


SENATE
S. No. 3030

RECEIVED BY: 

Introduced by Senator Ramon "Bong" Revilla, Jr.

EXPLANATORY NOTE

The global financial crisis which started from a faraway country has slowly, but surely, made its impact felt in our shores. Presently, the economy is but merely being cushioned by remittances coming from Overseas Filipino Workers (OFW). However, too much reliance on OFW remittances may prove to be misplaced for they too are in a very vulnerable and unstable position as of the moment as a lot of them have also lost or are under the threat of losing their jobs. Others, while able to keep their jobs are also suffering from reduced working hours.

Locally, a perusal of current data will yield the result that many have joined the statistics of jobless Filipinos. Using the original National Statistics Office (NSO) definition of employment and assuming a labor force participation rate of 66.1% in 2008, the IBON Foundation, Inc. has estimated at least 10.7 million Filipinos who are unemployed and underemployed as of 2008. Approximately 415,000 Filipinos will join the jobless statistics in 2009, increasing the numbers to an enormous 11 million or more. These numbers could increase even more as a lot of corporations also suffer from the blows they sustained because of the current financial crisis, the employment situation being much worse than the 1997 Asian financial crisis. Some companies were already forced to close shop and most of those that were fortunate enough to weather the effects of the crisis had to reduce manpower and implement revised work arrangements to continue production at reduced costs.

How do these numbers translate to a common Filipino? This would mean that the income of an average or below-average Filipino family will be much less than it already is. And this income will be distributed and apportioned according to their needs, the most basic of which are food, clothing and shelter. An average of about 1.6 million Filipinos are dependent on rented housing units for their dwelling, not to mention Small and Medium Enterprises (SMEs) that do not have enough capital to lease more expensive commercial units for their operations.

Previously, Republic Act 9341, otherwise known as the Rent Control Act of 2005, provided protection to the millions of Filipinos who are renting residential houses/units. With the expiration of R.A. 9341 on 31 December 2008, this could pave the way for unreasonable and unconscionable increases in rent being imposed by unscrupulous landlords in utter disregard of the financial capability of their tenants, or the impairment thereof, which may well be attributed to the effects of the financial crisis. Needless to say, the already marginal income of these Filipino families will further be burdened by higher rentals, instead of the same being used for food, education and medicine.

While others may argue that the solution to this problem is not through rent control but by encouraging the public to avail of low cost and socialized housing units, the fact remains that these housing units are still inaccessible by reason of their distance to areas in the country where most of the commercial and industrial centers

are concentrated. Relocating to such areas where low cost and socialized housing units are erected will also impose further suffering by reason of the distance one has to travel, traffic congestion, additional transportation expenses, and even the lack of modes of transportation to and from these areas to their place of livelihood.

Hence, the need for the revival of the Rent Control Act could not come at a more appropriate time than this. Through this measure, it is intended to allow the common Filipino to stay afloat despite the tumult brought about by the economic and financial woes the country is presently hurdling. Though unable to completely solve the already-existing housing problem, this bill seeks to prevent more Filipinos from being homeless by allowing the housing units they are currently renting to continue being within their economic reach.

Furthermore, extending the protection being provided by the Rent Control Law to SMEs leasing commercial land/units for their operations will also aid in stimulating commercial activity in urban areas. Considering the financial crisis, economic activity in the grass roots level will be a key component in helping the country endure the current economic storm.

Passage of this bill is therefore earnestly sought.



RAMON "BONG" REVILLA, JR.

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AN ACT REGULATING THE RENT OF CERTAIN RESIDENTIAL AND COMMERCIAL UNITS AND SPACES, PROVIDING MECHANISMS AND PENALTIES FOR VIOLATIONS THEREOF

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

SECTION 1. This Act shall be known and cited as the "**Rent Control Act of 2009.**"

SEC. 2. Declaration of Policy. - The State shall, for the common good, undertake a continuing program of encouraging the development of affordable housing for the lower income brackets. Likewise, the State recognizes the role of Small and Medium Enterprises (SMEs) in the equitable distribution of income and poverty alleviation.

Toward this end, the State shall continue to protect housing tenants in the lower income brackets from unreasonable rent increases. Reasonable and affordable commercial units in the National Capital Region and other urban areas shall also be made available to protect SMEs from unreasonable and indiscriminate increase in rental rates.

SEC. 3. Limit on Increases in Rent. - The rent of any residential unit and commercial building unit covered by this Act shall not be increased by more than ten percent (10%) annually as long as the unit is occupied by the same lessee. When the aforementioned unit becomes vacant, the lessor may set the initial rent for the next lessee.

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

- (a) "Rent" 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, part 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, but also 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) "Commercial Building Unit" is a commercial building or land, including parts or units thereof, offered for rent for business and/or residential purposes;

(d) "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;

(e) "Lessee" shall mean the person renting a residential unit;

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

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

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

(i) "Assignment of lease" shall mean the act contemplated in Article 1649 of the Civil Code of the Philippines.

SEC. 5. Rent and Requirement of Bank Deposit. - Rent 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 rent. Neither can he demand more than two (2) months deposit which shall be kept in a bank under the lessor's account name 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.

In the event however, that the lessee fails to settle rent, electric, telephone, water or such other utility bills or destroys any house components and accessories, the deposits and interests therein shall be forfeited in favor of the latter in the amount commensurate to the pecuniary damage done by the former.

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. Right of Tenancy of the Tenant. - As long as the tenant is religiously paying his monthly rental, the lessor cannot eject the tenant, unless embodied in the provisions of Section 8 of this Act. The tenant has the priority right over the lessor to extend and/or renew his contract of lease.

SEC. 8. 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 rent 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 rent within ten (10) days of every current month. Failure to deposit the rent 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 the 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 (1) 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 rent 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. 9. 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. 10. 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. 11. Application of the Civil Code and Rules of Court of the Philippines. - Except when the lease is for a definite period, the provision 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. 12. Coverage of this Act. - All residential units and commercial building units in the National Capital Region and other highly urbanized cities the total monthly rent for each of which does not exceed Ten thousand pesos (P10,000.00) and all residential units and commercial building units in all other areas the total monthly rent for each of which does not exceed Five thousand pesos (P5,000.00) as of the effectivity date of this Act shall be covered, without prejudice to existing contracts.

SEC. 13. Penalties. - A fine of not less than Fifty Thousand Pesos (P50,000.00) nor more than One Hundred Thousand Pesos (P100,000.00) 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 found guilty of violating any provision of this Act: *Provided,* however, That a fine of not less than One Hundred Thousand Pesos (P100,000.00) nor more than Two Hundred Thousand Pesos (P200,000.00) and imprisonment of six (6) months and one (1) day to not more than one (1) year shall be imposed on any person who has been previously found guilty of violating any provision of this or the previous Rent Control Act: *Provided, further,* That the penalty of imprisonment herein provided

shall be imposed upon the President, General Manager or other person of coordinate rank where the offender is a corporation or a juridical entity, without prejudice to the imposition of fine on such corporation or entity: and Provided, finally, that the damages to be awarded by the Court shall be in addition to the fine imposed by this section.

SEC. 14. *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. 15. *Implementing Rules and Regulations.* - The Housing and Urban Development Coordinating Council is hereby mandated to formulate rules and regulations for the implementation of this Act within sixty (60) days from effectivity hereof.

SEC. 16. *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. 17. *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. 18. *Effectivity Clause.* - This Act shall take effect beginning fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation until five (5) years thereafter, unless otherwise provided by law.

Approved,