

RECORD OF THE SENATE

WEDNESDAY, MAY 4, 2005

OPENING OF THE SESSION

At 3:37 p.m., the Senate President, Hon. Franklin M. Drilon, called the session to order.

The President. The 81st session of the Senate in the First Regular Session of the Thirteenth Congress is hereby called to order.

Sen. Manuel "Lito" M. Lapid will lead the Chamber in prayer. His prayer will be read by the Majority Leader.

Everybody rose for the prayer.

PRAYER

Senator Pangilinan.

Mahal na Panginoon, ang Iyong pagmamahal ay nagsisilbing inspirasyon namin upang makagawa ng mga desisyon na tutugon sa anumang pangangailangan ng ating bayan.

Bilang mga lider ng bansa, kami po ay patuloy na umaasa sa Iyong biyaya at paggabay. Nawa'y bigyan Ninyo kami ng sapat na kakayahan at talento upang magampanan namin ang mga tungkuling ipinagkatiwala sa amin ng aming mga kababayan.

Ang lahat ng ito ay itinataas namin sa Iyo, mahal na Panginoon.

Amen.

ROLLCALL

The President. The Secretary will please call the roll.

The Secretary, reading:

Senator Edgardo J. Angara Present*
Senator Joker P. Arroyo Present
Senator Rodolfo G. Biazon Present*
Senator Compañera Pia S. Cayetano Present
Senator Miriam Defensor Santiago Absent**
Senator Jinggoy Ejercito Estrada Present
Senator Luisa "Loi" P. Ejercito Estrada Present
Senator Juan Ponce Enrile Present
Senator Juan M. Flavies Present
Senator Richard J. Gordon Present

Senator Panfilo M. Lacson Present
Senator Manuel "Lito" M. Lapid Present*
Senator Alfredo S. Lim Present*
Senator M.A. Madrigal Present*
Senator Ramon B. Magsaysay Jr. Present
Senator Sergio R. Osmeña III Absent
Senator Francis N. Pangilinan Present
Senator Aquilino Q. Pimentel Jr. Present
Senator Ralph G. Recto Absent
Senator Ramon Bong Revilla Jr. Absent
Senator Mar Roxas Present
Senator Manuel B. Villar Jr. Present*
The President Present

The President. With 13 senators present, there is a quorum.

The Majority Leader is recognized.

THE JOURNAL

Senator Pangilinan. Mr. President, I move that we dispense with the reading of the *Journal* of the 80th session, May 3, 2005, and consider it approved.

The President. Is there any objection? [*Silence*] There being none, the motion is approved.

Senator Pangilinan. Mr. President, I move that we proceed to the Reference of Business.

The President. Is there any objection? [*Silence*] There being none, the motion is approved.

The Secretary will read the Reference of Business.

BILLS ON FIRST READING

The Secretary. Senate Bill No. 1991, entitled

AN ACT EXPANDING THE SCOPE OF PROTECTION FOR TECHNOLOGY TRANSFER AGREEMENTS TO INCLUDE OPERATING AND DISTRIBUTION AGREEMENTS AMENDING FOR THAT PURPOSE SECTIONS 4, 85 AND 87 OF REPUBLIC ACT NO. 8293 OTHERWISE KNOWN AS THE INTELLECTUAL PROPERTY CODE OF THE PHILIPPINES, AND FOR OTHER PURPOSES

Introduced by Senator Villar Jr.

* Arrived after the roll call

** Absent on account of illness

RESUMPTION OF SESSION

At 3:48 p.m., the session was resumed.

The President. The session is resumed.

The Majority Leader is recognized.

BILL ON SECOND READING
S. No. 1956 - Rental Reform Act of 2005

Senator Pangilinan. Mr. President, I move that we consider on Second Reading Senate Bill No. 1956 under Committee Report No. 17.

The President. Is there any objection? [*Silence*] There being none, the motion is approved.

Consideration of Senate Bill No. 1956 is now in order. With the permission of the Body, the Secretary will read only the title of the bill without prejudice to inserting in the *Record* the whole text thereof.

The Secretary. Senate Bill No. 1956, entitled

AN ACT ESTABLISHING REFORMS IN THE
REGULATION OF RENTALS OF CERTAIN
RESIDENTIAL UNITS, PROVIDING THE
MECHANISMS THEREFOR AND FOR OTHER
PURPOSES

The following is the whole text of the bill:

SENATE BILL NO. 1956

AN ACT ESTABLISHING REFORMS IN THE
REGULATION OF RENTALS OF CERTAIN
RESIDENTIAL UNITS, PROVIDING THE
MECHANISMS THEREFOR AND FOR OTHER
PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

SECTION 1. *Short Title.* - This Act shall be known and cited as the "Rental Reform Act of 2005".

SEC. 2. *Declaration of Policy.* - The State shall, for the common good, undertake a continuing program of urban land reform and housing which will make available

at affordable cost decent housing and basic services to its citizens.

Toward this end, the State shall establish reforms in the regulation of rentals of certain residential units.

SEC. 3. *Monthly Rentals and Maximum Increases.*
- Upon the effectivity of this Act until 31 December 2011, the monthly rentals of all residential units in the National Capital Region and other highly urbanized cities not exceeding Seven thousand five hundred pesos (P7,500.00) and the monthly rentals of all residential units in all other areas not exceeding Four thousand pesos (P4,000.00) shall not be increased annually by the lessor, without prejudice to existing contracts, by more than ten (10%) percent.

SEC. 4. *Definition of Terms.* - The following terms as used in this Act shall be understood as:

(a) "Rental" shall mean the amount paid for the use or occupancy of a residential unit whether payment is made on a monthly or other basis.

(b) "Residential unit" shall refer to an apartment, house and/or land on which another's dwelling is located and used for residential purposes and shall include not only buildings, parts or units thereof used solely as dwelling places, boarding houses, dormitories, rooms and bedspaces offered for rent by their owners, except motels, motel rooms, hotels, hotel rooms, and those used for home industries, retail stores or other business purposes if the owner thereof and his or her family actually live therein and use it principally for dwelling purposes.

(c) "Immediate members of family of the lessee or lessor" for purposes of repossessing the leased premises, shall be limited to his or her spouse, direct descendants or ascendants, by consanguinity or affinity.

(d) "lessee" shall mean the person renting a residential unit.

(e) "Owner/Lessor" shall include the owner or administrator or agent of the owner of the residential unit.

(f) "Sublessor" shall mean the person who leases or rents out a residential unit leased to him by an owner.

(g) "Sublessee" shall mean the person who leases or rents out a residential unit from a sublessor.

SEC. 5. Rental and Requirement of Bank Deposit - Rental shall be paid in advance within the first five (5) days of every current month or the beginning of the lease agreement unless the contract of lease provides for a later date of payment. The lessor cannot demand more than one (1) month advance rental. Neither can he demand more than two (2) months deposit which shall be kept in a bank during the entire duration of the lease agreement. Any and all interest that shall accrue therein shall be returned to the lessee at the expiration of the lease contract.

SEC. 6. Assignment of Lease or Subleasing. - Assignment of lease or subleasing of the whole or any portion of the residential unit, including the acceptance of boarders or bedspacers, without the written consent of the owner/lessor is prohibited.

SEC. 7. Grounds for Judicial Ejectment. - Ejectment shall be allowed on the following grounds:

(a) Assignment of lease or subleasing of residential units in whole or in part, including the acceptance of boarders or bedspacers, without the written consent of the owner/lessor;

(b) Arrears in payment of rent for a total of three (3) months: *Provided*, That in the case of refusal by the lessor to accept payment of the rental agreed upon, the lessee may either deposit, by way of consignment, the amount in court, or with the city or municipal treasurer, as the case may be, or in a bank in the name of and with notice to the lessor, within one month after the refusal of the lessor to accept payment.

The lessee shall thereafter deposit the rental within ten (10) days of every current month. Failure to deposit the rentals for three (3) months shall constitute a ground for ejectment.

The lessor, upon authority of the court in case of consignment or upon joint affidavit by him and the lessee to be submitted to the city or municipal treasurer and to the bank where deposit was made, shall be allowed to withdraw the deposits;

(c) Legitimate need of the owner/lessor to repossess his or her property for his or her own use or for the use of any immediate member of his or her family as a residential unit: *Provided, however*, That the lease for a definite period has expired: *Provided, further*, That the lessor has given the lessee formal notice three (3) months

in advance of the lessor's intention to repossess the property and: *Provided, finally*, That the owner/lessor is prohibited from leasing the residential unit or allowing its use by a third party for a period of at least one year from the time of repossession;

(d) Need of the lessor to make necessary repairs of the leased premises which is the subject of an existing order of condemnation by appropriate authorities concerned in order to make the said premises safe and habitable: *Provided*, That after said repair, the lessee ejected shall have the first preference to lease the same premises: *Provided, however*, That the new rental shall be reasonably commensurate with the expenses incurred for the repair of the said residential unit and: *Provided, finally*, That if the residential unit is condemned or completely demolished, the lease of the new building will no longer be subject to the aforementioned first-preference rule in this subsection; and

(e) Expiration of the period of the lease contract.

SEC. 8. Prohibition Against Ejectment by Reason of Sale or Mortgage. - No lessor or his successor-in-interest shall be entitled to eject the lessee upon the ground that the leased premises have been sold or mortgaged to a third person regardless of whether the lease or mortgage is registered or not.

SEC. 9. Rent-to-Own Scheme. - At the option of the lessor, he or she may engage the lessee in a written rent-to-own agreement that will result in the transfer of ownership of the particular dwelling in favor of the latter. Such an agreement shall be exempt from the coverage of Section 3 of this Act.

SEC. 10. Application of the Civil Code and Rules of the Court of the Philippines. - Except when the lease is for a definite period, the provisions of paragraph (1) of Article 1673 of the Civil Code of the Philippines, insofar as they refer to residential units covered by this Act, shall be suspended during the effectivity of this Act, but other provisions of the Civil Code and the Rules of Court on lease contracts, insofar as they are not in conflict with the provisions of this Act shall apply.

SEC. 11. Coverage of this Act. - All residential units in the National Capital Region and other highly urbanized cities the total monthly rental for each of which does not exceed Seven thousand five hundred pesos (P7,500.00) and all residential units in all other areas the total monthly rental for each of which does not exceed Four thousand

pesos (P4,000.00) as of the effectivity date of this Act shall be covered, without prejudice to existing contracts.

SEC. 12. *Penalties.* - A fine of not less than Five thousand pesos (P5,000.00) nor more than Fifteen thousand pesos (P15,000.00) or imprisonment of not less than one (1) month and one (1) day to not more than six (6) months or both shall be imposed on any person, natural or juridical, found guilty of violating any provision of this Act.

SEC. 13. *Information Drive.* - The Department of the Interior and Local Government and the Housing and Urban Development Coordinating Council, in coordination with other concerned agencies, are hereby mandated to conduct a continuing information drive about the provisions of this Act.

SEC. 14. *Transitory Provision.* - The Housing and Urban Development Coordinating Council and its attached housing agencies are hereby mandated to formulate within six (6) months from effectivity hereof, a transition program which will provide for safety measures to cushion the impact of a free rental market.

SEC. 15. *Separability Clause.* - If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SEC. 16. *Repealing Clause.* - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with, the provisions of this Act is hereby repealed, modified or amended accordingly.

SEC. 17. *Effectivity Clause.* - This Act shall take effect after fifteen (15) days following its complete publication in at least two (2) newspapers of general circulation.

Approved,

Senator Pangilinan. Mr. President, to sponsor the measure, I ask that the chairman of the Committee on Urban Planning, Housing and Resettlement, Sen. Rodolfo G. Biazon, be recognized.

The President. Before we recognize Senator Biazon, the Chair assumes that this bill has been transferred from the Calendar for Ordinary Business to the Calendar for Special Orders.

Senator Pangilinan. We did that yesterday, Mr. President.

The President. Thank you, Mr. Majority Leader. Sen. Rodolfo G. Biazon is now recognized.

Senator Biazon. Thank you, Mr. President.

SPONSORSHIP SPEECH OF SENATOR BIAZON

Mr. President, as chairman of the Committee on Urban Planning, Housing and Resettlement, I have the honor to sponsor Senate Bill No. 1956 as contained in Committee Report No. 17. Senate Bill No. 1956 is in consideration of Senate Bill No. 1324 and House Bill No. 3356. It is entitled "*An Act Establishing Reforms in the Regulation of Rentals of Certain Residential Units, Providing Mechanisms Therefore and for Other Purposes*" or the "*Rental Reform Act of 2005.*"

Salient features of the bill

Mr. President, Senate Bill No. 1956 covers apartment houses and/or land on which another's dwelling is located and used for residential purposes and shall include not only buildings but also parts or units thereof used solely as dwelling places, boarding houses, dormitories, rooms and bedspaces offered for rent by their owners. It fixes at 10 percent upon its effectivity up to 31 December 2011, the annual increase of monthly rentals of all residential units not exceeding P7,500 in the National Capital Region (NCR) and other highly urbanized cities and the monthly rentals of all residential units not exceeding P4,000 in all other areas of the country.

The proposed measure, Mr. President, also provides that a lessor cannot demand more than one month advance rental and two months deposit. It also provides that the two months deposit be kept in a bank during the entire duration of the lease agreement. It further mandates that any and all interests that shall accrue therein shall be returned to the lessee at the expiration of the lease contract.

Section 6 of the bill prohibits assignment of lease or subleasing without written consent of the owner. In the succeeding section the following are provided as grounds for ejectment: (1.) arrears in payments for three months; (2.) legitimate need of owner to repossess his or her property for personal use or for the use of any immediate member of his or her family as a residential unit; (3.) need of the owner to make necessary repairs on the property which is the subject of an existing order of condemnation by appropriate authorities; and (4.) expiration of the period of the lease contract.

It also prohibits against ejectment by reason of sale or mortgage and allows the owner to engage in a rent-to-own scheme with the lessee.

A brief history of rent control laws

Mr. President, rent control in the Philippines started with the issuance of Executive Order No. 62 (E.O. No. 62), entitled "Regulating Rentals for Houses and Lots for Residential Buildings," on 21 June 1947. This remained in force until the passage of Republic Act No. 6126, entitled "*An Act to Regulate Rentals of Dwelling Units or of Land on Which Another's Dwelling Is Located for One Year and Penalizing Violations Thereof*," on 17 June 1970.

Three days before the expiration of Republic Act No. 6126, a similar law, Republic Act No. 6359 was again enacted on 14 July 1971. Barely a month after the declaration of martial law, Presidential Decree No. 20 which had the same provisions with Republic Act No. 6359 was issued on 12 October 1972. The only difference of this executive issuance was that it did not have an expiry date.

On 10 April 1979, Batas Pambansa Blg. 25 was approved providing that "*the monthly rentals of all residential units not exceeding P300.00 shall not be increased, for any one year period, by more than 10%...*" for a duration of five years. It is noteworthy that aside from the usual provisions of past laws on allowable increases in rent of covered dwelling units, new sections were introduced in Batas Pambansa Blg. 25 dealing with: (1) Definition of Terms; (2) Advance Rental and Deposit; (3) Subleasing or Assignment of Lease; (4) Grounds for Judicial Ejectment; and (5) Application of the Civil Code and the Rules of Court. An examination of these new provisions introduced in BP Blg. 25 reveals that these are similar with the provisions of the recently expired law on Rent Control or Republic Act No. 9161.

While a law pegging rental rates of dwelling units that had a rent of P300 and below was existing, Presidential Decree No. 1642, entitled "*Freezing the Rates of Rental, Above Three Hundred Pesos a Month, of Residential and Commercial Buildings, Houses, Apartments and Dwelling Units in Metropolitan Manila at Current Levels*," was issued on 21 September 1979. Meanwhile, on 29 March 1984, the effectivity of BP Blg. 25 was extended up to 31 December 1984. With the existence then of BP Blg. 25, whose effectivity was extended, and Presidential Decree No. 1642, we can say that from 1979 up to 1984, rents on all types of dwelling units in the country were practically controlled.

The passage of BP Blg. 877 entitled, "*An Act Providing for the Stabilization and Regulation of Rentals of Certain Residential Units, and for Other Purposes*," on 12 June 1985, changed this situation. BP Blg. 877 provided that from the effectivity of said Act up to 31 December 1987, the rent of residential units with total monthly rental below P480 shall not be increased by more than 10% on the first year and by not more than 20% for the succeeding years. Aside from this provision, and the penalty provision that removed imprisonment as a form of penalty and limited it just to

a fine of not less than P2,000 but should not be more than P5,000 the provisions of BP Blg. 877 are more or less similar with the provisions of BP Blg. 25.

From the time it was enacted, the effectivity of BP Blg. 877 was extended four times with the passage of Republic Act No. 6643 on 01 January 1988, Republic Act No. 6828 on 01 January 1990, Republic Act No. 7644 on 01 January 1993, and Republic Act No. 8437 on 01 January 1998. As we all know, Republic Act No. 9161 was enacted on 22 December 2001 and expired on 31 December last year. Said law provided that during its effectivity, the monthly rentals of all residential units in the National Capital Region and other highly urbanized cities not exceeding P7,500 and the monthly rentals of all residential units in all areas not exceeding P4,000 shall not be increased annually by more than 10%.

Seven republic acts, three presidential decrees and one executive order enacted and issued covering the period from 1947 up to 2004, or 57 years—this has been the long and colorful history of rent control here in our country, Mr. President.

The need for a rent control law

Given the very long period that rents of certain dwelling units in the country had been controlled, the question that comes to fore is: Do we still need a rent control law? Indeed, there are many arguments that are being put forth against a rent control law. This representation submits that some of these are valid. However, this representation is of the opinion that it will take more than a rent control law to fix the rental housing situation in country, Mr. President.

Be that as it may, our committee still maintains that the country still needs a rent control for one major reason—we need to protect renters from unreasonable increases in rent.

The question is: Why? The reason, Mr. President, is simple enough. It is unfortunate that the housing situation in the country is far from ideal. According to the National Statistics Office (NSO), the total housing need in the country for the period 1999 to 2004 is estimated at 3.3 million housing units. There are sectors that question the accuracy of this data coming from the NSO. Out of this figure, 2.2 million units account for new households while 1.1 million units account for the total backlog.

This will tell us, Mr. President, the demand we have but supply we have not. Another problem that we are faced with is that the available supply we have of housing units is either unaffordable to those who need it or is located in the outskirts of their places of work. That is why we have renters.

According to the Census of Population and Housing conducted by the National Statistics Office (NSO) in 2000, there were

around 14.8 million occupied housing units in the country. Out of this total number of occupied housing units, around 1.5 million are being rented.

The top three regions that have the most number of renter households are the National Capital Region (NCR) with 687,048; Region IV with 245,510; and Region III with 137,028.

Mr. President, all these regions are in different degrees of industrialization that attract the migration of our farmers from the rural area to the urbanized area.

The law of supply and demand dictates that for rents to more or less stabilize, demand must equal supply. *Alas, Mr. President, the market is imperfect!*

On the supply side, results from the Philippine Housing Census of 2000 revealed that the proportion of "sharers" or those who share or borrow homes rent-free or pay rent irregularly doubled from 1990 to 2000. This is clearly a manifestation, Mr. President, that rental housing supply is either not sufficient or priced beyond the means of the ordinary renters. Figures from the housing agencies also indicate that for the period 2002-2004, they were only able to provide rental housing to 11,045 low-income renters. According to the position paper submitted by the Housing and Urban Development Coordinating Council or the HUDCC, *"this is not enough to bridge the gap on the demand for affordable rental housing by low-income families if we consider the number of households with borrowed homes."*

From 2002 up to the second quarter of 2004, Mr. President, according to the NSO, there were a total of 167,340 new residential building constructions started broken down as follows: (1) Single dwelling units, 145,748; (2) Duplex/Quadruplex units, 4,162; (3) Apartment/Accessoria, 12,032; Residential/Condominium, 37; and (4) Others, 5,451. Unfortunately, there is no available data on how many of these units have been constructed with the intention of being rented and at what price.

Assuming that all of these units were constructed with the intention of being rented, Mr. President, data from the NSO on the average cost per square meter of these new residential units which ranges from a low of about P4,800 per square meter to a high of about P4,900 per square meter, will tell us that majority of our population of renters will not be able to afford to rent many of these dwelling units.

If we are to look at the profile of our renters, Mr. President, we can immediately determine that around 823,000 or about 57% of the total population of renters in the country will not be able to afford these units. Reason? This is the portion of renters who can only afford to pay rent below P1,000 a month.

As to the demand of the equation, among the solutions being put forward to affect this are to give direct-rent subsidy or improve the income of households. Direct-rent subsidy unfortunately, Mr. President, still remains to be just a proposal while there remains a lot to be desired in the improvement of household incomes.

This is the rental housing situation in the country.

Because the rental housing market is imperfect where there is not enough supply of dwelling units that will, more or less, be able to meet the demand, rents are quite high. And they will possibly continue to soar unreasonably. Clearly, we still need a Rent Control Law to protect renters from unreasonable increases in rent.

Unless and until there is enough supply of dwelling units for rent or there is direct rent subsidy or an increase in the income of households, a Rent Control Law is necessary. Without a Rent Control Law in place, Congress will be remiss of its duty to protect the population of the renters among its citizenry.

Mr. President, may we ask: If, indeed, the last law that controls rent in this country expired on December 31, 2004, what then is the use of this proposed act?

Mr. President, the House of Representatives approved an extension of the existing law on January 9 of this year. Meaning, what is there to extend if the law had already expired?

So, Mr. President, before I terminate this, may I say that the proposal is not to extend the Rent Control Law for another three years but to enact a new law that would be in effect for six years. And this is going to be explained during the period of interpellations as this representation is not yet ready at this time because there are some things to be done immediately after.

Thank you, Mr. President.

Senator Pangilinan. Mr. President.

The President. The Majority Leader is recognized.

SUSPENSION OF CONSIDERATION OF S. NO. 1956

Senator Pangilinan. Considering the manifestation of the sponsor, I move that we suspend consideration of the measure.

The President. Is there any objection? [*Silence*] There being none, the motion is approved.

SUSPENSION OF SESSION

Senator Pangilinan. Mr. President, I move that we suspend the session for one minute.