

Sheltering The Homeless Government Employees Through Joint Venture Approach

Sugartowne Housing Project, Quezon City,
National Capital Region, Philippines

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Introduction

Sprawled in a 12.1929-hectare land in Batasan Hills, Quezon City is a modest housing project which made owning a decent home for 910 low-income employees of the Sugar Regulatory Administration (SRA), a government agency, and employees from other government agencies no longer a far-fetched reality. This is the Sugartowne Housing Project, a project of the National Housing Authority (NHA) which was implemented thru a joint venture scheme with the SRA as landowner and a private developer, R-II Builders, Inc.

Development of projects jointly with the private sector such as the Sugartowne Housing Project has been one of the focus of NHA operations. To increase its production capacity, NHA strived to harness and work with other sectors to maximize resources for housing production – a shift in the role from direct producer to facilitator in the housing delivery process. This is in cognizance that given the magnitude of the housing problem, addressing the same requires the participation of all sectors.

To date, NHA undertakes joint ventures with the private sector on a nationwide basis. The concept of resource-expertise sharing scheme with other government agencies as landowner, private landowners and developers set the ground for the entry of private capital in socialized housing via the equity contribution which is usually in the form of land, funds or technical expertise. Under the approach, the NHA cost-recoverable programs such as Completed Housing and Sites & Services Development Programs and Medium-Rise Housing schemes are carried out.

To ensure fast turn-over and short investment recovery period, the program is linked with the buyer's financing

with government financial institutions such as the National Home Mortgage Finance Corporation (NHMFC) and the Home Development and Mutual Fund (HDMF). Thus, beneficiaries who are mostly young families will have to pay their monthly amortization for a maximum period of 25 years.

The implementation though of the Joint Venture Program was not without any impediments. It has reached a stage where refinements and fine tuning are necessary. Yet, just like a new plant that needs constant nurturing, the maturing of the Joint Venture Program is deemed to be reached in not so remote a distance. After all, for the Program to be effective, it must be continuously attuned to the needs of the times.

This paper will discuss in detail how the Sugar Regulatory Administration has responded to the demands of its employees for housing assistance, the sourcing of funds to finance the project considering that government funds were already allocated to its priority projects, the participation of the private sector in this endeavor and the strategies on how to complete the project given that a big portion of the project is being occupied by squatters.

Background

The Philippines, with its growing population of more than 70 million in 1997 has a projected housing need of 3.724 million units by 1998. The continuous increase in the housing backlog can be attributed to the following factors: the continuous migration of families from the rural areas to the National Capital Region and to other urban areas, the lack of funds to finance the housing programs, the high cost of land and construction materials and the government's less attention to housing, giving more

priority to other basic needs due to lack of financial resources.

The National Capital Region or the Metropolitan Manila area alone, which comprises 9 cities and 8 municipalities with a population of 9.45 million in 1995, has an estimated housing need of 890,000 units from 1993-1998. The National Shelter Program for 1993-1998 has a target completion of 1.0 million housing units nationwide, which does not respond to the total housing need as projected.

The government has to put in place more reforms that will enable to speed up the accomplishment of the objectives set by the National Shelter Program. It should accord a high priority to implementing a comprehensive policy for capacity building to enable the different sectors of society play an effective role in shelter and human settlements planning and management.

National Housing Authority

The National Housing Authority as the sole national Agency engaged in housing production for low-income families was organized as a government-owned and controlled corporation in 1975 with its corporate mission of providing affordable and adequate housing for homeless low-income families, and afford them access to social services and economic development to propel development of self-reliant communities.

General Policies

- 1. Focus on low-income group.** The NHA focuses its efforts on providing housing assistance to the lowest 30% of the urban population. This is carried out primarily through the Resettlement Program, the Community Mortgage Program, the Sites and Services development Program as well as the adoption of various community-based housing solutions and approaches.
- 2. Adoption of Facilitator and Enabler Role.** NHA veers away from its traditional role as direct provider of shelter and assumes an “enabler” or “facilitator” role, drawing the initiatives and resources of all other actors into the mainstream of the social housing effort – private sector (land-owners and developers), non-governmental organizations (NGOs), communities/beneficiaries organizations and local government units.
- 3. Promotion of Greater Private Sector Participation.** Consistent with its facilitator role, the NHA pursues the policy of inducing the participation and involvement of the private sector in social housing. The infusion by the private sector of its resources and expertise into the government’s housing efforts is viewed to expand significantly housing delivery.
- 4. Development of Alternative Housing Solutions.** The NHA is engaged in a continuing effort to formulate and develop new programs and approaches that would best fit the situation, need and affordability of its target clientele. This includes research studies on housing technology, The NHA standards and construction methods.
- 5. Regionalization of Operations.** Cognizant of the increasing demand for housing areas outside Metropolitan Manila, the NHA has moved to and increased housing development activities in all regions of the country. Regionalization is intended to effect a more equitable distribution of housing benefits across the country.
- 6. Decentralization of Operations.** Following the increased housing development activities in all regions, this policy shall facilitate the devolution of housing delivery functions to local government units to boost localized housing development.
- 7. Inter-Agency Coordination and Linkages.** The NHA is engaged in a continuing effort to establish and strengthen linkage with other government institutions whose inputs are critical to the efficient delivery of social housing services. This includes agencies responsible for the grant of land conversion and environmental clearances, the provision of utilities and off-site facilities, the processing of titles and the provision of livelihood assistance to the beneficiaries.
- 8. Disposition through Mortgage Take-out.** The NHA has reoriented its sales and disposition operations utilizing the mortgage take-out facility under the Unified Home Lending Program (UHLP) and other affordable home buyers’ financing schemes offered by other financial institutions. This change in the NHA’s operations has further expanded the housing beneficiaries’ access to low cost housing finance. At the same time, it has improved NHA’s operational efficiency with respect to project turnover and cost recovery which contributed financial viability, as a government corporation.
- 9. Disengagement from Estate Management of Completed Projects.** To focus its efforts on housing production, the NHA has veered away from estate management of completed projects. Roads, utilities and facilities of completed projects are turned over to the local government units and/or mandated agencies. Homeowners’ Associations are encouraged to participate actively in the maintenance of their communities.
- 10. Transparency of Operations.** As a government agency, NHA has maintained the highest level of credibility and integrity with its publics. The policy of “transparency” is strictly being observed particularly in terms of selection of partners, award of civil works contracts and projects, award of completed units and other transactions with different publics. Policies, implementing guidelines, standard procedures, rules and regulations are clearly defined and updated, as necessary. Systems are being automated.

Major Programs

Programs for Families Belonging to the Lowest 30th Percentile of the income distribution and Occupants of Blighted/Danger Areas

Resettlement Program involves the acquisition of large tracts of rawland for site development to generate serviced lots for families displaced from sites earmarked for government infrastructure projects and those occupying danger areas such as waterways, esteros and railroad tracks. Cognizant of the affordability level of its target beneficiaries and the temporary economic dislocation inherent in relocation, the Program is non-cost recoverable and relies on full subsidy support for land acquisition and site development.

Community-Based Housing Programs involve the mobilization of community resources in the resolution of land tenure issues and site development through Slum Upgrading, Community Mortgage Program (CMP), Community Land Acquisition Support Program (CLASP), Magbalikatan Para sa Maunlad na Pabahay (MMP) program¹ and Cooperative Housing. Under this scheme, the NHA acts as conduit between the community association or cooperative and the financing or resource institutions such as the NHMFC or HDMF and other government and non-government institutions offering liberalized financing for land acquisition and other forms of grants/inputs to people's organizations.

Sites and Services Development entails the acquisition and development of rawland into serviced homelots which shall serve as housing stock as well as catchment areas for in-migration and population growth. This approach is ideal in urban centers where population growth and overspill is anticipated and where beneficiaries intend to acquire housing on incremental basis. Projects under this program are implemented under joint venture arrangement with the private sector or LGUs. The private sector or local government partners likewise invest or contribute equity in the project in terms of land or funds for land development and house construction.

Programs for Low-income Earners Up to the 50th Percentile of the Income Distribution

Completed Housing entails the acquisition and development of rawland and provide serviced lot with core housing designed to match the affordability of the program's target market consisting mostly of low-salaried government and private sector employees.

Medium -Rise Housing entails the construction of three to five storey residential buildings in high-density urban areas to provide in-city housing alternative to low-income

families. Cross-subsidy scheme may be adopted to enhance the viability of the program. Tenure of occupancy could be on absolute sale or lease basis.

Rental Housing entails the provision of loans for the construction or renovation of dormitories, apartments and other residential buildings to be rented out, jointly undertaken with the Social Security System.

Projects under the Sites and Services Development, Completed Housing and Medium -Rise Housing Programs are implemented under the Joint Venture Arrangement with the private sector, other government agencies or with the local government.

Programs for Families Affected by Calamities

Emergency Housing Assistance Program caters to the housing needs of families rendered homeless due to natural calamities or man-made disasters. This entails the provision of temporary shelter for immediate relief of the affected families, the development of new settlements and the provision of home materials assistance for housing reconstruction.

Temporary Shelter and Evacuation Centers Construction entails the construction of bunkhouses with communal facilities and utilities to be used as evacuation center for displaced families.

Housing Materials Assistance Program addresses the need to provide new settlement for permanently displaced families.

The Joint Venture Program

The Joint Venture Program is a strategy designed to maximize NHA's capacity to deliver housing units based on a resource/expertise sharing scheme with private landowners and developers, local government units and non-governmental organizations. The general concept is to draw other sectors into the mainstreams of low-income housing through viable joint ventures.

Salient Features

The joint venture undertaking entails sharing by the joint venture partners of resources and profits as well as risks to the extent of each partner's equity contribution.

NHA contributes a maximum equity of 40 percent of the total project cost (in form of funds for land) for joint ventures with the private sector. For joint ventures with local government, NHA's maximum equity contribution is 80 percent of the total project cost which may be reduced depending of the availability of private developer's equity counterpart.

Joint Venture funds are deposited in an escrow account with a government bank in the name of the project.

The target market is low-income families within the 50th percentile of the income structure including those

¹ Community-based Program Towards Progressive Housing

income earners residing in growth centers whose housing needs are not presently met by the private sector. The beneficiaries must be qualified under the Unified Home Lending Program.

Products of the program are house and lot packages affordable to the aforementioned beneficiaries. At least sixty (60) percent of the house and lot packages shall be allotted for targetted beneficiaries while the remaining forty (40) percent may be sold in the open market.

The program is linked up with the Unified Home Lending Program administered by the National Home Mortgage Finance Corporation (NHMFC) for fast turnover and shorter recovery period.

Profit sharing among the joint venture partners shall be in the form of cash revenues or developed/serviced lots..

Objectives

The Joint Venture Program aims to:

1. Implement the corporate policy of attracting the private sector and local government units to venture into low-income housing,
2. Provide an opportunity to private landowners to utilize their idle real estate properties for viable housing projects.
3. Provide an additional avenue for the inflow of housing funds into the country's economic stream; and
4. Effect a more equitable regional coverage and implementation of the National Shelter Program.

Joint Venture Process Flow

Step 1. Landowner offers land for joint venture project. NHA undertakes site inspection and evaluation and looks for a developer through publication in a newspaper of general circulation.

Step 2. NHA evaluates interested joint ventures developers based on technical and financial capability and submitted project proposal/feasibility study.

Step 3. NHA and developer execute joint venture agreement and provide equity funds to finance the project. Such development funds are deposited under escrow account in a government bank. If the developer solely finances the project (without equity fund from the NHA), there is no need for the developer to deposit the development funds under escrow account.

Step 4. Developer secures permits, licenses, accreditation and appraisal and undertakes site development and construction of housing units. NHA monitors project development and accomplishment.

Step 6. NHMFC releases loan proceeds, partners set up maintenance fund and receive share of revenues/profit.

Step 7. Landowner and developer maintain and turn-over completed facilities to local government or homeowner's association.

The Project: Sugartowne Housing

Project Background

The Project is located in the central urban area of the country, the National Capital Region (NCR), otherwise known as the Metropolitan Manila Area, specific in Quezon City. It is within the jurisdiction of the NCR Area Management Office (NCR-AMO) of the NHA. The NCR-AMO which covers nine (9) cities and eight (8) municipalities is divided into four (4) Regional offices, namely, North, South, East and West Sectors. The East Sector covers the cities of Quezon, Marikina and Pasig, and portions of the municipalities of Cainta and Taytay in Region 4, where the author is the Officer-in-charge (OIC). Being the OIC, she represents the NHA in the Steering Committee which was created to act as the Executive Board to decide on all matters pertaining to project implementation. The other members of the Steering Committee are Wilson P. Gamboa, Administrator of the SRA and Edmond Q. Sese, President of R-II Builders, Inc.

A Memorandum of Agreement (MOA) between the SRA and the NHA was executed in 1993 for the development of the SRA property in Batasan Hills, Quezon City, into a joint venture housing project. Socio-economic survey was conducted jointly by SRA and NHA in the same year. Raw data were consolidated and analyzed by the NHA. The NHA has initially prepared a conceptual plan and pre-feasibility study as it envisions project development.

The Project was bidden out in 1994 inviting private developers to enter into a joint venture arrangement with the SRA and the NHA. One of the conditions set in the Bidder's Responsibility is that the bidder/developer shall be solely responsible for financing the project which shall include other incidental costs to be incurred by the project. Two (2) proponent developers submitted their Bid Proposals and R-II Builders, Inc., after evaluating the bids, was considered the winning bidder, having the best offer on project design, completion, costs and share of profit for the government.

The Notice of Award was issued and the Joint Venture Agreement was signed and executed on May 20, 1994. Actual project implementation started in December, 1994.

The Objective

- To provide affordable housing to government employees, primarily, employees of the SRA, who do not own a house and have been renting apartment houses or small rooms at a very high cost, or sharing with their parents or other relatives with the intention of living in a place accessible to their places of work. These government employees were considered least priority in the provision of housing by the government since its priority projects are low-cost housing for squatter families living in blighted communities and in danger zones, or those affected

by government infrastructures, and families who were rendered homeless due to natural calamities, among others

- To create and promote market -based incentives to encourage the private sector to meet the need for affordable owner-occupied housing.²

This paper emphasizes that government employees, as well, have also the right to adequate shelter that is healthy, safe, secure, accessible and affordable and that includes basic services, facilities and amenities, and will enjoy freedom from discrimination in housing and legal security of tenure.³

The Strategy

Availability of Land

The Sugar Regulatory Administration (SRA), in its desire to meet the demands of their employees for housing assistance, has approved the disposition of one of their prime properties located in Batasan Hills, Quezon City, for development into a housing project for its employees. Because they don't have the capability to undertake the project, the SRA management sought the assistance of the National Housing Authority for the development of the project.

The prevailing zonal value of the property identified for development ranges from P2,000.00 (US\$ 51.30) to P3,000.00 (US\$77.00) per square meter, which is beyond the affordability of the target beneficiaries. For this reason, the SRA management has approved its disposition at P700.00 (US\$ 18.00) per square meter, in order to meet the requirements on land costs. The difference in land costs shall be treated as subsidy since the project will benefit government employees, primarily, their employees.

Availability of Funds

Since government funds are being allocated to its priority projects such as development of resettlement areas for squatter families living in blighted communities and in danger zones, or for those affected by government infrastructures, community-based housing projects, land banking for future development, and development of idle properties owned by the National Housing Authority, among others, funds for the development of this project should come from other sources, such as private capital from the private sector.

In order for the government to encourage greater private sector participation in socialized housing and further reduce the cost of housing units for the benefit of the underprivileged and homeless, incentives are being extended to the private sector, such as:

1. Reduction and simplification of qualification and accreditation requirements for participating private developers;
2. Creation of one-stop offices in the different regions of the country for the processing, approval and issuance of clearances, permits and licenses;
3. Simplification of financing procedures; and
4. Exemption from the payment of the following:
 - Project -related income taxes;
 - Capital gains tax on raw lands used for the project;
 - Value-added tax from the project contractor concerned; and
 - Donor's tax for lands certified by the local government units to have been donated for socialized housing purposes.

With these incentives, private developers have manifested their intention to venture in this project, and NHA, with the approval of the SRA have accepted the proposal of R-II Builders, Inc. to finance and undertake the development.

The Actors

A Joint Venture Agreement was entered into by and among the SUGAR REGULATORY ADMINISTRATION (SRA), the owner of parcels of land located at Batasan Hills, Payatas, Quezon City containing an area of 121,929 square meters, more or less; the NATIONAL HOUSING AUTHORITY (NHA), the sole government agency tasked to undertake production and R -II BUILDERS, INC., a duly licensed developer/contractor with the technical and financial capability to develop and complete the proposed project.

Role and Responsibilities

The Sugar Regulatory Administration (SRA)

Shall:

1. Provide the land with a total area of 121,929 square meters, having a total value of P85,350,300.00 (US\$ 2.189 M) as the project site. The property shall serve as the equity of the SRA.
2. Ensure that the property is free from all liens, encumbrances and other legal impediments.
3. Provide all other technical data and document related to the project site, such as lot plan and all other documents needed by the Developer in acquiring all necessary permits, licenses, appraisals, clearances and accreditations for the project from the approving agencies.
4. Secure the annotation of the Joint Venture Agreement on the title of the property.

² Section IV-B, Adequate Shelter for All; Introduction, Habitat Agenda

³ The Habitat Agenda Chapter IV, Commitments; Adequate Shelter for All

5. Pay the subscription of shares of stock of the Manila Electric Company (MERALCO) for the complete electrification of the project.
6. Pay the realty tax of the land up to the time the individual lot titles are transferred to the beneficiaries.

The National Housing Authority (NHA)

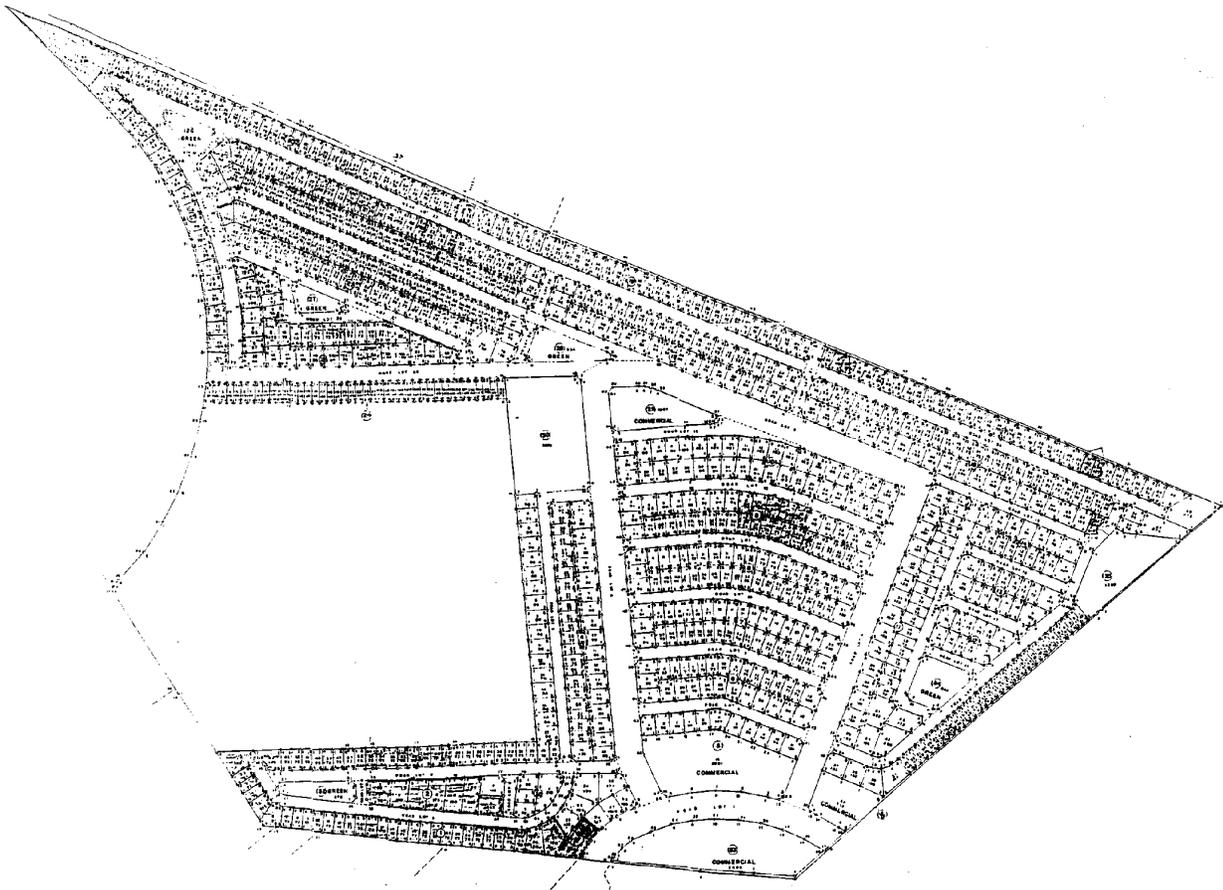
Shall:

1. Act as Project Manager for the development of Sugartowne Project.
2. Ensure, together with the Developer, the formulation of cross-subsidy rates to favor the SRA employees.
3. Prepare, together with the Developer, the Feasibility Study, for approval by SRA.
4. Undertake the functions of works engineering which shall include monitoring and controlling compliance of the approved plans, specifications and the agreed timetable, on site development and building construction being undertaken by the Developer. It may stop the project implementation, if in its judgment, the Project is not being pursued in accordance with the approved plans, specifications and construction schedule.

The Developer (R-II Builders, Inc.)

Shall:

1. Prepare, together with NHA the subdivision and housing plans as well as the detailed engineering and architectural drawings, technical specifications and schedule of the land development and housing units.
2. Be responsible in the relocation of the squatters with the assistance of the SRA and NHA.
3. Finance and undertake complete land development and housing construction in accordance with approved plans, specifications and schedule.
4. Undertake subdivision survey and individual lot titling.
5. Secure all permits, certificates of occupancy, licenses and insurances necessary in the implementation of the Project.
6. Secure from Home Insurance and Guaranty Corporation the pre-appraisal of the lots and housing units and upon completion, the Certificate of Confirmation and Acceptance.
7. Ensure the installation of all required utilities such as power and water within the development period of the Project exclusively for construction use only.
8. Undertake marketing of completed units of lots



and/or houses and lots including advertisement/promotions, provided, however, that for the first seventy (70) units to be offered for

sale, lot assignment shall be done through public raffle. Subsequent sales shall be on a first come first served basis.

9. Maintain and repair, as may be necessary, the common areas, facilities of the project, utilizing the maintenance fund of the project, until such items have been turned-over to the SRA or the Homeowner's Association.
10. Provide the indirect costs of NHA as scheduled in the Project Feasibility Study.
11. Submit to the Steering Committee weekly physical and financial reports with recommendations duly certified by the Technical Committee.
12. Provide the Steering Committee with as-built plans of site development and housing units.

2. Markets
 - Talipapang Gala
 - Tandang Sora
 - Manggahan
3. Churches
 - Christ The King (Catholic)
 - Living Water (Catholic)
 - New Life Mission (Church of Christ)
 - Christian Church (Protestant)

Jointly, the SRA, the NHA, and Developer

Shall:

1. Approve the final list of qualified beneficiaries of the project, and

Turn-over the completed roads and facilities of the project to the government agencies concerned or the Homeowner's Association.

The Project Design

Physical Aspect

The Site

The 121,929 square meter property owned by the SRA is located in Batasan Hills, Payatas, Quezon City. It is bounded on the North by Parthenon Hills Subdivision, on the South by vacant private lots, on the East by Filinvest Subdivision and on the West by the Civil Service Commission. All subdivisions surrounding the Project are classified as Class B subdivisions where lots are valued at P4,000.00 (US\$ 102.56) to P7,000.00 (US\$179.50) per square meter. It is accessible thru a well-paved cemented road developed by Filinvest, Corp., a 1-kilometer access from Batasan Road, the main transportation line. Tricycles are plying the area 24-hours a day.

There is a creek within the project area where rain water flows. The terrain is rolling and some areas are below street level. There are no water supply facilities but there are power lines within the property.

Community Facilities (OffSite)

The services/facilities within its 3-kilometer radius are the following:

1. Schools
 - Batasan Elementary Schod (Public)
 - Our Lady of Grace Montessori (Private)
 - Diliman Preparatory School (Semi-Private)
 - New Era College (Private)

General Specifications

Land Development (Conventional)

| Description | Specifications |
|----------------------------------|--|
| Roadworks | |
| Main roads | 200mm thk. conc., 3,000psi |
| Secondary rd. | 150mm thk. conc., 3,000psi |
| Base course | 200mm thk. for main road 150mm for secondary road |
| Sidewalk | 75mm thk., 2,500psi |
| Drainage System | Underground R.C. pipes |
| Water Distribution System | |
| Pipes | PVC pipes-Class 150 MWSS |
| Fittings | PVC/Cast iron-MWSS Std. |
| Valves & appur. | Cast iron- MWSS Std. |
| Deepwell/Tank/Pump | |
| Depth of well | 800 ft. |
| Casing | 8" dia. G.I. pipes |
| Pump | 30 H.P. Submersible pump |
| Tank | 40,000 gal. Capacity |
| Tank Height | 40 ft. from bottom of tank to gr. |
| Earthworks | |
| Lot Grading | Max. slope shall be 15% |

Housing Construction (Conventional)

| Description | Specifications |
|-----------------------|----------------|
| Finishes | |
| Floor finishes | |
| Living,dining,bedrm | plain cement |
| Toilet | unglazed tiles |
| Wall finishes | |
| Interior & exterior | costura |
| Toilet | glazed tiles |

Laundry area 4" CHB costura
 Kitchen counter conc. Slab with tiles, porcelain
 Kit. Sink for duplex &
 rowhouse;
 Roofing Stainless for single detached
 Septic tank #26 Corr. G.I. Shts., unpainted
 6"CHB, plain cement

Material Specifications

Concrete
 Footings 3,000psi
 Slab on fill 2,500psi
Conc. Hollow blocks
 4" CHB 350psi
 6" CHB 350psi
Doors & Windows
 Doors Wooden flush hollow core
 Door jambs 2"x4" sundried wood
 Windows Glass jalousie with aluminum
 Frame & horizontal grilles
Columns/Beams
 L-Corner Blocks 700psi
 Beam blocks 700psi
Plumbing fixtures & Accessories
 Water closet Flush type
 Faucet 1/2" diameter
 Floor drain 4"x4" Stainless
 Shower valve & head ordinary
Electrical Fixtures & Devices
 Main switch 30A, 2PST, 250V Safety
 Switch
 Convenience outlet double, surface
 mounted
 Light switch surface mounted
 Light socket porcelain socket, 2" dia.
 Service entrance RSC, PVC Conduits;
 Individual for single
 Detached & duplex,
 meter Bunk for rowhouses,
 conc.
 Rough-in PVC conduits
Plumbing Rough-in Materials
 Water lines uPVC
 Sanitary lines PVC sanitary type

The Project shall generate a total of 910 residential units consisting of 815 houses and lot packages and 95 lots only broken down as follows:

| Model | Lot Area Sq.m. | Floor Area sq.m. | No. Of Units |
|---------------------------------|-------------------|---------------------|--------------|
| 1. Single detached | 108 | 32 | 20 |
| 2. Single detached | 96 | 32 | 205 |
| 3. Single detached irregular | 164 | 32 | 46 |
| 4. Duplex | 72 | 24 | 449 |
| 5. Row house | 48 | 24 | 95 |
| 6. Executive (lot only) | 164 | - | 35 |
| 7. Urban Poor (lot only) | 48 | | 60 |
| TOTAL | | | 910 |

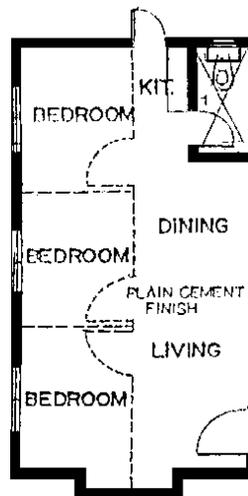


Figure 2 Floor plan of a single-detached unit.

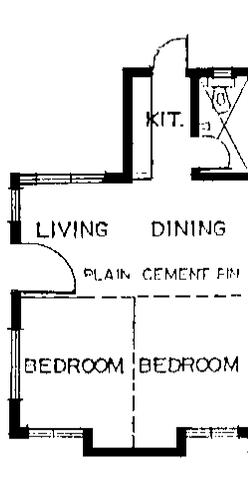


Figure3 Floorplan of a duplex unit.

| Type | Area(sq. m.) | Percentage(%) |
|---|------------------|---------------|
| 1. Residential | 74,901.00 | 61.43 |
| 2. Commercial | 5,948.00 | 4.88 |
| 3. Open Spaces | | |
| Road lots | 33,640.00 | 27.59 |
| Community | 5,713.00 | 4.68 |
| Facilities & Open spaces for parks And playground | | |
| 4. Unbuildable | 1,727.00 | 1.42 |
| TOTAL | 121,929.0 | 100.00 |
| | 0 | |

Number of Lots

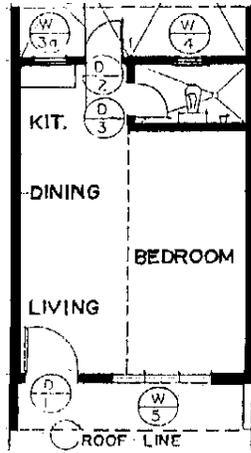


Figure 4 Floor plan of a row-house unit.

Schedule of Development

The Project shall be implemented pursuant to the approved Project Feasibility Study and in accordance with the provisions of Batas Pambansa 220 (Rules and Regulations for Socialized Housing) with housing plans, specifications, bill of materials and cost estimates approved by the Steering Committee.

The Project shall commence within thirty (30) days from the signing of the Joint Venture Agreement and shall be completed within a period of twenty (20) months in accordance with the approved Production Schedule. This period, however, maybe extended for delays due to force majeure and other meritorious reasons subject to the written approval by the Steering Committee.

Marketing Aspect

The DEVELOPER is tasked to undertake marketing of completed units of lots and/or houses and lots under the Unified Home Lending Program (UHLP) of the government. Individual beneficiaries are required to pay equity/downpayment, when necessary, and other incidental expenses such as mortgage redemption insurance (MRI), fire insurance, credit insurance fees, registration fees, and other related fees, which are not part of the total project cost. The Home Insurance and Guarantee Corporation (HIGC) conducts appraisal of completed units and determine the loanable amount of each beneficiary and guarantee such loans.

A Deed of Sale with Mortgage is executed by individual beneficiaries and these mortgages are delivered to either the National Home Mortgage Finance Corporation (NHMFC) or to the Home Development and Mutual Fund (HDMF) for long term financing. The NHMFC or HDMF then releases payment to the DEVELOPER for mortgages delivered.

Income Distribution of Target Beneficiaries

| Percentile | Monthly Income (PhP) |
|------------------|----------------------|
| 10 th | 6,348.11 |
| 20 th | 9,200.50 |
| 30 th | 11,564.78 |
| 40 th | 14,433.83 |

| | |
|-------------------|-----------|
| 50 th | 17,694.94 |
| 60 th | 20,071.26 |
| 70 th | 20,303.57 |
| 80 th | 20,535.88 |
| 90 th | 20,768.19 |
| 100 th | 21,000.50 |

Based on the income percentile, the affordability level of the lowest 10% of the total respondents has a value indicator of PhP 6,348.11 (US\$ 162.77), 50% has an income of PhP 17,694.94 (US\$ 453.72) per month.

To conform with the concept of socialized housing, the selling prices of the house and lot package shall be as follows:

| Model | Flr. Area (sq.m.) | Lot Size (sq.m.) | Price (PhP) | |
|-------|-------------------|------------------|-------------|---------|
| | | | SRA | Non-SRA |
| A | 32 | 108 | 309,400 | 320,200 |
| B | 32 | 96 | 289,600 | 299,200 |
| C | 32 | 164 | 401,800 | 418,200 |
| D | 24 | 72 | 217,200 | 224,200 |
| E | 24 | 48 | 177,600 | 182,400 |
| F | | 164 | 270,600 | 287,000 |
| G | | 48 | 79,200 | 84,000 |

Commercial lots shall be sold through public bidding. However, in the event of failure of bidding for two times, the sale maybe negotiated by the developer, subject to the guidelines issued by the Steering Committee.

The cost of site development, building construction, add-on costs and other related costs or expenses shall be considered fixed budgetary costs. In such case, the Developer shall work within said budgetary limits and that no price adjustment should be made for the first seventy (70) house and lot units but may request for price increase for the remaining units subject to the review and approval by the Steering Committee. The Developer shall collect from the applicants documentation fees and other incidental expenses which are not chargeable to the project cost.

Affordability Analysis (For SRA Employees)

| Package Price (PhP) | Mo. Payment (PhP) | Income Required | Income Percentile |
|---------------------|-------------------|-----------------|-------------------|
| 309,400 | 4,204.40 | 21,022.00 | 100 th |
| 289,600 | 3,935.34 | 19,676.70 | 60 th |
| 401,800 | 5,095.83 | 25,479.15 | 100 th |
| 217,200 | 2,287.60 | 11,438.00 | 30 th |
| 177,600 | 1,870.53 | 9,352.65 | 20 th |
| 270,600 | 3,677.15 | 18,385.75 | 60 th |
| 79,200 | 664.64 | 3,323.20 | 10 th |

Financial Aspect

The total estimated project cost shall be PhP 234.534 million (US\$ 6.014 M) broken down as follows:

| | |
|---------------|------------------|
| Rawland Cost: | |
| Total Area: | 121,929.00 sq.m. |

Cost per sq.m. PhP700.00 (US\$ 18.00)
 Total Rawland Cost PhP 85.350M (US\$ 2.189M)

Relocation Cost

Total No. of squatters: 20 families
 Cost per family PhP50.00T/family
 Total Rel. Cost PhP 1.00M (US\$ 25.641T)

Land Development Cost

Total Area 121,929 sq.m.
 Cost per sq.m. PhP352.20/sq.m. (US\$9.03)
 Total land devt. Cost PhP 42.943M (US\$1.101M)

Housing Construction

Total no. of units 815
 Total Area 21,728.00
 Total Cost PhP75.404M (US\$1.933M)

Project Cost Summary

| <u>Item/Description</u> | <u>Cost (PhP)</u> |
|---------------------------|-----------------------|
| Rawland | 85,350,300.00 |
| Relocation of Squatters | 1,000,000.00 |
| Land Development | 42,942,972.00 |
| House Construction | <u>75,403,928.00</u> |
| Total Devt. Cost | 119,346,900.00 |
| Total Indirect Cost | |
| Developer (20%) | 23,869,380.00 |
| NHA (5%) | <u>5,967,345.00</u> |
| <u>Total Project Cost</u> | <u>234,533,925.00</u> |
| | US\$ 6.014.00 |

Equity Contribution

| <u>Particular</u> | <u>Total Contribution</u> | | <u>Remarks</u> |
|-------------------|---------------------------|----------------|--------------------|
| | <u>Amount(PhP)</u> | <u>Percent</u> | |
| (%) | | | |
| SRA | 85,350,300.00 | 36.40 | Land |
| Developer | 143,216,280.00 | 61.06 | Cash |
| NHA | <u>5,967,345.00</u> | <u>2.54</u> | <u>Tech. Asst.</u> |
| Total | <u>234,533,925.00</u> | <u>100.00</u> | |

Maintenance Fund

The SRA, NHA and Developer shall set up a maintenance fund equivalent to one percent (1%) of the land development cost but not less than PhP50,000.00 (US\$ 1,282.05), out of the sales of the project on an equity share basis. The maintenance fund shall be utilized for the repair of roads and facilities, garbage collection, security, street cleaning and grass cutting of the project prior to turn-over to the government agencies concerned and the homeowner's association.

Recovery of Investments and Profits

The SRA, the NHA and the Developer shall arrange for multiple check release of the mortgage take-out proceeds in accordance with their shares agreed to be

36.40 for the SRA, 2.54% for the NHA, and 61.06% for the Developer. The Developer shall accept cash payments and shall be responsible to distribute the proceeds to the SRA and the NHA according to their shares.

Projected Income Statement

| <u>Particular</u> | <u>Amount (PhP)</u> |
|-----------------------|----------------------|
| Total Sales | 251,063,800.00 |
| Less: Direct Costs | |
| Land | 85,350,300.00 |
| Rel. of squatters | 1,000,000.00 |
| Land Development | 42,942,972.00 |
| House Construction | <u>75,403,928.00</u> |
| | 204,697,200.00 |
| Gross Profit | <u>46,366,600.00</u> |
| Less : Indirect Costs | <u>29,836,725.00</u> |
| Net Income before Tax | 16,529,875.00 |
| (| |
| | (US\$423,843.00) |

Profit Sharing

| <u>Particular</u> | <u>R-IIBuilders.</u> | <u>SRA</u> | <u>NHA</u> | <u>Total</u> |
|-------------------|----------------------|------------|------------|--------------|
| Sharing | 61.06% | 36.40% | 2.54% | 100% |
| MTO | 153.3 | 91.387 | 6.377 | |
| 251.063 | | | | |
| Less Equity | 143.216 | 85.350 | 5.967 | |
| 234.534 | | | | |
| Profit | 10.083 | 6.037 | .410 | |
| 16.530 | | | | |

It may be noted that the proceeds from the sale of four(4) commercial lots is not yet included on the projected income statement, which is still be subjected to profit sharing by the joint venture partners.

The Project Status

Background Information

The Project was undertaken through a Joint Venture Agreement (JVA) among the Sugar Regulatory Administration as the landowner, the NHA as the project Manager, and R-II Builders, Inc. as the Developer. The JVA was signed and executed on May 20, 1994.

A Steering Committee was created to act as its Executive Board to decide on all matters pertaining to project implementation.

Actual project implementation started in December, 1994 and was undertaken through the supervision by District 3, National Capital Region (NCR).

There were only 38 censused informal settlers occupying a portion of the project area at the time the said construction started. However, in 1995, the NAMAPPA,

one of the community associations on site, filed Civil Case No. Q95 -24159 before the regional Trial Court of Quezon City against SRA. A temporary restraining order was issued by the Court dated June 30, 1995, and was later on archived by the Judge without lifting the writ of injunction, which in effect still prohibited the demolition of shanties and structures of NAMAPPA. In September, 1997, construction was fully stopped in view of the squatter problem not only because of NAMAPPA but due to the presence of other illegal occupants. To date , the total number of illegal occupants had increased to 303. R-II Builders, Inc. has since then been requesting for the liquidation of the project and the closing of the contract

Project Accomplishment

At present, there are 585 units completed or 64% out of the total 914 units planned, broken down as follows:

| | |
|--|-----------|
| House and lot package | 581 units |
| Commercial lot | 4 |
| Affected by illegal occupants And undeveloped | 329 |
| Total Planned | 914 units |

Percentage of accomplishment based on items of work are as follows.

| | |
|-------------------------------|--------|
| Land Development | 72.00% |
| Housing Construction | 69.24% |
| Contract Cost as of Oct. 1998 | 72.23% |

Sales and Disposition

To date, all 581 units have been awarded and disposed, with only the commercial lots remaining for disposition. Under the JVA, the said lots should be disposed through public bidding. Minimum base price had not been agreed upon by the SRA, NHA and R-II Builders, Inc. The original land value considered in the JVA was PhP 6,000.00 (US\$153.85) per square meter. On August 10, 1998, R-II Builders, Inc. submitted the result of its land appraisal conducted by Valencia Appraisal Corporation, a private appraisal company, which placed the land value at PhP 4,000.00 (US\$ 102.57) per square meter. Consequently, SRA and the NHA was informed of this valuation, to which SRA is not amenable.

Proposed Relocation of Squatters

Relocation of the other squatter families was considered to be able to continue with project implementation. In January 1998, the SRA approved the amount of PhP1.00M for the demolition expenses of the undeveloped portion, to be appropriated from its share of

sales proceeds. Upon evaluation of NHA, said amount shall no longer be sufficient due to substantial increase in the number of illegal occupants. To resolve the issue, the Steering Committee recommended that the relocation and demolition costs be included in the project cost, the total cost of which shall be absorbed by the remaining undeveloped portion, particularly the units generated for the open market.

On August 20, 1998, the Developer reported that the cost of relocation for the 303 families shall amount to PhP24.60M, excluding demolition, movement and housing assistance costs of PhP7.575M. This was coordinated with the Home Insurance Guarantee Corporation (HIGC) and the National Government Corporation (NGC) administrations, for the possible allocation of relocation sites for the affected families in any of its sites in San Mateo or Montalban, Rizal. The Developer is no longer willing to front end the relocation costs, nor does NHA.

Evaluation and Recommendation

Considering the number of house and lots to be generated from the undeveloped portion compared with the huge costs of relocation and demolition expenses, it is found that the pricing of said units shall no longer be afforded by the prospective beneficiaries.

Secondly, the recent archiving of the case involving NAMAPPA still prohibits the demolition of their structures, such that project implementation cannot yet continue.

In view of these developments, it is recommended that the following courses of action should be undertaken:

1. Commercial lots be disposed through public bidding and that SRA should be advised to conduct their own land appraisal so that all the parties can agree on the Minimum Base Price to be used.
2. The JVA provisions affected by the actual accomplishments be amended, and that the contract be closed. Final quantification of works shall be undertaken, together with the computation of all expenses, and profit sharing of all the parties concerned. Further, an Inventory Committee shall be created to undertake closing activities, to be composed of members to be designated by the Steering Committee.
3. The remaining undeveloped portion be undertaken through the community based housing approach such as Community Mortgage Program (CMP) or Magkabalikat Para sa Maunlad na Pabahay (MMP), in coordination with the SRA, under the technical assistance program of NHA.

Conclusions

Private sector participation in the delivery of socialized housing maximizes the government's capability in housing production through resource and expertise sharing. Through the Joint Venture Program, the

government has not only been able to draw the participation of other sectors into the housing effort, it has also been able to operationalize its role as facilitator of social housing initiatives, providing a bridge between suppliers and users of low-income housing.

The Sugartowne Housing Project has engaged the active participation of the government and the private sector in all stages of project development, from policy formulation to project implementation and disposition. The Joint Venture Partners were able to meet the requirements of the project in terms of affordability, accessibility and the provision of decent housing.

However, the completion of the project was not fully realized due to some impediments. The proliferation of squatter families has caused the suspension of construction activities with only seventy two percent (72%) overall accomplishment. Because of some legalities, the actors were not able to clear the area from squatters. This problem was not appropriately considered during the planning stage.

In the final analysis, the participation of the local government unit who has the police power to control the influx of squatter families to new settlements should have been taken into account. The involvement of the existing community prior to project identification should also have been considered.

In the implementation of housing programs, either by the government or the private sector, the participation of all the sectors involved should be considered.

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