

**BOARD OF INVESTMENTS**

Industry and Investments Building  
385 Sen. Gil Puyat Ave., Makati City

**NOTICE**

Notice is hereby given that the Board, in its meeting of 29 June 2011, approved the following Guidelines on the Compliance of Vertical Housing Projects with the 20% Socialized Housing Requirement .

**Guidelines on the Compliance of Vertical Housing Projects with the 20% Socialized Housing Requirement****A. General**

1. Socialized housing refers to a housing program or project covering houses and lots undertaken by the government or private sector for underprivileged and homeless citizens.
2. All registered Developers of vertical housing projects shall develop a socialized housing project using either of the following schemes:
  - 2.1 Investment Scheme, under which the Developer shall develop a socialized housing project with a total floor or home lot area equivalent to 20% of the total saleable area of its BOI-registered project, or
  - 2.2 Direct Participation Scheme, under which the Developer shall make a contribution to an accredited NGO/Institution engaged in socialized housing and community development projects in the amount equivalent to 30% of the 20% of building construction cost of its BOI-registered project, or 40% of its Income Tax Holiday (ITH), at the option of the registered developer.
3. The Investment Scheme may be complied with through any of the following modes: 1) development of a new settlement, 2) slum upgrading, or 3) joint venture projects with either the local government units or any of the housing agencies.
4. The compliance with this requirement may be allowed on a staggered basis but shall be completed within the ITH entitlement period of the registered Developer.
5. Prior to availment of ITH, the Developer shall submit to the Board proof of compliance with the socialized housing requirement. Otherwise, the ITH for that particular taxable year shall be deemed forfeited.

**B. Requirements for the Socialized Housing and Community Development Project**

1. The cost of housing units shall not exceed the price for socialized housing as set by the Housing and Urban Development Coordinating Council (HUDCC).

2. The project shall conform with the design standards set forth in the Rules and Regulations to Implement B.P. No. 220 and other related laws.
3. Land development components for housing sites must contain provisions for road, drainage, water supply, power and sewage systems (which must also conform with the design standards), and provisions for amenities and utilities.
4. The socialized housing project may be located anywhere in the country but must be in an area zoned and classified for residential use in conformity with the approved Comprehensive Land Use Plan and Zoning of the concerned LGUs.

### **C. Compliance Through Investment Scheme**

1. In computing for the prescribed area of the compliance project (20% of the saleable area), the saleable area of a project shall refer to the aggregate area of the low cost housing units registered with the Board and shall not cover areas allocated for non-registered housing units, parking, commercial space and other common areas of the project.
2. If the compliance is through development of a horizontal socialized housing project, the sum of the area of home lots with completed houses must not be less than the prescribed area referred to in item C.1.
3. If the compliance is through development of a vertical socialized housing project, the sum of the floor area of completed socialized housing units must not be less than the prescribed area referred to in item C.1.
4. Under this scheme, development of new settlement may be carried out as follows:
  - 4.1 Construction of socialized housing units on a piece of land acquired by the Developer.
  - 4.2 Construction of socialized housing units on a donated piece of land. The selling price of a housing unit under this scenario should not include the cost of the land.

The Developer may opt to subcontract or outsource the construction of the housing units including the marketing of the same.

5. If the Developer opts to comply with the requirement on a staggered basis, the following conditions must be met:
  - 5.1 The Developer shall submit documentation on project milestones or a notarized undertaking on project implementation that shall include information and schedule of lot acquisition, site development and the number of socialized housing units to be constructed vis-à-vis the estimated amount of ITH for each taxable year of the entire ITH entitlement period.

The undertaking must show that the ratio of the cumulative number of socialized housing units completed in a taxable year to the total number of socialized housing units to be constructed must not be lower than the ratio of the cumulative estimated amount of ITH for a taxable year to the estimated total ITH availment.
  - 5.2 The Developer's entitlement to the ITH incentive shall be subject to its actual compliance with the requirement based on its representation as shown in the notarized undertaking.

## **D. Compliance Through Direct Participation Scheme**

1. Compliance with the socialized housing requirement with completed and habitable housing units by way of direct participation shall be through contributions of any of the following:
  - 1.1 Cash or in Kind
    - 1.1.1 The money shall be used for the construction of housing units in the designated socialized housing project.
    - 1.1.2 Contributions in kind shall be limited to land, construction materials or components that shall be used in building the housing units.
  - 1.2 Construction of socialized housing units
    - 1.2.1 This participation involves contribution of labor, materials and lease cost of construction equipment that should amount to at least the required cash contribution. The labor cost component, however, should not exceed thirty percent (30%) of the total construction and material cost.
    - 1.2.2 The terms of participation shall be supported by a Memorandum of Agreement between the Developer and the accredited Institution.
  - 1.3 Land as a component shall be accompanied by cash and/or in kind contribution
    - 1.3.1 Legitimate ownership of the property and the right to donate/contribute the same must be confirmed by way of a Title to the property. The property must have been classified suited for construction of residential units.
    - 1.3.2 The property must be free from any liens, encumbrances and adverse claims. Priority shall be given to properties that already have existing provisions for roads including right of way, proper drainage and basic utilities.
    - 1.3.3 The property must meet other required criteria for land site set by the Institution. These criteria may include proximity of the site to national or barangay roads (or at least within the ten-kilometer radius from the town plaza or center), provision of roads, accessibility to utilities and public amenities, soil quality, etc.
    - 1.3.4 The current appraised value of the property, which must be certified by the Institution, and the cash and/or in kind contribution shall not be lower than the prescribed amount of contribution provided under Item A.2.2
2. The Developer shall choose the accredited Institution that will receive the prescribed contribution and may also select from the Institution's list of proposed socialized housing projects for which the contribution shall be applied.
3. If the Developer opts to comply with the requirement on a staggered basis, the following conditions shall have to be met:
  - 3.1 An undertaking must be executed indicating the amount and schedule of contributions to be made vis-à-vis the estimated number of units to be sold and the estimated amount of ITH to be availed for the same period.

- 3.2 The annual contribution must be equivalent to at least 40% of the amount of ITH availment for that particular taxable year.
- 3.3 The prescribed amount of contribution must be contributed to an accredited institution within the ITH entitlement period of the registered project.
- 3.4 The Developer must submit to the Board a proof of contribution from the accredited institution.

#### **E. Applicability**

These guidelines shall be in force pursuant to the provisions of the 2010 and 2011 Investment Priorities Plan (IPP), and succeeding IPPs, whenever applicable.

These Guidelines shall take effect fifteen (15) calendar days after their publication in a newspaper of general circulation.

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