



SANDAANG BAHAY BAWAT MUNISIPYO, LUNGSOD AT LALAWIGAN



A Manual of Operations

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Ten Easy Steps

Housing is acknowledged as one of the engines of economic growth in a locality. Studies have shown that for every peso invested in housing, P 16.6 is generated in terms of jobs, taxes, and other aspect of economic life.

However, housing requires intensive capital. Many local government units are averse to contracting loans or other obligations to finance their projects. On the other hand, locally generated income and allocation from the Internal Revenue Allocation are often just enough to finance the day-to-day operations of local governance.

FOR EVERY PESO INVESTED IN HOUSING	
increase in raw materials	1.88
increase in labor	0.35
increase in taxes	2.64
and other values	11.74
TOTAL INCREASE OF	16.6

But there is a way.

With the support of pioneering developers, the banks and the government, the LGU can embark in housing their employees without resorting compromising its fiscal position.

How?

- Make the most of underproductive LGU-owned lands suitable for housing
- Avail of the privilege of applying for housing loans using the employees' Pag-IBIG membership
- Partner with reputable developers who are capable and willing to provide technical services, and even bridge financing
- Use the Internal Revenue Allotment only as Security to access funds from the local banking system
- Harness the local banking system as source of funds for site development and housing construction

SANDAANG BAHAY BAWAT MUNISIPYO, LUNGSOD AT LALAWIGAN

Getting Started

Providing homes to employees of our munisipyo or city hall has never been this easy.

With the support of the Pag-IBIG Fund and a reputable developer local government units can now provide decent and affordable housing for as low a P 1,000 a month.

FEAR NOT, YOU ARE NOT ALONE

Initiating housing projects might seem like a daunting task. But there are many agencies and entities willing to help out in designing and planning and implementing this housing project.

The Housing and Urban Development Coordinating Council, the National Housing Authority, the Home Development Mutual Fund or Pag-IBIG are some of the government agencies which have the capacity and the willingness to provide the local government unit with information and even materials to get started in this great endeavor.

The Pag-IBIG Local Government Housing Program

Pag-IBIG Local Government Housing Program (HDMF CIRCULAR 112-B s 2004) aims to provide local government units (LGUs) with the necessary financial support and assistance at affordable terms to fast track the development and implementation of housing projects in their respective localities

The Local Government Unit can borrow up to **One Hundred Million Pesos (P100,000,000.00) per phase**, depending on actual project costs. In case of medium/high rise residential buildings, the loan amount shall be up to a maximum of 60 percent of land development and building construction cost or **Two Hundred Million Pesos (Php 200,000,000.00)** whichever is lower.

PagIBIG provides Financial assistance for site development & house construction shall be in the form a direct loan to the LGU.

The LGU shall provide counterpart assistance or equity for the project through any of, but not limited to, the following:

- Provision of land to serve as project site
- Provision of subsidy to project beneficiaries
- In-house financing
- Free use of LGU's available facilities/resources during site development or construction period

The proceeds of the loan may be use for any or all of the following purposes:

- Development of residential subdivision including medium/high rise residential building
- Construction of units eligible for mortgage financing under the Consolidated Guidelines of the Pag-IBIG Housing Loan Program.

No part of the loan, however, shall be used to purchase land.

The sales package of the housing units to be generated by the project should not exceed five hundred thousand pesos (P500,000) for properties outside Metro Manila; and one million pesos (P1,000,000) for house and lot packages located within Metro Manila.

The prospective buyers must preferably be PAG-IBIG members.

To ensure market viability, 50 percent of the total prospective buyers must be confirmed.

STEP ONE

Determine Housing Needs Of Employees

Before we start, it is important to answer the following questions:

- How many employees do not have their own houses?
- What is their affordability level? How much are they willing to pay a month?
- Are they Pag-IBIG and/or GSIS members? Are their relatives members of Pag-IBIG, SSS or GSIS?
- Are they willing to apply for a housing loan from Pag-IBIG, GSIS

Why not conduct a survey to determine employee's housing needs? Why not involve the employees' association in the conduct of this survey? This survey will provide the basis for designing a housing project within the affordability and needs of the employees.

Having the Legal Basis

Is the Local Government willing to provide assistance in documentation? Does the Local Government have available lands suitable for housing? Does the mayor have authorization to negotiate with any established and reputable developer for the purpose of undertaking the employees' housing project through, but not limited to, a joint venture scheme and to contract loans or other forms of housing finance?

The Local Government Code of 1991, empowers the Local Government Units (LGUs) to provide basic services and infrastructure facilities such as housing and other mass dwellings to transform the LGUs into self-reliant communities and active partners in the attainment of national goals.

The Local Government Units are likewise directed by RA 7279 or the *Urban Development and Housing Act of 1992* to take the lead in providing housing for its low income constituents in partnership LGUs are authorized to acquire lands for socialized housing provided that qualified beneficiaries who are actual occupants of the land shall be given the right of first refusal.

RA 7160 Local Government Code of 1991

Pertinent provisions on devolution of Issuance of Development Permits to LGUs

Art - 99 (2) (x) Powers, Duties, and Functions of the Sangguniang Panglunsod.

(2) Generate and maximize the use of resources and revenues for the development plans, program objectives and priorities of the city as provided in Section 18 of the Code, with particular attention to agro-industrial development and citywide growth and progress, and relative thereto, shall:

(x) Subject to national law, process and approve subdivision plans for residential, commercial, or industrial purposes and other development purposes, and to collect processing fees and other charges, the proceeds of which shall accrue entirely to the city provided that where approval of an NGA is required, said approval shall not be withheld for more than thirty (30) days from receipt of the application. Failure to act on the application within the said period shall be deemed as approval thereof;

Art. 100 (2) (x) Powers, Duties, and Functions of the Sangguniang Bayan.

(2) Generate and maximize the use of resources and revenues for the development plans, program objectives and priorities of the municipality as provided in Section 18 of the Code with particular attention to agro-industrial development and countryside growth and progress, and relative thereto, shall;

(x) Subject to national law, process and approve subdivision plans for residential, commercial, or industrial purposes and other development purposes, and collect processing fees and other charges, the proceeds of which are shall accrue entirely to the municipality provided that where approval by a national agency or office is required, said approval shall not be withheld for more than thirty (30) days from receipt of the application. Failure to act on the application within the period stated above shall be deemed as approval thereof;

RA 7279 Urban Development and Housing Act

(Sec. 10) **Modes of Land Acquisition.** - The modes of acquiring lands for the purposes of this Act shall include, among others, community mortgage, land swapping, land assembly or consolidation, land banking, donation to the Government, joint-venture agreement, negotiated purchase, and expropriation: Provided, however, That expropriation shall be resorted to only when other modes of acquisition have been exhausted; Provide, further, That where expropriation is resorted to, parcel of land owned by small property owners shall be exempted for the purposes of this Act: Provided, finally, That the abandoned property , as herein defined, shall be reverted and escheated to the State in a proceeding analogous to the procedure laid down in Rule 91 of the Rules of the Court.

For the purpose of socialized housing, government-owned and foreclosed properties shall be acquired by the local government units, or by the National Housing Authority primarily through negotiated purchase: Provided, That qualified beneficiaries who are actual occupants of the land shall be given the right of first refusal.

LGUs are likewise authorized to implement relocation and resettlement of families living in danger areas and to provide the resettlement / relocation sites with basic services and facilities, employment and livelihood opportunities

Preparing the Project Proposal

Just to get started, it is recommended that a Project Proposal be prepared indicating the various steps as basis for further action, legislative support and budget.

The Project Proposal is just the enumeration of the various processes , indicating time frame, responsible office/person, and estimated budget:

1. **Organization of Project Team** The Mayor may designate concerned department heads and various stakeholders to provide the technical and administrative support to the project (Heads of Engineering, Housing, Administration, etc.)
2. **Identification and selection of sites for local housing**
3. **Identification of fund sources/financing** for the local housing projects (for developers and for end-users).
4. **Organization of beneficiaries.**
5. **Selection of project developer**
6. **Project Appraisal and Financing**
 - Feasibility Study
 - Identification of funding
 - Identification of resource requirements
7. **Detailed Engineering Studies**
 - Architectural and Engineering Designs
 - Application of necessary permits and licenses
 - Application to utilities
8. **Implementation**
 - Site acquisition, development
 - Project construction
 - Land registration, titling and payment of compensation
 - Award - Transfer arrangement
 - Organizing the Homeowners Association
9. **Post-Implementation**
 - Estate management
 - Monitoring, appraisal and evaluation

This proposal shall be the basis for the Sangguniang Bayan resolutions and ordinances, as well as basis for the Annual Municipal Budget

Step 2:

Pre-Qualify Employees

The Code of Policy

Organizing the Employees for their Housing is an important process in leveling expectations, clarifying issues and providing transparency. A Housing Committee may be created by the Mayor to be composed of key stakeholders from the employees' association, the administration/personnel/HRM, finance, and technical staff.

A Code of Policy will greatly facilitate the housing loan process.

As in government socialized housing projects, a Code of Policy drafted together with organized employees is recommended.

The Code of Policy may include the following:

- Organization of the **Housing Committee** that will be tasked to formulate internal rules, policies and procedures, and later a **Beneficiary Selection and Arbitration Committee** to evaluate applications and settle disputes
- **Qualification and Disqualification of Applicants**
- **Process of Beneficiary Selection**
- **Pricing Policy** identifying subsidies given
- **Ground for Revocation of Award**, particularly for those who could not comply with the payments
- **Succession of Rights, substitution of awardees**
- **Mode of Disposition** and tenure arrangements if lot is government-owned; if disposition will be through outright sale, rent-to-own, long term-lease, usufruct etc.
- **Mandatory Salary Deduction**

TIP : Batch applications in groups of 50. First come, first served

How do you determine affordability?

Perhaps the single most pressing question for a prospective homebuyer is “*Can I afford it?*”

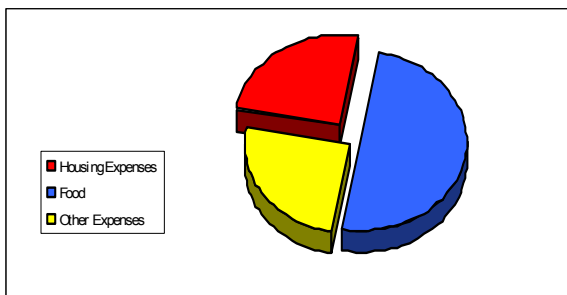
The good news is that the government’s home lending program has now provided very affordable terms for housing loan.

Right now socialized housing rates have been adjusted to a maximum of P 300,000 ceiling. Of course, Pag-IBIG members can borrow up to P 2 million pesos, but this requires a monthly income of P 55,054.33.

One **Rule of thumb** is to arrange for a housing loan in which your monthly amortization is about one-fourth (1/4) of your net take home pay.

Example 1: Net Family take-home pay is P 10,000. Therefore your ideal monthly amortization is P2,500. This means a housing loan of as much as P400,000!

Example 2: Net Family take-home pay is P5,000. You can afford a monthly amortization of P1,200. You may avail of a P200,000 housing loan at 25 years to pay.



Housing expenses include amortization (or rent) electricity, water, repairs

Qualifying for Pag-IBIG Loans

To be able to facilitate Pag-IBIG availment of Housing Loans, it is highly recommended that the Local Government undertake pre-qualification of employee applicants.

Pag-IBIG has set the following criteria:

BORROWER'S ELIGIBILITY

A Pag-IBIG member must satisfy the following requirements to qualify for a housing loan under the Program:

- ❑ Must be an active contributing member
- ❑ Must have remitted at least 24 months at the time of loan application; or
- ❑ Under the Pag-IBIG Overseas Program (POP), must have remitted an amount equivalent to his savings for at least 12 months. *
- ❑ Must not be more than 65 years old at loan maturity and must be insurable;
- ❑ Must have the legal capacity to acquire and encumber real property;
- ❑ Must have passed satisfactory background/credit and employment/business checks of the developer and HDMF;
- ❑ Must have no outstanding Pag-IBIG housing loan, either as a principal borrower or co-borrower; and
- ❑ Has no outstanding Pag-IBIG multi-purpose loan in arrears at the time of loan application. A member whose multi-purpose loan is in arrears shall be required to pay his arrears over the counter to update his account.

Loan Entitlement Based on Capacity to Pay

A member's loan entitlement based on his capacity to pay. A member's loan entitlement shall be limited to an amount for which the monthly repayment on principal and interest shall not exceed forty percent (40%) of the member's net disposable income.

Is it possible to have Co-borrowers?

Pag-IBIG allows **Accommodation Mortgages** for borrowers who are related up to the first civil degree of consanguinity or affinity, subject to the following requirements:

- a. The owner shall constitute the first mortgage as accommodation mortgagor, to secure the borrower's loan obligation or give the latter the special power to do so;
- b. The borrower shall undertake and sign as co-mortgagor, to fully cover the residential unit and improvements thereon.

First degree consanguinity or affinity means spouse, parents, son or daughter. Siblings and brothers/sisters-in-law are not considered now.

*A member under Pag-IBIG I & II or the POP shall be allowed to make a lump sum payment equivalent to the required number of monthly contributions to satisfy this requirement

Pag-IBIG
SAMPLE COMPUTATION FOR HOUSING LOANS

LOAN AMOUNT	Interest Rate	Monthly Amortization	Loan Term (In Years)	Net Disposable Income
Php100,000.00	6%	Php599.55	30	1,498.88
200,000.00	6%	1,199.10	30	2,997.75
300,000.00	6%	1,798.65	30	4,496.63
400,000.00	7%	2,661.21	30	6,653.02
500,000.00	7%	3,326.51	30	8,316.28
600,000.00	7%	3,991.81	30	9,979.54
700,000.00	7%	4,657.12	30	11,642.79
750,000.00	7%	4,989.77	30	12,474.42
800,000.00	10.5%	7,317.91	30	18,294.79
900,000.00	10.5%	8,232.65	30	20,581.63
1,000,000.00	10.5%	9,147.39	30	22,868.48
1,100,000.00	10.5%	10,062.13	30	25,155.33
1,200,000.00	10.5%	10,976.87	30	27,442.18
1,300,000.00	10.5%	11,891.61	30	29,729.03
1,400,000.00	10.5%	12,806.35	30	32,015.88
1,500,000.00	10.5%	13,721.09	30	34,302.72
1,600,000.00	10.5%	14,635.83	30	36,589.57
1,700,000.00	10.5%	15,550.57	30	38,876.42
1,800,000.00	10.5%	16,465.31	30	41,163.27
1,900,000.00	10.5%	17,380.05	30	43,450.12
2,000,000.00	10.5%	18,294.79	30	45,736.96

- Pag-IBIG has prepared this chart to guide prospective housing loan borrowers and to encourage consistent loan repayment.
- Payments on or before the due date are given lowered interest rates. Payments after the due date are subject to higher interest rates and are imposed penalties for every day of delay.
- The Net Income on this chart is the HDMF-computed monthly family income of a borrower based on pay slips, income tax returns, and other proof of income.

A Word on Amortizations

Monthly amortizations are based on how much you will pay over a period of time. This is based on a financial formula.

When you pay your first monthly amortization, the greater portion is apportioned to interest payments. For a P300,000 loan, the interest for the first monthly amortization will be P1,500 : $P300,000 \times (6\%/12)$ or $300,000 \times 0.5\%$.

This means that of the P 1,798.65 paid only P 298.65 is credited to the loan.

LOAN AMORTIZATION	
Loan Amount	300,000.00
Interest Rate	6.00%
Amortization Period	30
Monthly Amortization	1,798.65

	Payment	Interest	Net	Loan Balance
1	1,798.65	1,500.00	298.65	299,701.35
2	1,798.65	1,498.51	300.14	299,401.20
3	1,798.65	1,497.01	301.65	299,099.56
4	1,798.65	1,495.50	303.15	298,796.40
5	1,798.65	1,493.98	304.67	298,491.73
6	1,798.65	1,492.46	306.19	298,185.54
7	1,798.65	1,490.93	307.72	297,877.82
8	1,798.65	1,489.39	309.26	297,568.56

HOW TO'S OF A HOUSING LOAN

A housing loan or a mortgage is like an ordinary loan, only it is for a longer term (up to 30 years) and is backed by a collateral (the Title of the lot) “nakasangla” or mortgaged to the financing agency.

Like a loan, you pay for interest and the principal. There are also charges you may pay such as fire insurance, mortgage redemption insurance (MRI), and penalties for delays in payments. The fire insurance and the mortgage redemption insurance ensures that the loan is paid in full if fire destroys the housing unit or if the borrower dies.

A housing loan is premised on payment of the amortization regularly every month without fail. As shown in the example in the previous page, you first pay for the interest on the loan and only then do you pay the actual loan. After twenty five year, you might have paid up to three times the amount of your housing loan, most of which will go to interest payments.

But look at it this way. The house for which you took out a housing loan has increased in value through the years. In the long run, your house will be your largest asset—an asset that has utility because it provides your family with shelter, and will be your legacy to your children.

Don't make the mistake of saying “25 years to pay naman, I'll just extend/delay my housing amortization”. For every month of delayed payment you incur interest and penalties. In many cases when borrowers fail to pay for several months or years, they incur huge arrearages that they have to resort to restructuring. In restructuring the Pag-IBIG or the financing institution will allow you to amortize the current balance, but you will end up paying higher amortizations.

Step 3

Identify the Housing Site

What steps are to be followed in selection of site for local housing?

The following are the parameter to be observed on site selection:

- Inventory and profile of available sites.
- Location and quality of site (accessibility to infrastructures and employment, quality of site, land ownership, basic services, utilities and cost).
- For resettlement site, location criteria of affected people and comparative analysis of possible sites.
- Safe from both environment and man-made hazards.

What factors should be considered in site selection?

Select the site of your housing program based on the expressed preferences of your beneficiaries. Note, however, that the site should have access to transportation and should have provisions for basic services and support facilities.

It will be easier and faster to set up your program if the site is owned by the local government or will be acquired by the local government.

What are the priorities in the acquisition of land for local housing?

The priorities in the acquisition of land are:

- Idle government or private lands
- Unregistered or abandoned idle lands
- Alienable lands of the public domain.

How can a local government acquire land for socialized housing?

- Negotiated purchase
- Joint-venture agreement
- Land banking
- Land swapping
- Usufructuary arrangement
- Expropriation
- Presidential Proclamation

The local government unit has several options for land acquisition:

- Direct purchase at a price agreed upon with the owner
- Donation by land owner to the local government unit
- Transfer of title by a national government agency to the local government unit
- Usufructory agreement with a national government agency

As an alternative, the local government unit may opt to assist its beneficiaries in acquiring the lot, e.g. through the *Community Mortgage Program* or similar schemes.

How About Usufruct Arrangements?

The usufruct arrangement is being seriously considered by government to ensure that affordable in-city housing is available. By concentrating housing costs on actual site development and building construction, cost of land acquisition is not included in the package price.

However, this arrangement does not allow real estate mortgages, the government deemed it more prudent to limit usufruct arrangements on government lands owned in Metro Manila. Prospective sites include lands in highly commercial areas including foreclosed assets.

The HUDCC, through the Home Development Mutual Fund (Pag-IBIG) has developed modules on usufruct arrangements particularly for its rental housing.

The AMENDED GUIDELINES TO THE Pag-IBIG LOCAL GOVERNMENT UNIT (LGU) HOUSING LOAN PROGRAM provides the following conditions:

Properties subject to usufructory rights (UR) shall be subject to the following:

- ❑ The UR is assignable and the property must be covered by an approved Subdivision plan;
- ❑ The beneficiary shall execute a Deed of Assignment in favor of HDMF, duly annotated on the certificate of titles.
- ❑ The real property taxes on the property must be updated as of the quarter immediately preceding the date of the loan application, and yearly thereafter during the term of the loan.
- ❑ In cases where the subject property is untitled or not eligible for mortgage, the Fund may accept the Internal Revenue Allotment (IRA) as a form of collateral subject to the following conditions:
 - ❑ The LGU, Department of Budget and Management (DBM), and HDMF shall enter into a Memorandum of Agreement providing, among others, the utilization and assignment of IRA.
 - ❑ Council's resolution authorizing the Local Chief Executive to sign all documents relative to the assignment of IRA in favor of HDMF.
 - ❑ Furnish HDMF a copy of the approved budget/IRA for the year or DBM certificate as to the availability of IRA
 - ❑ That the subject property have already been zoned and classified as residential and can be developed either for sale, or under usufructuary agreements.
 - ❑ Lands provided for free, and conveyable by way of sale provided that the development is in accordance with HLURB standards.

Why not a Donation?

If the owner of a large tract of land in the municipality donates even just a portion of his property for socialized housing, he stands to gain in the long run.

How? As the socialized housing project proceeds, the value of the adjacent lots increases. There will be demand for commercial spaces to service the demands of hundreds of new residents in the new housing project. Moreover, the remaining parcels of land will also be in demand as improvements are introduced to the area.

REQUIREMENTS IN THE ISSUANCE OF PROCLAMATIONS/ RESERVATIONS

In order to expedite the processing of requests for Presidential Proclamations pursuant to Presidential Memorandum Circular No. 28 dated 19 January 1993, which provides for a checklist on request Presidential issuances, the following documents/requirements must be complied with for the information and guidance of all concerned

- 1.0 Request for reservation by the reservee;
- 2.0 Comments/Recommendations of the following
 - a. Provincial Health Officer duly concurred or recommended by the Regional Health Director and Secretary of Health in case of settlement, school, hospital and other reservation when it may affect the health of the people
 - b. District Engineer of DPWH, duly concurred or recommended by the Regional Director and Secretary of DPWH
 - c. District/City Superintendent of the school in case of school site reservation duly concurred or recommended by the Secretary of DECS;
 - d. Provincial Commander or Chief of Staff of the Armed Forces of the Philippines in case of military reservation duly concurred or recommended by the Secretary of the DND
 - e. Philippine Port Authority in case the land abuts the sea, lake or navigable river duly concurred or recommended by the Secretary of the DOTC
- 3.0 Survey of the land to be reserved duly approved by the Regional Technical Director for Lands concerned and Approved Plan;
- 4.0 Verified and certified correct Technical Descriptions;
- 5.0 Certified photographs (or visual documentation) showing panoramic view of the area subject of the proposed proclamation as well as adjacent areas/vicinities, improvements introduced, landmarks, identifying features, settlements, if any, etc.
- 6.0 Land Classification or Municipal Index Map projecting the area covered by the proposed proclamation and land uses of the area and surrounding vicinities within two-kilometer radius;
- 7.0 Report pursuant to M.C. No. 28 dated January 19, 1993 following the tenets of Completed Staff Work (CSW). Draft memorandum should incorporate the justification, legal basis, coordination with concerned agencies and their comments and potential problem, if any. In the case of Watershed reservation, the setting up of Watershed Management Councils is a requisite.
- 8.0 Narrative Report of Investigation with recommendation officially endorsed to the Secretary by the regional Executive Director through the Undersecretary for Field Operation.

Documentary Requirements for Site Identification

Now that the site has been identified, the following documents must be secured and prepared

- Vicinity Map
- Location Plan
- TCT/Tax Declaration
- Topographic Map
- Conversion Order
- ECC

PROJECT CRITERIA FOR HDMF LGU HOUSING LOAN PROGRAM

1. Site/Location – the site must be approved for development into a housing project by the LGU and/or the Housing and Land Use Regulatory Board (HLURB), and shall meet the following criteria:

- a. Site suitability
- b. Accessibility
- c. Availability of electrical/water facilities
- d. Must be within a distance of ten (10) km, radius from urban infrastructures such as schools, churches, commercial centers, etc.

2. Project Development

- a. Project Design – The project design, that is, the type of land development and the type of housing units must conform with the standards of BP 220 and PD 957, whichever is applicable, and must address an identified market.
- b. Necessary Support Facilities – The project may include provision for necessary support facilities in accordance with the standards of the HLURB.

3. Permits/Clearances

The following permits/clearances must have been secured before the initial loan release:

- a. LGU Development Permit (to be submitted upon loan application)
- b. Environmental Clearance Certificate by DENR
- c. DAR Conversion or Exemption certificate that the land has been zoned and classified as residential in accordance to the Zoning and Land Use Plan.
- d. HLURB License to Sell.

4. Balanced Housing

The project must comply with the 20 percent balanced housing requirement under Section. 18 of RA 7279 otherwise known as the Urban Development Housing Act.

An alternative compliance to the 20 percent balanced housing as provided for under the Amended Rules and Regulations (IRR) of the said is through the purchase of Socialized Housing Bonds or Securities by the developer equivalent to the 20 percent of the total project cost of the main subdivision. The developer may also enter into a joint project or agreement with either the local government units or any of the housing agencies to develop 20 percent of the housing project cost or project area

Preparing the Project Feasibility Studies

What aspects are covered by the local housing project feasibility study (FS)?

The Project Feasibility Study shall cover the following aspects:

Legal Mandate

- Right or authority of the LGU to develop the proposed project.
- Property title of the proposed project should be free from any lien or encumbrances and claims

Socio-Economic Profile of the LGU

Organizational Structure of the LGU

Market Feasibility Study

- Profile of target beneficiaries
- Market program
- Projected profit and loss statement
- Affordability analysis

Technical Feasibility

- Proposed land for housing
- Proposed development and project components (land, density, lot sizes, road network, utilities, accessibility, housing units, topography)
- Cost profile (pre-development expenses, land development, house construction)
- Physical constraints (proximity to earthquake and flood-prone areas)
- Conformity to the design standards, rules and regulations
- Work program

Financial Feasibility

- Cash flow statement
- Financial ratios/resources

Environmental Impact Assessment (EIA)

- Existing socio-economic and biophysical environment
- Project impact on physical and biological resources
- Mitigation and enhancement measures

OVERVIEW OF TITLE RESEARCH

An important step in ensuring the validity and sustainability of housing projects is extensive title research on lands. The following is an overview of steps to be undertaken by the researcher:

1. Checking with Register of Deed's (RD's) Copy
2. Checking all entries of the Transfer Certificate of Title (TCT) – including technical description, liens, encumbrances, etc.
3. Traceback of Original Certificate of Title (OCT)
4. Traceback to origin of TCT
 - a. Judicial (from tax declaration) - LRA
 - b. Free patent DENR-LMB
5. Checking of liens and encumbrances, mortgages
6. Checking of Adverse claimants
 - a. Extrajudicial partition with SPA
 - b. Extrajudicial partition with Sale
7. Identification of all heirs including declared illegitimate children
8. Checking Tax declaration for consistency with municipal ordinance (declared residential for tax purposes but no corresponding ordinance)

Step 4

Partner with an Accredited Developer

Why find a partner?

Can't a Local Government Unit undertake the Housing Project by itself?

Good question. Why not do it all alone? Will not partnering with a developer raise the cost of the project?

Experience has shown that developing a housing project demands a different level of expertise, different from just civil works usually undertaken by a local government unit. Housing projects require not only physical activities, but it requires proper documentation to avail of loans and to ensure that the completed house and lot package is delivered to the legitimate borrower.

Since housing projects are usually undertaken with borrowed funds, time is of the essence. Any delays will cost the project proponent, and eventually the borrower, money in terms of additional interest rates and penalties.

Hence, we recommend that the Local Government partner with a reputable developer. Of course, the LGU can provide the means to even lower the cost like providing heavy equipment and assisting in the actual development and construction activities.

To conform to general auditing rules, the LGU may opt to bid out the terms of reference for the partnership or joint venture agreement.

Aside from the technical requirements for accreditation, the LGU may scout around for developers who are willing to provide housing packages at the price the employees have determined.

However, to be able to attract developers to the project, the LGU must ensure sure that funding for the project is forthcoming and that the employees are qualified for a housing loan.

Other Partners

It is recommended that the Home Development Mutual Fund and Land Bank of the Philippines (or the LGUs depository bank) be part of the negotiation process to facilitate the final agreements.

Negotiating with the Developer

Partnering with a developer entails trust and commitment. The following are some of the considerations that a Local Government Unit may direct the Developer-partner to undertake:

SCOPE OF THE DEVELOPER

Assist in accessing financing institutions

- The Developer shall assist the Municipality to apply for an L/C line convertible into a term loan with the designated Bank.

Provide bridge financing

- Provide the initial equity for the development of the project. This fund shall be used for land development and the construction of housing units in accordance with approved plans, standards and specifications.
- Shoulder all the expenses related to the processing and final approval of the housing designs and by the housing and Land Use Regulatory Board (HLURB) and Home Insurance Guaranty Corporation (HIGC) including all other fees, permits and licenses that may be necessary during the implementation of the Joint Venture Undertaking;

Undertake site development and housing construction

- To secure the necessary building permits and other licenses required in accordance with the Building Code from any appropriate governmental entities;
- Prepare the land development and housing plans as well as the detailed engineering and architectural drawing and technical specifications of land development and housing units;
- Undertake the subdivision survey and individual lot titling in accordance with the approved subdivision plan. Duly verified and approved by the Land Management Bureau and Registry of Deeds;
- Secure from Home Insurance Guaranty Corporation the pre-appraisal of the lots and housing units, and upon completion, the Confirmation of completion and Appraisal (COCA);
- Ensure the installation of all required utilities such as power and water within the development;
- To be solely responsible for the costs of material, equipment, labor overhead and supervision, incidental expenses, VAT, and/or his CONTRACTOR (S) and all other expenses necessary or required for the proper performance of all the foregoing obligations, until the Project is completed and turned-over to the JOINT VENTURE PARTNERS ;
- Maintain and repair as maybe necessary the roads, open spaces and facilities of the project, until such items have been turned-over to the government agencies concerned or the homeowner's association;
- Assume any and all claims for damages and/or liabilities arising out of defects or imperfection in the construction or in the quality of works performed in the project.

- Provide the LGU with as-built plans of the land development and housing units.

Responsibility of the LGU

To ensure access to funding and cover eventualities, the Local Government shall warrant the following :

- That the Mayor or official representative of the Municipality has been granted authority by the Sangguniang Panglunsod to sign this Joint Venture Agreement with the Municipality and the Developer has likewise designated an official representative to sign this agreement.
- That the JOINT VENTURE PARTNERS have designated an authorized officer to negotiate with the Bank to establish Letter of Credit (L/C) line, to secure its obligation with the Developer.
- The Municipality has the capability to secure an L/C line with the Bank by assigning its Internal Revenue Allotment as part of its security to secure the said line with the Bank.
- That it shall secure from me said Bank Letter of Credits in favor of the Developer for the construction of Employees Housing project.

Further, the Local Government Unit is obliged to:

- Undertake the marketing and economic survey of the Project.
- Provide the lot where the intended housing will be constructed.
- Facilitate the processing and approval of all the necessary permits and licenses, if any, for the immediate implementation of the project
- Provide adequate police visibility and assistance
- Warrant that the beneficiaries are qualified for housing loans under the HDMF or similar government financial institutions;
- In the event that a beneficiary cannot qualify for a housing loan or is unable to comply with his or her loan obligations, to buy-back the loan and replace with other qualified beneficiaries;
- Allow the developer and its subcontractor/s after the issuance of the Notice To Proceed to use temporary facilities, properties of the Municipalities which are located near the project so as to effectively start the project, but is subject to the conditions set forth by the Municipality.

On the whole as an agreement, all terms must be negotiated. The support of the Sanggunian Bayan shall be crucial in facilitating the project implementation.

Step 5

Obtain Sangguniang Bayan Approval

Since a Housing Project will take quite a while, it is recommended that appropriate authorization be obtained from the Sanggunian Bayan.

So that the Mayor has adequate authority to undertake the Employee's housing project, the following may be passed by Sanggunian:

A RESOLUTION AUTHORIZING THE HONORABLE MAYOR TO UNDERTAKE THE (MUNICIPALITY) EMPLOYEES' HOUSING PROJECT THROUGH, BUT NOT LIMITED TO, A JOINT VENTURE SCHEME AND TO CONTRACT LOANS OR OTHER FORMS OF HOUSING FINANCE, AND TO NEGOTIATE WITH A REPUTABLE DEVELOPER.

This resolution will formalize the intention of the Municipality to undertake a housing project for its employees and start the ball rolling. This resolution will also give the Mayor enough leeway to negotiate with a reputable developer for the housing project not only in terms of actual construction and development, but even for preparatory work.

If the Local Government has a lot suitable for socialized housing and is willing to dispose it to qualified beneficiaries, Sanggunian Bayan might pass an **Ordinance** declaring such property alienable and available for residential purposes,

ORDNANCE DECLARING THE MUNICIPALITY-OWNED PROPERTY LOCATED IN BRGY. _____ AS ALIENABLE AND DISPOSABLE, RECLASSIFYING ITS USE FOR RESIDENTIAL PURPOSES AND ALLOCATING SAID PROPERTY FOR THE USE OF ITS MUNICIPAL EMPLOYEES, AND SETTING ITS PRICE FOR DISPOSITION

In the event that the LGU decides to undertake a joint venture agreement with a developer, the following resolution will provide legal cover to the Mayor:

SANGGUNIAN BAYAN RESOLUTION AUTHORIZING MAYOR OF _____ TO NEGOTIATE FOR A JOINT VENTURE PARTNERSHIP WITH _____ TO DESIGN, PACKAGE AND IMPLEMENT THE PROPOSED __(MUNICIPAL) EMPLOYEES' HOUSING PROJECT

The following resolution shall provide the legal basis for the award of joint venture, and will be used by the financing institutions as basis for release of funds.

SANGGUNIAN BAYAN RESOLUTION CONFIRMING THE JOINT VENTURE PARTNERSHIP OF THE MUNICIPALITY OF _____ WITH _____ TO DESIGN, PACKAGE AND IMPLEMENT THE PROPOSED __(MUNICIPAL) EMPLOYEES' HOUSING PROJECT

Step 6

Approve the Housing Packages Submitted by the Developer and Enter Into a Joint Venture Agreement

At last! After so many months of negotiations, the critical point is here. The Joint Venture Agreement has been reviewed and all kinks have been ironed out. The employees have been briefed on their obligations and responsibilities. And the bank has agreed to facilitate fund release

Why not mark the JVA signing as a event for the LGU?

Step 7

Submit HDMF Requirements

The following are the regular steps in applying for a Pag-IBIG Loan

1. Attend a Loan Counseling session at the Pag-IBIG Office concerned and briefed on eligibility.
 - Accomplish a Preliminary Loan Counseling Questionnaire, Housing Loan Application (HLA) and Membership Status Verification Slip. If eligible, secure checklist of requirements.
2. Submit HLA with complete requirements. Pay a processing fee of P1,000.00 (non-refundable)
3. Receive Notice of Approval/Letter of Guaranty and sign loan documents.
4. Proceed to BIR and present Deed of Absolute Sale (DOAS) between owner of the property and applicant for payment of documentary stamps and capital gains tax.
5. Proceed to Registry of Deeds (RD) for payment of transfer of tax and registration fees for the transfer of title.
6. Proceed to Notary Public for notarization of LMA and annotation of mortgage with the Registry of Deeds (RD) and to Assessor's Office to secure new tax declaration in the name of the applicant.
7. Secure Occupancy Permit from the Local Government Unit's (LGU) Engineering Office for Purchase of new Residential Unit (PRU), Purchase of Lot and Construction of a New Residential Unit (PLCH) and Construction of House (CH) loan purposes.
8. Submit the following documents to Pag-IBIG office concerned:
 - Original Transfer Certificate of Title in the name of the applicant with annotated mortgage
 - DOAS with original RD stamp
 - New Tax Declaration in the name of the applicant
 - Updated Real Estate Tax Receipt (house and lot, if applicable)
 - Occupancy Permit
 - Assignment of Loan Proceeds
9. Release of loan proceeds
10. Start monthly amortization on the month immediately following loan take-out/final loan release.

Salary Deduction Agreement

To facilitate housing loan take-out, Pag-IBIG requires that the LGU undertake a Memorandum of Agreement on salary deduction to facilitate loan repayment.

By availing of the salary deduction scheme, Pag-IBIG will provide lowered interest rates to housing loans, more especially if the loans are remitted on or before the due dates.

Documents for Individual Submission

Individual borrowers are required to submit the following forms:

- Certificate of Loan Eligibility
- Appraisal of Property
- Complete Application Forms
- Payment of Application Fee

To facilitate submission, such documents can be placed in individual folders.

Money , Money, Money

Processing fee per borrower is P 1,000. So it is suggested that the employees be encouraged to save this amount and a little more beforehand. Other expenses will include payment of documentary stamp tax, capital gains tax (if applicable) and other taxes and registration fees.

Step 8

Direct the Depository Bank to Issue Letter of Credit to Developer

With the Sanggunian Bayan Resolution Authorizing the Mayor to Enter into A Joint Venture with the Developer, the LGU writes to the Land Bank or its depository Bank to issue a Letter of Credit..

Since the bank and the HDMF have been part of the negotiations, this process will proceed smoothly.

Why will a bank lend to a housing project? Banks as a general rule also have to enhance their portfolio. What other investment can guarantee a high degree of return, considering the conscientious efforts put into it than this housing project?

And more importantly, with the expected individual take-out of housing loans by Pag-IBIG, the bank will recover its investment in no time.

Economic Contribution of Housing	
FOR EVERY PESO INVESTED IN HOUSING	
increase in raw materials	1.88
increase in labor	0.35
increase in taxes	2.64
and other values	11.74
TOTAL INCREASE OF	16.6

	DBP	LBP
Eligible Borrowers	<ol style="list-style-type: none"> 1. A beneficiary population of at 10,000 constituents. 2. Perform important local, commercial, transportation, industrial, educational or similar activities 3. A gross revenue of at least P3.0 M over the last 3 yrs. 4. Balance or prospective surplus income streams for next 3 years 5. No adverse findings from banks and major suppliers 	<p>Provinces, cities and municipalities that meet the following criteria:</p> <ul style="list-style-type: none"> <input type="checkbox"/> with sufficient net borrowing capacity as determined by LBP <input type="checkbox"/> with full Sanggunian Support to borrow (by way of resolution) <input type="checkbox"/> passes credit criteria of the bank
Loan Purpose	<ol style="list-style-type: none"> 1. Land acquisition and site development for housing 2. Project Construction of dwelling units 3. Acquisition of land for resettlement purposes 4. Acquisition of land to be sold to present occupants 5. Other housing related activities 	<ol style="list-style-type: none"> 1. Public facilities 2. Infrastructure projects 3. Housing projects 4. Implementation of capital investment project 5. Waste disposal system 6. Electrification 7. Waterworks / water system <p>Projects that are in the LGUs 5-year development plan that are related to:</p> <ol style="list-style-type: none"> 1. Agri-agra (e.g. public market, farm to market roads, fish ports) 2. Environment related infrastructure (e.g. drainage, sewage, landfill, water supply) 3. Purchase of equipment to support on-going agri-infra projects of the LGU
Loan Amount	Based on total ' project' cost with minimum equity participation of 10% to be infused upfront. Loan amortization shall not exceed 20% of the regular income of the LGU, net or other borrowings. Final loan amount shall be subject to the validation of cost estimates by DBP appraisers	The loan amount will be based on the requirement of the project but not more than the net borrowing capacity as defined in Art. 419 of RA 7160. The LGU shall contribute at least 25% of the total project cost.
Interest Rate	<ul style="list-style-type: none"> <input type="checkbox"/> Negotiable, depending on the amount of compensating business and fund source used <input type="checkbox"/> Re-pricing shall be monthly or quarterly <input type="checkbox"/> A fixed rate option for a maximum period of one year with premium maybe allowed 	<p>Prevailing market rate. Lending rates are, however, negotiable</p>

	DBP	LBP
Collateral	Deed of Assignment with Hold-Out of a specified portion of the LGU's IRA in favor of DBP in an amount equivalent to at least one (1) amortization payment, which shall be maintained while the loan is outstanding	Hold-out deposits Real estate properties Machineries and equipments owned by the LGU Deed of Assignment on any of the following: a. 20% of LGU's IRA b. LGU's regular income as sourced from its annual budget, equivalent to an amount sufficient to service the loan with LBP but in no case exceed 20% of its regular income c. Net profits or income from the project or economic enterprise to be financed.
Terms	Three (3) years, inclusive of a maximum 1 year grace period	Loan maturity shall be based on LGU's cash flow but preferably not to exceed five (5) years
Require-ments	<ol style="list-style-type: none"> 1. Sanggunian resolution authorizing loan negotiation 2. COA audited financial statements for the past 3 years. 3. List of elected officials and key officers 4. Feasibility study/project plan 5. Cost estimates, specifications, bill of materials and work program duly approved by the Chief Executive and the Provincial/City/Municipal Engineer. 6. Other pertinent documents/ Information which may be needed to complete project evaluation 	<ol style="list-style-type: none"> 1. Sanggunian resolution authorizing the local executive to sign all loan documents 2. Budget for the current year duly approved by the Sanggunian 3. COA audited financial statements for the past three (3) years 4. List of elected and key officers 5. Feasibility study/project plans 6. Standard documentary requirements such as Evidences of ownership of offered collateral <p>For projects involving construction:</p> <ol style="list-style-type: none"> 1. Project cost estimates 2. Project plans and specifications 3. Bill of materials 4. Work program/schedule duly approved by the local chief executive and the city/district engineer
Contact Persons:	Development Banking Sector Program Management I FVP Eufemia C. Mendoza Tel. 893-4444	AVP Liduvino S. Geron Melinda C. Cruz Tel: 405-7309

Step 9

Developer Starts Site Development and Construction of Houses

Now things are really moving. Upon the issuance of a Notice to Proceed , the developer starts the actual site development and house construction.

In the meantime, the processing of individual titles, loan applications must continue.

Step 10

Upon Completion of Housing Units, HDMF Grant Take-out

The houses are finished! The developer now provides the qualified loan borrowers Entry pass to occupy their chosen units.

The borrowers must submit the following to Pag-IBIG

- Original Transfer Certificate of Title in the name of the applicant with annotated mortgage
- Deed of Absolute Sale (DOAS) with original RD stamp
- New Tax Declaration in the name of the applicant
- Updated Real Estate Tax Receipt (house and lot, if applicable)
- Occupancy Permit
- Assignment of Loan Proceeds

Upon the release of the loan proceeds, the borrower starts his monthly amortization on the month immediately following loan take-out/final loan release.

PREPAYMENT

Pag IBIG allows a borrower to prepay his loan in full or in part without prepayment penalty, pursuant to Republic Act 7394.

In case of accelerated payments, any amount in excess of three (3) monthly amortizations shall be applied to the outstanding principal balance of the loan.

TIP: A three month accelerated payment is almost like paying for a year!

RESOLUTION NO. ____
(Series of 2007)

A RESOLUTION AUTHORIZING THE HONORABLE MAYOR _____ TO NEGOTIATE WITH ANY ESTABLISHED AND REPUTABLE DEVELOPER FOR THE PURPOSE OF UNDERTAKING THE (MUNICIPALITY) EMPLOYEES' HOUSING PROJECT THROUGH, BUT NOT LIMITED TO, A JOINT VENTURE SCHEME AND TO CONTRACT LOANS OR OTHER FORMS OF HOUSING FINANCE

WHEREAS, Section 9, Article XIII of 1987 Constitution provides that the State shall by law, and for the common good undertake, in cooperation with the private sector, continuing program of urban land reform and housing which will make available at affordable decent housing and basic services to underprivileged and homeless citizens in urban centers and resettlement areas. It shall also promote adequate employment opportunities to such citizens. In the implementation of such programs, the State shall respect the rights of small property owners.

WHEREAS, Section 17, Republic Act 7160, provides that LGUs shall endeavor to be self-reliant and shall continue exercising the powers and discharging the duties and functions currently vested upon them x x x as are necessary, appropriate or incidental to efficient and effective provision of basic services and facilities enumerated herein xxx (viii) Programs and projects for low-cost housing and other mass dwelling, except those funded by the SSS, GSIS and the HMDF; Provided that national funds for those programs and projects shall be equitably allocated among the regions in promotion to be ration of the homeless to the population xxx).

WHEREAS, Republic Act 7279, provides for a decent shelter to the underprivileged and homeless citizens in urban areas and resettlement areas whose lives are generally marked by economic insecurities and whose occupancy on the land is uncertain;

WHEREAS, The Municipal Government of _____, recognizes the dire need to provide affordable and decent housing to its municipal employees, and is committed to uplift the lives of these loyal and dedicated employees, and is committed to establish the **(MUNICIPALITY) EMPLOYEES HOUSING PROJECT**;

WHEREAS, the Municipal Government of _____ has available a piece of property in _____ for which Municipal Ordinance No. _____s. _____ has declared alienable and disposable for housing purposes and has allotted said land for the use of its municipal employees;

WHEREAS, considering the limited capacity of the local government to undertake the development of a housing project, there is a need to partner with an established and reputable developer to undertake this **EMPLOYEES' HOUSING PROJECT** in _(site)_;

WHEREAS, presented before this Honorable August Body is the letter-request of the Honorable Mayor _____, dated _____ seeking authority from the Sangguniang Panglungsod for authority to negotiate with any established and reputable developer for the purpose of undertaking the **(MUNICIPALITY) EMPLOYEES' HOUSING PROJECT** through, but not limited to, a joint venture scheme and for authority to contract loans or other forms of housing finance;

WHEREAS, this Honorable August Body, after due consideration and satisfied that the said measure is in the interest of the Municipal employees and the Municipality in general, is convinced of the merit and wisdom of the purpose for which the authority is hereby sought by the Honorable Mayor;

NOW THEREFORE, on motion of Hon. _____, duly seconded by Hon. _____, be it

BE IT RESOLVED, as it is hereby resolved, to authorize the Honorable Mayor to negotiate with any established and reputable developer for the purpose of undertaking the **(MUNICIPALITY) EMPLOYEES' HOUSING PROJECT** through, but not limited to, a joint venture scheme and for authority to contract loans or other forms of housing finance;

BE IT FURTHER RESOLVED, that the Honorable Mayor submit periodic reports on the conceptualization and development of the Employees' Housing Project to this August Body;

RESOLVED, further, that copies of this resolution be furnished the Honorable Mayor, the City Auditor, and the City Legal Office, all of this City, for their information.

MUNICIPAL ORDINANCE NO. ____ S. ____

DECLARING THE MUNICIPALITY-OWNED PROPERTY LOCATED IN BRGY. _____ AS ALIENABLE AND DISPOSABLE, RECLASSIFYING ITS USE FOR RESIDENTIAL PURPOSES AND ALLOCATING SAID PROPERTY FOR THE USE OF ITS MUNICIPAL EMPLOYEES, AND SETTING ITS PRICE FOR DISPOSITION

WHEREAS, Section 9, Article XIII of 1987 Constitution provides that the State shall by law, and for the common good undertake, in cooperation with the private sector, continuing program of urban land reform and housing which will make available at affordable decent housing and basic services to underprivileged and homeless citizens in urban centers and resettlement areas. It shall also promote adequate employment opportunities to such citizens. In the implementation of such programs, the State shall respect the rights of small property owners.

WHEREAS, Section 17, Republic Act 7160, provides that LGUs shall endeavor to be self-reliant and shall continue exercising the powers and discharging the duties and functions currently vested upon them x x x as are necessary, appropriate or incidental to efficient and effective provision of basic services and facilities enumerated herein xxx (viii) Programs and projects for low-cost housing and other mass dwelling, except those funded by the SSS, GSIS and the HMDF; Provided that national funds for those programs and projects shall be equitably allocated among the regions in promotion to be ration of the homeless to the population xxx).

WHEREAS, Republic Act 7279, provides for a decent shelter to the underprivileged and homeless citizens in urban areas and resettlement areas whose lives are generally marked by economic insecurities and whose occupancy on the land is uncertain;

WHEREAS, Section 18 of RA 7160 or the Local Government Code provides that Local government units shall have the power and authority to acquire, develop, lease, encumber, alienate, or otherwise dispose of real or personal property held by them in their proprietary capacity and to apply their resources and assets for productive, developmental, or welfare purposes;

WHEREAS, Section 20 of the same RA 7160 grants the local government the power to reclassify, through ordinance passed by the sanggunian after conducting public hearing for the purpose, authorize the reclassification of agricultural lands and provide for the manner of their utilization ;

WHEREAS, Section 22 (a) (3) of RA 7160 provides that every local government unit, as a corporation, shall have the power to acquire and convey real or personal property;

WHEREAS, The Municipal Government of _____, recognizes the dire need to provide affordable and decent housing to its municipal employees, and is committed to uplift the lives of these loyal and dedicated employees, and is committed to establish the **(MUNICIPALITY) EMPLOYEES HOUSING PROJECT**;

WHEREAS, the Municipality has in its inventory a piece of land with TCT No.____ with a total land area of _____square meters, located in Brgy._____;

WHEREAS, said property has been determined to be suitable for housing and may be classified as residential where land shall have substantially greater economic value for residential, commercial, or industrial purposes;

NOW THEREFORE ON Motion of Hon. _____, duly seconded by Hon._____, be it **HEREBY RESOLVED**, to declare as alienable and disposable the property piece of land with TCT No.____ with a total land area of _____square meters, located in Brgy._____ ;

BE IT FURTHER RESOLVED, that said land is hereby reclassified as residential, amending for this purpose Municipal Land Use Ordinance No. ____ s._____ and Municipal Zoning Ordinance No. ____ s. _____

BE IT FUTHER RESOLVED, to allocate such land for the purpose of the MUNICIPAL EMPLOYEES HOUSING PROJECT, for which the intended residents shall be primarily, but not limited, to Municipal Employees;

BE IT FURTHER RESOLVED, that to ensure affordability of the housing package, that the Sanggunian hereby pegs the lot price at P_____;

RESOLVED, further, that copies of this Ordinance be furnished the Honorable Mayor, the City Auditor, and the City Legal Office, all of this City, for their information.

UNANIMOUSLY APPROVED.

ADOPTED, ____ (date) _____

RESOLUTION No.

RESOLUTION AUTHORIZING MAYOR OF _____ TO NEGOTIATE FOR A JOINT VENTURE PARTNERSHIP WITH _____ TO DESIGN, PACKAGE AND IMPLEMENT THE PROPOSED _____ (MUNICIPAL) EMPLOYEES' HOUSING PROJECT

WHEREAS, The Municipal Government of _____, recognizes the dire need to provide affordable and decent housing to its municipal employees, and is committed to uplift the lives of these loyal and dedicated employees, and is committed to establish the **(MUNICIPALITY) EMPLOYEES HOUSING PROJECT**;

WHEREAS, the Municipal Government of _____ has available a piece of property in _____ for which Municipal Ordinance No. _____ s. _____ has declared alienable and disposable for housing purposes and has allotted said land for the use of its municipal employees;

WHEREAS, considering the limited capacity of the local government to undertake the development of a housing project, there is a need to partner with an established and reputable developer to undertake this **EMPLOYEES' HOUSING PROJECT** in (site);

WHEREAS, this August Body has passed Resolution No. _____ dated _____ authorized the Honorable Municipal Mayor to negotiate with any established and reputable developer for the purpose of undertaking the **(MUNICIPALITY) EMPLOYEES' HOUSING PROJECT** through, but not limited to, a joint venture scheme and for authority to contract loans or other forms of housing finance;

WHEREAS, given the limited financial resources and technical capacity of the Municipality to undertake the said housing project, the municipality has deemed it necessary to enter into a joint venture with a developer with the expertise and capability to design and package the **(MUNICIPALITY) EMPLOYEES' HOUSING PROJECT** and assist the municipality in securing proper authority and approval from concerned government agencies;

WHEREAS, after proper evaluation the municipality has selected and identified _____ with the track record, qualifications to undertake the successful implementation of the said Housing Project;

WHEREAS, the joint venture agreement will cover the following, but not limited to :

- a) Roles and responsibilities of the LGU and the developer;
- b) Time table;
- c) Deliverables

WHEREAS, the joint venture shall cover the various aspects of the conceptualization, development and Implementation of the Employees Housing Projects to cover but not limited to:

- a) Pre-qualifications and identification of the target employees within the locality of the LGU according to the criteria for selection set forth by the municipality;
- b) Preparation of a development plan, social preparation, architectural and engineering design for the development and construction of the Employees Housing site and its housing component.
- c) Dispositions and documentations of all developments, both in process and completed, in the Employees Housing ;
- d) Mode, Terms and conditions of financing the **(MUNICIPALITY) EMPLOYEES' HOUSING PROJECT** ;

NOW THEREFORE, on motion of Hon. _____, duly seconded by Hon. _____, be it

BE IT RESOLVED, as it is hereby resolved, to authorize the Honorable Mayor to negotiate with _____ the purpose of undertaking a Joint Venture Agreement to implement the **(MUNICIPALITY) EMPLOYEES' HOUSING PROJECT** ;

BE IT FURTHER RESOLVED, that the Honorable Mayor submit periodic reports on the conceptualization and development of the Employees' Housing Project to this August Body;

RESOLVED, further, that copies of this resolution be furnished the Honorable Mayor, the City Auditor, and the City Legal Office, all of this City, for their information.

ADOPTED, _____ (date) _____

JOINT VENTURE AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Joint Venture Agreement is entered into by and between;

THE MUNICIPALITY OF _____, PHILIPPINES, represented in this act by its **Municipal Mayor**, _____, hereinafter referred to as "**MUNICIPALITY**".

- and -

(DEVELOPER) _____, represented in this act by its President, _____, hereinafter referred to as the "**DEVELOPER**";

WHEREAS, the Municipality plans to develop a project complete with site development and amenities including construction of housing units within the locality which is herein referred to as the Project, but lacks the financial capacity;

WHEREAS, the Municipality plans to locate a strategic partner to undertake the development, construction and financial of the Project, until they are turned-over to the beneficiaries or prospective owners;

WHEREAS, the Developer has provided the Municipal government of _____ as set of guidelines for the Municipality Project which is hereto attached as Annex "___";

WHEREAS, the Developer has offered to the Municipality the construction and to provide development financing to complete the whole Project;

WHEREAS, the Municipality has accepted the offer of the Developer to be advantageous to the Municipal Government, and as such the PARTIES shall henceforth be called Joint Venture Partners;

NOW THEREFORE, for and in consideration of the foregoing premises and of mutual covenants, stipulations and agreements herein contained, the Parties hereto agree as follows;

I. REPRESENTATION OF THE PARTIES

The representation and the warranties of the Parties are consideration of one and the other Parties in entering into his Joint Venture Agreement.

1.1 Representation by the JOINT VENTURE PARTNERS - The JOINT VENTURE PARTNERS hereby represents and warrants:

- a) That the official representative of the Municipality has been granted authority by the Sangguniang Panglungsod to sign this Joint Venture Agreement with the Municipality and the Developer has likewise designated an official representative to sign this agreement.
- b) That the JOINT VENTURE PARTNERS has designated an authorized officer to negotiate with _____ Bank to establish Letter of Credit (L/C) line, to secure its obligation with the Developer.
- c) The Municipality warrants that it has the capability to secure and L/C line with _____ Bank by assigning its Internal Revenue Allotment as part of its security to secure the said line with the Bank.
- d) That it shall secure from me said Bank Letter of Credits with a face value of _____ PESOS (P_____), in favor of the Developer for the construction of _____ project.

1.2 Representation of Developer

- a) That the Developer is a project development company. It is duly Registered and organized under and by virtue of the laws of the Republic of the Philippines. The Developer is qualified, capable and willing to undertake the development and financing of the Project until it is fully completed on a turn key basis.
- b) Developer shall negotiate and secure a development guaranty from the HGC, and likewise to work with and secure funding and take-out commitment from HDMF, GSIS or SSS and all other financing institutions, that provides end-buyers financing.

- c) That the Developer warrants that any CONTRACTOR(S) it will Hire, will be acceptable to the JOINT VENTURE PARTNERS and which shall be qualified, experienced, capable and competent to undertake the actual construction of the Project. That the CONTRACTOR(S) shall be a construction and engineering company accredited by the Philippine Contractors Accreditation Board (PCAB), with category "AAA".
- d) The Developers solely responsible in seeing to it that its CONTRACTOR(S) are paid according to their accomplishments on a monthly basis or according to the term of payments agreed upon of them.
- e) The Developer is likewise responsible in seeing to it that the material and labor requirements of the Project are met, both payments and availabilities at the project site, whether or not it is coursed through the CONTRACTOR(S).
- f) That the Developer warrants that the materials delivered on site and/or construction of the Project shall be in accordance with plans and specifications as provided by the JOINT VENTURE PARTNERS to the Developer all to be sourced or secured from suppliers offering the best quality and prices.
- g) That upon completion of the Project, the Developer guarantees its Performance to be free from material defect and construction, by way of putting up a Guaranty Bond, which shall be in effect for one (1) year reckoned from the date of completion of the Project.

1.3 This Agreement shall cover the following Project:

The PROJECT _____.

- a) The project referred to shall involve:
 - a. Provision for the land area;
 - b. Site Development and Amenities;
- b) Construction of _____ housing units

II. OBLIGATIONS OF THE PARTIES

2.1 Obligations of the "Municipality"

2.1.1 Within thirty (30) days from the signing of this Agreement, the Municipal Government of _____ shall submit the following:

- a) Irrevocable Letter of Credit at sight to cover the total agreed Contract Price in Pesos, drawable by three (3) months from the agreed completion date and turn over of the Project.
- b) A Notice To Proceed (NTP) to be issued to the DEVELOPER to take effect within thirty (30) days from receipt of the NTP and the L/C by the bank to;

2.1.2 Allow _____ and its subcontractor/s after the issuance of the Notice To Proceed to use temporary facilities, properties of the Municipalities which are located near the project so as to effectively start the project, but is subject to the conditions set forth by the Municipality.

2.1.3 Shall be responsible in the marketing and economic survey of the Project.

2.1.4 Provide the lot where the intended housing will be constructed.

2.1.5 Facilitate the processing and approval of all the necessary permits and licenses, if any, for the immediate implementation of the project

2.1.6 Provide adequate police visibility and assistance to ensure that no form of lawless violence will transpire as well as to rid the area of criminal elements.

2.1.7 Warrant that the beneficiaries are qualified for housing loans under the HDMF or similar government financial institutions;

2.1.8 In the event that a beneficiary cannot qualify for a housing loan or is unable to comply with his or her loan obligations, to buy-back the loan and replace with other qualified beneficiaries

2.2 Obligation of the Developer

2.2.1 The Developer shall assist the Municipality to apply for an L/C line convertible into a term loan with the _____ Bank.

- 2.2.2 The project that is given Notice to Proceed and Letter of Credit shall be completed within a period of twenty four (24) months reckoned thirty (30) days from date of receipt of the Letter of Credit and the NTP. Developer shall be allowed to draw on the L/C partially based on completed units and the schedule of due dates of obligations, as shown in the attached Annex "___".
- 2.2.3 Developer will submit to the Bank and to the Municipality a schedule of deliveries of units on a monthly basis, which is hereto attached and made integral part of this instrument as Annex"___"
- 2.2.4 The due date of obligations may however change, as maybe mutually agreed upon by the PARTIES later, when the actual completion date has changed for whatever reason that it acceptable to the PARTIES.
- 2.2.5 To secure the necessary building permits and other licenses required in accordance with the Building Code from any appropriate governmental entities.
- 2.2.6 To solely responsible for the costs of material, equipment, labor overhead and supervision, incidental expenses, VAT, and/or his CONTRACTOR(S) and all other expenses necessary or required for the proper performance of all the foregoing obligations, until the Project is completed and turned-over to the JOINT VENTURE PARTNERS.
- 2.2.7 Within thirty (30) days from receipt of the L/C, the Developer and the CONTRACTOR shall post a Performance Bond equivalent to what is required by law.
- 2.2.8 The CONTRACTOR(S) and the Developer shall undertake the project according to acceptable Construction Methods, and Quality Standard of the Project to be mandated by the Project Manager of the Owner, Engineering and Construction Proficiency, provide Construction Organization, PERT/CPM, Bar Chart and the likes, which shall all be submitted for the approval by the JOINT VENTURE PARTNERS, making sure that the Developer and his CONTRACTOR(S) follows the approved Construction Schedule.
- 2.2.9 The Developer and the CONTRACTOR(S) shall provide the needed materials, equipment and labor to complete the PROJECT without any delay. ,

III. Contract Price/Profit Sharing/Construction Period and Other Miscellaneous Provisions.

- 3.1 The Project shall be done, depending on
- a) Availability of plans and specifications; and
 - b) Financial or L/C arrangements with Land Bank.
- 3.2 The Municipality shall secure its obligation with the Developer under the aforementioned "turn-key" basis by an irrevocable Letter of Credit at sight to be taken from _____ Bank to cover the contract amount based on the monthly deliveries of units by Developer, as appearing in Annex
- 3.3 The Municipality agrees to award the said Project to the Developer at an agreed contract amount in _____Pesos according to a mutually agreed contract price. The breakdown of values and its corresponding scope of work is shown in the attached Annex"___". The whole contract price of the housing project is in PHILIPPINE CURRENCY: _____(P_____) and the _____ (___units) housing units shall be confirmed to have buyers of the housing project.
- 3.4 The construction period for the completion of the whole _____ units shall be ____ (____) months. The due date of the obligation and the corresponding unit deliveries are hereto attached as Annex"__". The construction schedule, PERT/CPM and Bar Chart is hereto attached as Annex _____. Any damage or additional expense that may be incurred by reason of delays, except those caused by fortuitous events, acts or war, strikes or lockouts and other calamities shall be for the account of the Developer and the GENERAL CONTRACTOR.
- 3.5 The JOINT VENTURE PARTNERS shall share on the profits. The sharing Shall be ___% for Developer and ___% for the Municipality.
- 3.6 The PARTIES hereby warrant and covenant that they will perform in good faith their respective obligations under this Agreement'; any disputes, disagreements or differences between the PARTIES shall be settled amicably in good faith by the PARTIES.

IN WITNESS WHEREOF, the PARTIES have hereto set their hands on ____ day of _____ 2005.

RESOLUTION No.

RESOLUTION CONFIRMING THE JOINT VENTURE PARTNERSHIP OF THE MUNICIPALITY OF _____ WITH _____ TO DESIGN, PACKAGE AND IMPLEMENT THE PROPOSED __(MUNICIPAL) EMPLOYEES' HOUSING PROJECT

WHEREAS, this August Body has passed Resolution No. ____ dated _____ authorizing the Honorable Municipal Mayor to negotiate with _____ to develop a joint venture agreement for the purpose of undertaking the **(MUNICIPALITY) EMPLOYEES' HOUSING PROJECT** through, but not limited to, a joint venture scheme and for authority to contract loans or other forms of housing finance;

WHEREAS, after proper evaluation the joint venture agreement with _____ complies with the requisites set forth in Resolution NO. ____

NOW THEREFORE, on motion of Hon. _____, duly seconded by Hon. _____, be it

BE IT RESOLVED, as it is hereby resolved, to CONFIRM the Joint Venture Partnership Of The Municipality Of _____ With _____ To Design, Package And Implement The Proposed __(Municipal) Employees' Housing Project;

BE IT FURTHER RESOLVED, that the Honorable Mayor submit periodic reports on the conceptualization and development of the Employees' Housing Project to this August Body;

RESOLVED, further, that copies of this resolution be furnished the Honorable Mayor, the City Auditor, and the City Legal Office, all of this City, for their information.

UNANIMOUSLY APPROVED.

ADOPTED, _____ (date) _____