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SENATE

S. No. 1025

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Introduced by Senator Manuel "Lito" M. Lapid

EXPLANATORY NOTE

With the leaps and bounds in transportation and communication technologies, the world has been reduced to a global village where capital has become as footloose as labor in seeking economic opportunities.

Foreign Direct Investment (FDI) have served as an important external stimulus to the Philippine economy, generating additional employment and economic activity amid the relative scarcity of domestic capital resources. In trying to capture foreign investments, the Philippines has to compete with other countries in Asia and Eastern Europe who offer more liberal incentives, more efficient infrastructure systems, and more vibrant markets.

One of the disadvantages that hinder the Philippines' drive to attract foreign investments is the prohibition against the ownership by foreign nationals of fixed assets and real property including lands and buildings.

This bill proposes an amendment to R.A. 4726, otherwise known as the "Condominium Law" to include industrial estates within the definition of a condominium. When a foreign investor invests in the stocks of a condominium corporation, he acquires ownership rights over the condominium system, which gives him a more stable asset base which can be used for financial leveraging and other purposes.

Recent irreversible global developments have changed the international economic backdrop amid which Filipino businesses have to operate. A paradigm shift is in order for the Philippine economy to cope with the rest of the world, discarding the parochial and autarkic values in favor of more open outlook that will allow our businessmen to take advantage of the emerging opportunities in the global economy.

Short of a Constitutional amendment that would achieve this effect, this bill addresses the need to realign our policies in order to be at par with other countries vying to offer investment venues to the world's capital resources.

In view of the foregoing, early passage of this bill is earnestly requested.



MANUEL "LITO" M. LAPID
Senator

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S. No. 1025

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**AN ACT
MODIFYING THE DEFINITION OF A CONDOMINIUM UNIT, AMENDING
FOR THE PURPOSE REPUBLIC ACT NO. 4726, OTHERWISE KNOWN AS
THE CONDOMINIUM LAW, TO APPLY TO INDUSTRIAL ESTATES AND
FOR OTHER PURPOSES**

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

SECTION 1. Section 2 of Republic Act No. 4726, entitled "An Act to Define Condominium, Establish Requirements for its Creation and Govern its Incidents," hereinafter referred to as the Act, is hereby amended to read as follows:

"Section 2. A condominium is an interest in real property consisting of a separate interest in a unit in a residential, industrial or commercial building **OR INDUSTRIAL ESTATE** and an undivided interest in common, directly and indirectly, in the land on which it is located and in other common areas of the building **OR INDUSTRIAL ESTATE**. A condominium may include, in addition, a separate interest in other portions of such real property. Title to the common areas, including the land, or the appurtenant interest in such areas, may be held by a corporation specially formed for the purpose, (hereinafter known as the "condominium corporation") in which the holders of the separate interest shall automatically be members or shareholders, to the exclusion of others, in proportion to the appurtenant interest of their respective units in the common areas."

The real right in condominium may be ownership or any other interest in real property recognized by law, on property in the Civil Code 5 and other pertinent laws."

SEC. 2. Subsections (b) and (c) of Section 3 of the Act are hereby amended to read as follows:

"(b) 'Unit' means a part of the condominium project intended for any type of independent use or ownership, including one or more rooms or spaces located in one or more floors (or part or parts of floors) in a building and such accessories as may be appended thereto. **PROVIDED, THAT IN THE CASE OF INDUSTRIAL ESTATES, THE BUILDINGS, PLANTS, HOUSES, RECREATIONAL FACILITIES AND FACTORIES IN A CONDOMINIUM PROJECT SHALL BE CONSIDERED AS SEPARATE UNITS AS HEREIN DEFINED.**"

"(C) 'Project' means the entire parcel of real property divided or to be divided into condominium **UNITS**, including all structures thereon. **PROVIDED, THAT IN THE CASE OF AN INDUSTRIAL ESTATE, PROJECT REFERS TO A TRACT OF LAND SUBDIVIDED AND DEVELOPED ACCORDING TO A COMPREHENSIVE PLAN UNDER A UNIFIED CONTINUOUS MANAGEMENT AND WITH PROVISIONS FOR BASIC INFRASTRUCTURE AND UTILITIES, WITH OR WITHOUT PRE-BUILT STANDARD FACTORY BUILDING AND COMMUNITY FACILITIES FOR THE USE OF THE COMMUNITY OF INDUSTRIES.**"

SEC. 3. A new subsection, subsection (f), is hereby inserted after Section 3(e) of the Acts and shall read as follows:

"(f) '**INDUSTRIAL ESTATE**' MEANS A LARGE AND SUITABLE TRACT OF LAND WHICH HAS BEEN SUBDIVIDED AND DEVELOPED PRIMARILY FOR THE USE OF A COMMUNITY OF INDUSTRIES WHICH MAY BE INCLUDE PROVISIONS FOR STAFF HOUSING AND RECREATIONAL FACILITIES PROVIDED WITH ROADS, WATER SUPPLY FACILITIES, SEWERAGE AND DRAINAGE SYSTEMS, AND OTHER INFRASTRUCTURES. THE ESTATE SHALL BE SO PLANNED BASED ON SOUND PLANNING PRINCIPLES AS TO PROVIDE GOOD LAYOUT AND JUDICIOUS ALLOCATIONS OF AREAS. INDUSTRIAL ESTATES MAY ALSO INCLUDE SCIENCES AND TECHNOLOGY PARKS. "

SEC. 4. Subsections (a) and (e) of Section 6 of the Act are hereby amended to read as follows:

“(a) The boundary of the unit granted are the interior surfaces of the perimeter walls, floors, ceilings, windows and doors thereof. **PROVIDED, THAT IN THE CASE OF AN INDUSTRIAL ESTATE WHEREIN WHOLE BUILDING, PLANTS OR FACTORIES IN A CONDOMINIUM PROJECT MAY BE CONSIDERED AS SEPARATE UNITS DEFINED UNDER SECTION 3(b) HEREOF, THE BOUNDARY OF A UNIT SHALL INCLUDE THE OUTER SURFACES OF THE PERIMETER WALLS OR FENCES EXCEPT IN CONDOMINIUM PROJECTS LOCATED INSIDE THE INDUSTRIAL ESTATE,** the following are not part of the unit hearing walls, columns, floors, roofs, foundations and other common structural elements of the buildings; lobbies, stairways, hallways, and other areas of common use, elevator equipments and shafts, central heating, central refrigeration and central air conditioning equipment, reservoirs, tanks, pumps and other central services and facilities, pipes, ducts, flues, chutes, conduits, wires and other utility installations, wherever located, except the outlets thereof when located within the unit.

“(e) Each condominium owner shall have the exclusive right to paint, repaint, tile, wax, paper or otherwise refinish and decorate the inner surfaces of the walls, ceilings, floors, windows and doors bounding his own unit. **PROVIDED, HOWEVER, THAT IN THE CASE OF A CONDOMINIUM UNIT IN AN INDUSTRIAL ESTATE, SUCH RIGHT MAY BE EXERCISED OVER THE EXTERNAL SURFACES OF THE SAID UNIT.**”

SEC. 5. Section 11 of the Act is hereby amended to read as follows:

“Sec. 11. THE DESIGN STANDARDS OF A CONDOMINIUM PROJECT SHALL BE REGULATED BY THE HOUSING AND LAND USE REGULATORY BOARD (HLURB), PROVIDED THAT PROJECT LOCATED IN AN ECOZONE SHALL BE REGULATED BY THE PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), WITHOUT PREJUDICE TO THE AUTHORITY OF THE SECURITIES AND EXCHANGE COMMISSION (SEC) TO REGISTER A CONDOMINIUM

CORPORATION IN ACCORDANCE WITH THE PROVISIONS OF THE CORPORATION CODE. The term of a condominium corporation shall be co-terminous with the duration of the condominium project, the provisions of the Corporation Law to the contrary notwithstanding.”

SEC. 6. Section 12 of the Act is hereby amended to read as follows:

“Sec. 12, [In case of involuntary dissolution of a condominium corporation for any of the causes provided by the law, the common areas owned or held by the corporation shall, by way of liquidation, be transferred pro-indiviso and in proportion to their interest in the corporation to the members or stockholders thereof, subject to the superior rights of the corporation creditors. Such transfer or conveyance shall be deemed to be a full liquidation of the interest of such members or stockholders in the corporation. After such transfer or conveyance, the provisions of this Act governing undivided co-ownership of, or undivided interest in, the common areas in condominium projects shall fully apply.] **THE DISSOLUTION OF THE CONDOMINIUM CORPORATION IN ANY MANNER AND FOR ANY OTHER CAUSES PROVIDED BY LAW SHALL BE GOVERNED BY THE PROVISIONS OF THE TITLE XIV OF THE CORPORATION CODE.**”

SEC. 7. A new section, Section 25, is hereby inserted after Section 24 of the Act and shall read as follows:

“SECTION 25. THE BUILDING AND DESIGN STANDARDS FOR CONDOMINIUM PROJECT SHALL BE BASED ON SOUND PLANNING PRINCIPLES AS TO PROVIDE GOOD LAYOUT AND JUDICIOUS ALLOCATION OF AREAS AMONG OTHERS, ACCESSIBILITY FEATURES FOR DISABLED PERSONS PURSUANT TO BATAS PAMBANSA BILANG 344 OF 1984.”

“THE DESIGN STANDARDS FOR CONDOMINIUM PROJECTS SHALL INCLUDE A SYSTEM OF LAND UTILIZATION SPECIFIED IN THE FRAMEWORK PLAN SET BY THE HOUSING AND LAND USE REGULATORY BOARD (HLURB) AND OTHER EXISTING LAWS.”

“THE EXISTING LAWS ON BALANCED HOUSING AND DEVELOPMENT AND OPEN SPACES SHALL APPLY ON ECOZONES.”

SEC. 8. Sections of the Act subsequent to the new Section 25 are hereby renumbered accordingly.

SEC. 9. *Separability Clause.* - If, for any reason, any provision of this Act is declared unconstitutional or invalid, other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC. 10. *Repealing Clause.* - All laws, decrees, executive orders, rules and regulations, issuances or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 11. *Effectivity Clause.* - This Act shall take effect fifteen (15) days following its publication in at least two (2) national newspapers of general circulation.

Approved,