and building materials over the past years, the price ceiling for socialized housing should be raised to P300,000 in the NCR, P250,000 in other urban centers, and P180,000 in all other areas; while the ceiling for economic housing should be raised to P500,000.

With respect to other amendments, the Chamber recommends that the following be similarly dispensed with:

1. AMENDMENT TO RULE I, SECTION 1.A.4 ON THE REQUIREMENT FOR DAR CLEARANCE.  
– This amendment removes the qualifying phrase "if the land is agricultural". It amounts to HLURB's complete surrender to the DAR's position that all alienable and disposable lands are agricultural and thus all development projects must have DAR's prior clearance – completely ignoring all land reclassifications by law or local ordinance.

Considering the substantial costs and interminable delays involved in securing DAR clearances, this move by the HLURB reflects insensitivity to the plight of the millions of homeless urban poor that is an integral part of its responsibility under the law.

1. REQUIREMENT FOR ECC TO BE SUBMITTED TOGETHER WITH THE APPLICATION FOR PLAN APPROVAL. – This is totally counterproductive, as it will effectively delay housing delivery and prevent attainment of the government's target of 350,000 housing units per year, considering that it takes several months before an environmental impact assessment leading to an ECC can be completed for each project.

A more tenable alternative would be to limit this requirement to projects involving lands which, by virtue of location, topography, soil condition and other physical characteristics, are manifestly environmentally critical in nature.

2. COMPULSORY DONATION OF ROADS AND OPEN SPACES. – This is illegal, since under the law such donation is entirely optional on the part of the developer.
3. REQUIREMENT OF SIGNATURE OF ENVIRONMENTAL PLANNER ON THE SITE DEVELOPMENT PLAN. – This appears to a wholly unnecessary cost burden, considering that few projects would have such considerable environmental impact as to necessitate highly specialized study, even as there are yet very few environmental planners nationwide.