

Chapter 4

Housing Construction

I. SITUATIONER

Jumpstarting the housing construction sector can spur economic growth and alleviate poverty by taking advantage of its multiplier effect. Housing has a high multiplier effect of 16.6 times, meaning that every PhP10 billion worth of housing units, it can contribute a total of PhP166 billion of economic activity for the country.

A. Assessment of Performance

Housing construction, relative to the huge housing need (3.6 million in 2001-2004) has been modest. Against a target of 1.2 million units of housing assistance or shelter security units (i.e., a house, house and lot, or lot only), the housing sector, through the National Shelter Program, was able to provide 882,823 shelter security units or an accomplishment rate of 73.6 percent as of June 2004 (Table 1). Of the total output, 60 percent or 493,496 units went to socialized housing of which 93 percent (219,268 units) benefited the informal sector (i.e., nonmembers of Home Development Mutual Fund-Pag-IBIG, GSIS or SSS) mainly through the Presidential proclamation of 73 sites. Forty percent (389,327 units) went to formal housing. It may be noted that 52 percent of this (200,865 units) was provided by Pag-IBIG, the largest output by a single institution involving PhP48.53 billion.

Table 4-1 Housing Targets and Accomplishments

Housing Package	Target Households 2001-2004	Actual Accomplishments				
		2001	2002	2003	2004*	2001-2004
Socialized (below PhP 225,000)	880,000	207,940	118,987	84,716	81,853	493,496
Low Cost (PhP225,000-PhP2 M)	320,000	54,447	74,306	114,507	146,067	389,327
Total	1,200,000	262,387	193,293	199,223	227,920	882,823

Source: Housing and Urban Development Coordinating Council (HUDCC)

** Figures as of June 2004*

In support of the Millennium Development Goal target to significantly improve the lives of at least 100 million slum-dwellers by 2020, the government and the private sector through their programs provided shelter security units to 382,285 households during the period 2001 to 2004. The government programs included the HUDCC's Asset Reform Program; the National Housing Authority's (NHA) programs on slum upgrading, sites and services, land tenurial assistance, community land acquisition support, grants-in-aid for housing, cooperative housing, resettlement, emergency housing assistance, housing materials assistance, medium-rise housing projects, and completed housing; and the Community Mortgage Program (CMP) of the National Home Mortgage Finance Corporation (NHMFC). The private sector through the Couples for Christ Gawad Kalinga 777 (GK 777) Project and the Habitat for Humanity Project provided a total of 8,979 units for the improvement of the plight of slum dwellers (Table 4-2).

Table 4-2 Program for Slum Dwellers

Program	Number of Household Beneficiaries			
	2001	2002	2003	Total
HUDCC Asset Reform Program	133,900	68,820	1,000	203,720
NHA Housing Programs	47,771	25,356	15,205	88,332
NHMFC Community Mortgage Program (CMP)	28,474	19,529	11,453	59,456
National Government Center (NGC) East-West Project	8,739	2,049	410	11,198
North and South Rail Relocation	--	7,350	3,250	10,600
Gawad Kalinga (GK 777)	1,000	1,032	2,963	4,995
Habitat for Humanity	1,878	1,087	1,019	3,984
Total	221,762	125,223	35,300	382,285

Source: HUDCC, *Couples for Christ, Habitat for Humanity*

B. Key Challenges

To ensure shelter security for the Filipino family and the provision of access to affordable and decent housing especially for the poor, the housing construction sector will continue to be formidable challenges to the Arroyo Administration. The key challenges for housing include the following:

1. Meeting the rapidly growing housing need.

Demand for housing continues to grow as the Philippine population continues to grow rapidly. Government resources are, however, limited and most public programs tend to produce complete shelter packages largely unaffordable to the poor. Annual population growth rate is estimated at 2.36 percent while urbanization rate (i.e., the proportion of urban areas to total land area) is 52 percent. For the period 2005-2010, the housing need is projected to be 3.75 million units broken down as follows:

Table 4-3 Housing Need, 2005-2010

Category	Total
Housing Backlog	984,466
- Doubled-Up Housing	387,315
- Replacement/Informal Settlers	588,853
- Homeless	8,298
Substandard (Upgrading)	186,334
New Households	2,585,272
Total	3,756,072

Source: HUDCC

In terms of geographical location, more than half of the total housing need (56%) is in Southern Tagalog, Metropolitan Manila, and Central Luzon, 21 percent in the Visayas and the remaining 23 percent in Mindanao (Table 4-4).

Table 4-4 Housing Need per Region, 2005-2010

Region	Annual Backlog	Cumulative Backlog and New Households						Total
		2005	2006	2007	2008	2009	2010	
NCR	58,412	82,182	82,434	82,689	82,946	83,206	83,469	496,928
CAR	1,309	6,494	6,589	6,685	6,783	6,882	6,984	40,416
I	5,556	25,027	25,446	25,874	26,310	26,757	27,212	156,626
II	4,078	17,725	18,032	18,346	18,667	18,995	19,330	111,094
III	12,569	71,938	73,837	75,798	77,821	79,909	82,064	461,368
IV	23,827	127,872	131,742	135,757	139,920	144,239	148,718	828,248
V	12,267	28,288	28,288	28,830	29,109	29,392	29,679	173,855
VI	16,816	36,941	37,255	37,574	37,898	38,227	38,561	226,455
VII	10,578	45,880	46,865	47,877	48,918	49,988	51,087	290,616
VIII	7,281	18,766	18,940	19,116	19,294	19,476	19,660	115,252
IX	7,642	21,824	22,133	22,449	22,772	23,101	23,438	135,717
X	5,912	18,880	19,164	19,455	19,751	20,054	20,364	117,668
XI	11,158	41,922	42,722	43,542	44,384	45,248	46,134	263,952
XII	6,661	18,033	18,270	18,511	18,758	19,009	19,266	111,847
ARMM	5,126	22,800	23,482	24,190	24,926	25,691	26,484	147,574
CARAGA	5,942	12,791	12,902	13,016	13,131	13,248	13,367	78,456
Total	195,133	597,362	608,370	619,708	631,389	643,422	655,821	3,756,072

Source: HUDCC

2. Expanding private sector participation in socialized housing financing and construction.

The banking system and private sector groups participate minimally in socialized housing, partly because they cannot compete with the subsidized (i.e., below market) housing loan interest rates of the government housing programs. With the thrust of government to shift towards a market-oriented housing finance system, a level playing field for both public and private housing programs will be ensured.

Efforts at the central level often do not meet the needs and preferences of the targeted beneficiaries. This supply-driven housing policy has resulted in the accumulation of about 100,000 unoccupied dwelling units over the years. Effective programs are better implemented at the local level, under a decentralized framework, where national agencies and private sector groups as well as NGOs work to support the LGUs' housing projects for various clientele.

3. Strengthening the capacity of housing institutions.

Despite the institutional reforms, there is still a long and tedious process of securing permits and licenses for housing and urban development.

At present, processing time for permits has been reduced from 90 days to 30-45 days, required signatures from 288 to 40, housing loan applications are processed within seven days, while requirements under the CMP have been reduced from 56 to 18 requirements. These improvements, however, are not enough and efforts are needed to further cut red tape in the system. This is exacerbated by the need for better coordination of agencies involved in

housing and land development and the inability of some LGUs to fully assume the devolved functions.

II. GOALS, STRATEGIES AND ACTION PLANS

A. Goals

The housing sector shall adopt a strategic framework anchored on a multi-stakeholder/tripartite, market-based, private sector and LGU-led reforms and approaches to meet the goals of: (a) job generation; (b) shelter security of the different housing market segments; and (c) the Millennium Development Goal of improving the lives of slum dwellers. The sector will work towards the decongestion of Metro Manila by developing housing centers/communities outside the metropolis in line with the President's 10-point Agenda.

An important component of the construction industry, housing could generate downstream economic activities and therefore, enhance productivity and competitiveness in the construction, real estate sector, and mortgage markets. The economic contribution of housing of 16.6 times consists of the following components: increase in raw materials, 1.88; increase in labor, 0.35; increase in taxes, 2.64; and other values, 11.74.

While traditionally viewed as a social development service, housing, as a labor-intensive activity, is now recognized as a potential provider of massive employment opportunities for about 1,063,037 urban and rural construction workers (i.e., professionals, skilled, semiskilled, and simply skilled workers) in the housing industry every year. Constructing a low-cost housing unit requires an average of eight persons working for three weeks or a total of 124 man-days.

B. Strategies

To help meet the above goals, the following priority strategies shall be pursued:

- 1. *Expand private sector participation in socialized housing finance and construction***
 - a. Create a viable and sustainable source of housing finance through the establishment of an active and liquid secondary mortgage market;
 - b. Redesign the subsidy mechanism to increase transparency and efficiency by phasing out interest rate subsidies;
 - c. Increase the role of private financial institutions in financing housing through credit at market-based interest rates;
 - d. Fasttrack disposition of assets and non-performing loans to generate additional funds for housing; and
 - e. Pursue strategic linkages with client/sectoral groups, private developers for joint venture arrangements, and private banking sector.

The development of the secondary mortgage market is a scheme for fund generation in housing that is long awaited. The market will be stimulated for the buying and selling of mortgage-backed securities (e.g., housing loans, housing bonds)

at a discount especially for the PhP42 billion NHMFC portfolio once this is securitized or restructured for trading. At the same time, the subsidy mechanism for socialized housing will be rationalized from the current interest-based subsidy towards a more transparent, up-front amortization-based subsidy on the principal payments for socialized housing loans. There is therefore a need to institutionalize an “on-budget” amortization subsidy scheme for socialized housing to maintain its affordability and which should be kept separate from the housing finance market.

On the other hand, private sector financing for housing will be pursued under a market-oriented approach and lending tenor (i.e., market-based interest rates and repayment schemes) to remove distortions in housing finance. Joint venture schemes with the private sector will also be developed for public housing for the formal sector (i.e., members of HDMF, GSIS and SSS) in government properties proclaimed for housing purposes. These approaches will redefine the role of government in housing finance to ensure a better distribution of responsibilities and risks with the private sector.

2. *Continue to address the housing requirements of the formal and informal sectors particularly the socialized and low-cost housing categories*

- a. Scale up proven multi-stakeholder and cost-effective housing programs;
- b. Improve the security of tenure of households, improve land registration process, and adopt and develop innovative tenure arrangements to address the affordability factor;
- c. Relocate informal settlers occupying danger areas in Metro Manila in a just and humane manner;
- d. Support LGUs and private sector-led housing programs; and
- e. Develop new centers for housing in Luzon, Visayas, and Mindanao.

Proven multistakeholder and cost-effective housing programs that may be scaled up or expanded include the CMP, the Couples for Christ Gawad Kalinga 777, and the Habitat for Humanity Project. Innovative secure tenure arrangements that need to be further developed and pilot-tested include public rental, lease/ purchase and shared ownership, rent-to-own, usufruct or long-term lease of up to 99 years particularly for prime/ semi-prime properties in urban centers. To address the influx of informal settlers in danger zones (e.g., railways, riverside, *esteros*) in Metro Manila, the relocation of these settlers will be prioritized and undertaken in a just and humane manner in identified sites (Table 4-5).

In developing new housing centers outside Metro Manila, the LGUs and the private sector will take the lead in identifying new areas for residential development guided by their Comprehensive Land Use Plans (CLUPs). Priority areas for new housing development are the densely populated and fast growing urban centers nationwide.

Table 4-5 Housing Sector Priority Relocation Program

Program	Number of Families to be Relocated	Funding Requirement (P Million)
North Rail Relocation Program	37,850	7,736
Phase 1 Section 1	19,953	4,167
Caloocan North	-	127
Malabon	3,399	688
Valenzuela	4,102	831
Bulacan (Meycauayan to Malolos)	12,452	2,521
Phase 1 Section 2	17,627	3,569
Calumpit, Bulacan		
San Fernando		
Clark, Angeles		
South Rail Relocation Program	42,929	8,286
Caloocan South	1,223	226
Manila	8,597	1,590
Makati	2,843	578
Taguig	2,633	487
Parañaque	1,279	237
Muntinlupa	10,561	1,954
Laguna	15,793	3,214
Pasig River Rehabilitation Program	6,802	756
Esteros Program	21,047	2,253
Total	108,358	19,031

Source: HUDCC

3. Strengthen the institutional capacity of the housing agencies

- a. Elevate the HUDCC into the Department of Housing and Urban Development (DHUD);
- b. Pursue organizational restructuring and streamlining for cost-effective and efficient management; and
- c. Enhance collection efficiency and servicing of housing loans.

The transformation of the HUDCC into the DHUD is envisioned to strengthen the housing sector’s institutional framework by establishing a lead agency for governance to address the pressing issues posed by a runaway population growth, rapid urbanization, urban poverty, growth disparities, and poor urban environment. The creation of the DHUD should strictly adhere to the scrap-and-build policy of the government so that neither additional budgetary allocation nor new personnel would be required. Meanwhile, the enhancement of collection efficiency and servicing of housing loans by housing finance institutions is expected to reach about 80 percent from the current 70 percent. This would be achieved mainly through outsourcing,

upgrading of operating systems and procedures, and enhancing financial system management.

4. Enhance the capacity of LGUs

- a. Further emphasize decentralization and devolution and infusing more authority, responsibility and accountability to LGUs in urban development, planning, finance, implementation and management in the delivery of housing and urban services.
- b. Establish Local Housing Boards in every city and municipality.
- c. Further streamline the processes in securing permits and licenses for housing and land developments, as well as in securing housing loans.

C. Action Plan

1. Targets

For 2005-2010, the housing sector will pursue the provision of housing for a total target of 1,145,668 households valued at Php 217.04 billion with a 68 percent to 32 percent ratio in favor of socialized housing (Table 4-6).

Table 4-6 Housing Targets, 2005-2010

Housing Package	Number of Units	Percentage Share
Socialized (below PhP225,000)	780,191	68.1 %
Low Cost (PhP225,000- 2 M)	365,282	31.8 %
Medium (PhP2 M-4 M)	195	0.01 %
Total	1,145,668	100.0 %

Source: HUDCC

The housing targets by program and key implementing shelter agencies are shown in Table 4-7.

2. Legislative Agenda

The following priority legislative agenda will be pursued:

- a. Rationalize coordination of key shelter agencies.
 - Elevate HUDCC into the DHUD as the primary agency of government that will prepare, integrate, coordinate and supervise plans, programs and activities of the government relative to urban planning, development and renewal including land use zoning, housing provision, regulation and finance, and marginal settlement.

Table 4-7 Housing Targets by Program and Agency, 2005-2010

Program/Agency	Year						Total	Cost (PM)
	2005	2006	2007	2008	2009	2010		
A. Direct Housing Provision								
Socialized Housing								
NHA								
Resettlement	22,900	21,100	19,900	19,000	17,700	16,500	117,100	11,205
Slum Upgrading	5,800	5,500	5,200	4,800	4,500	4,000	29,800	1,151
Sites & Services	5,700	6,200	7,300	8,200	9,200	10,400	47,000	4,277
Core Housing	5,000	5,100	5,400	5,700	6,000	6,300	33,500	7,773
Community-Based Housing	7,400	8,900	10,700	11,800	13,200	14,800	66,800	2,970
Sub-total NHA	46,800	46,800	48,500	49,500	50,600	52,000	294,200	27,376
NHMFC								
Community Mortgage Program (CMP)	15,360	15,860	15,625	16,510	16,750	17,920	98,025	5,202
HDMF	18,313	20,694	23,384	26,423	29,858	33,739	152,411	26,582
GSIS	720	792	871	958	1,054	1,160	5,555	2,839
DBP	3,700	5,000	1,300	3,000	3,000	4,000	20,000	1,677
HUDCC								
Presidential Proclamation	35,000	35,000	35,000	35,000	35,000	35,000	210,000	--
Sub-total, Socialized	166,693	170,946	173,180	180,891	186,862	195,819	780,191	36,300
Low-Cost Housing								
NHA								
Medium-Rise Building	8,200	10,200	11,500	13,500	15,400	18,000	76,800	33,966
HDMF	26,403	29,835	33,713	38,096	43,048	48,644	219,739	85,062
GSIS	8,351	9,143	10,014	10,883	12,027	13,206	63,621	28,120
SSS	664	730	803	884	972	1,069	5,122	1,685
Sub-total, Low-cost	43,618	49,908	56,030	63,363	71,447	80,919	365,282	148,833
Medium-Cost Housing								
GSIS	25	28	30	33	37	42	195	4,532
Total Direct Housing Provision	210,336	220,881	229,240	244,287	258,345	276,780	1,145,668	217,044
B. Indirect Housing Provision								
HGC								
Retail Guaranty	22,340	24,574	27,031	29,735	32,708	35,979	172,367	87,981
Development Guaranty	2,482	2,730	3,003	3,304	3,634	3,998	19,151	10,165
Sub-total HGC	24,822	27,304	30,034	33,039	36,342	39,977	191,518	98,146
HLURB								
License to Sell Housing Units	131,320	134,000	136,680	139,360	141,705	144,050	827,115	
Subdivision/Condominium Projects	2,100	2,100	2,100	2,120	2,160	2,200	12,780	
LGUs Assisted on Comprehensive Land Use Planning (CLUP)	101	101	102	103	110	117	634	

Source: HUDCC

The DHUD bill seeks to rationalize the existing institutional set-up for housing and urban development which is complex and characterized by overlapping functions, mandates and programs of the agencies involved. The DHUD shall serve as the “one-stop shop” envisioned to cater to the housing needs of the country. The DHUD shall be the primary government agency that will facilitate and ensure the availability of affordable housing. The bill also proposes to restructure the different housing agencies and corporations to streamline the housing bureaucracy. To pursue this objective, the HUDCC (which is merely a coordinating body) shall be strengthened and empowered with direct control and supervision over all housing agencies and corporations.

- b. Promote sustainable source of housing finance.
- Propose legislation that will operationalize the Social Housing Finance Corporation (SHFC) as the primary institution responsible for addressing the housing needs of the bottom 30 percent poor households.

The SHFC shall have an authorized capital of PhP 15.0 billion. In addition, the SHFC shall be empowered to enter into loans or issue bonds and other debentures to raise funds for housing construction.

- Strengthen the Home Development Mutual Fund (HDMF) by establishing, developing, promoting and integrating a nationwide sound and viable mutual provident saving system.

This would allow mandatory coverage of all SSS and GSIS members and their respective employers. The legislation would, among others, set the maximum contribution rate of 2 percent and the membership term to 20 years or a total of 240 monthly contributions. The HDMF, as a provident fund, shall be private in character.

- c. Strengthen housing regulation.
- Propose legislation on the prescription of time periods for the issuance of housing related certifications, clearances and permits and providing sanctions thereof.

The proposed bill aims to institutionalize a system that will fast track the issuance of housing-related certifications, clearances and permits and impose sanctions for failure to observe the same. All applications for these permits and certifications shall be deemed approved should the agencies concerned (e.g., DAR, DENR, HLURB, NIA, PCA, SRA and LGUs) fail to process the said applications within the prescribed period.

- Establish Local Housing Boards in Every City and Municipality.

The proposed Local Housing Boards shall formulate, develop, implement and monitor policies on the provision of housing and resettlement areas and on the observance of the right of the underprivileged and homeless to a just and humane eviction and demolition. The Boards shall be empowered to: (a) prepare local shelter plans; (b) assist in the preparation of CLUPs; (c) approve preliminary and final subdivision and development plans; (d) evaluate and resolve issues in the issuance of development permits; (e) ensure compliance with the 20 percent balanced housing requirement in the Urban Development and Housing Act (UDHA) (which provides that in every housing development project, at least 20 % of the units or project cost should be for socialized housing); (f) identify lands for socialized housing, among others.

- Institute the National Land Use Policy, which shall integrate efforts, monitor development relating to land use and evolve policies, regulations and directions of land use planning processes.

The proposed National Land Use Policy mandates the formulation of national planning and zoning guidelines and standards, which will guide LGUs in the formulation of their CLUPs and enactment of zoning ordinances. The Policy also categorizes uses of land into protection, land use, settlements development, and infrastructure development.

- Create the field of land title insurance to protect the insured against title defects, liens, encumbrances and fraud.

The proposed Title Insurance Act is aimed at building confidence of financial institutions and individuals to proceed and deal with real property, knowing that, should it later turn out that the title sold or mortgaged was a fake, the financial institution or individual will be reimbursed by the insurance company for the losses. The legislation will include title insurance in the Insurance Code of 1978. The passage of this law can also help pave the way for the development of the secondary mortgage market as it promotes investor confidence in mortgage-backed assets.