

13TH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

'04 JUL -6 11:23

SENATE

S. BILL NO. 1366

RECEIVED BY: [Signature]

Introduced by Senator Ralph G. Recto

Explanatory Note

Industrial estates have become the centers of economic growth in the country today but time and again, business entities are faced with the dilemma of expanding in terms of physical space while keeping costs of expansion to a minimum. The inherent risks of not owning the land on which their factories and offices are situated could easily tip the scale against an investor's business plans.

Land is indispensable to man as development is to a nation. For centuries, wars have been fought, lives forsaken, dignity wagered because man cannot part with the land he and his forbears were born to and have lived on. In the same vein, foreign investors would be wary of parting with their money without the security of land tenure.

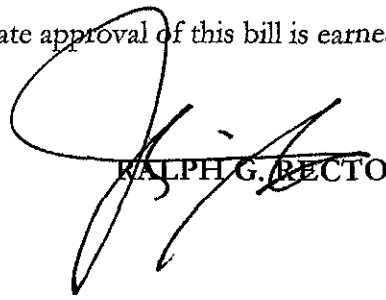
While investment of over 40% foreign capital necessary for later expansion of an industrial plant is allowed for companies with foreign capital under 40% at the time of establishment, part-transfer of ownership to local companies becomes necessary. Since 100% land ownership is not recognized even when establishing an industrial base, there is the risk faced by investors of longer periods and higher interest rates for loans.

This bill seeks to amend Republic Act No. 4726, otherwise known as the Condominium Act as amended by R.A. 7899, to include the industrial estates in the definition of the condominium. It essentially expands the definition of a condominium to include multiple units in a horizontal building such as pre-built standard factory buildings and community facilities within the industrial estates and economic zones, and consequently allows foreign investors to hold condominium certificates of title in their name.

Under R.A. 4726 as amended, ownership over the common areas of a condominium project, including the land where the condominium building is constructed may be vested in a corporation which shall be called the condominium corporation. As such, a buyer of a unit in the condominium project automatically becomes a member or shareholder of the condominium corporation. With this provision of the Condominium Act, a non-Filipino, who is generally prohibited from owning real estate/properties in the Philippines unless by hereditary succession, may purchase and own a condominium provided the total shareholdings of non-Filipinos in the condominium corporation does not exceed forty percent (40%). Foreigners can own these condominiums in their own names through a Condominium Certificate of Title (CCT). But they are legally prohibited from directly owning any form of land property with an Original Certificate of Title (OCT) and/or Transfer Certificate of Title (TCT).

If the current law is expanded to include industrial estates and economic zones, investors will have more flexibility especially in planning in order for them to maximize the use of space according to the needs of their operations. Likewise, the buildings and other structures within the industrial estate can be considered as collateral for loans and thereby improve the cash-flow position of said firms.


In view of the foregoing, the immediate approval of this bill is earnestly sought.


RALPH G. RECTO

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AN ACT

MODIFYING THE DEFINITION OF A CONDOMINIUM UNIT, AMENDING FOR THE PURPOSE REPUBLIC ACT NUMBERED FOUR THOUSAND SEVEN HUNDRED TWENTY-SIX, AS AMENDED, OTHERWISE KNOWN AS THE CONDOMINIUM ACT, TO APPLY TO INDUSTRIAL ESTATES AND FOR OTHER PURPOSES

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

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

4 "Section 2. A condominium is an interest in real property consisting of a separate
5 interest in a unit in a residential, industrial or commercial building OR INDUSTRIAL
6 ESTATE and an undivided interest in common areas of the building OR INDUSTRIAL
7 ESTATE. A condominium may include, in addition, a separate interest in other portions of
8 such real property. Title to the common areas, including the land, or the appurtenant
9 interests in such areas, may be held by a corporation specially formed for the purpose,
10 hereinafter known as the 'condominium corporation,' in which the holders of the separate
11 interests shall automatically be members or shareholders, to the exclusion of others, in
12 proportion to the appurtenant interest of their respective units in the common areas."

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

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

16 "(b) 'Unit' means a part of the condominium project intended for any type of
17 independent use of ownership, including one or more room or spaces located in one or
18 more floors (or part or parts of floors) in a building or buildings and such accessories as may
19 be appended thereto: *PROVIDED*, THAT IN THE CASE OF INDUSTRIAL ESTATES,

1 THE BUILDINGS, PLANTS, HOUSES, RECREATIONAL FACILITIES AND
2 FACTORIES IN A CONDOMINIUM PROJECT SHALL BE CONSIDERED AS
3 SEPARATE UNITS AS HEREIN DEFINED.”

4 “(c) ‘Project’ means the entire parcel of real property divided into condominium
5 UNITS, including all structures thereon: *PROVIDED*, THAT IN THE CASE OF AN
6 INDUSTRIAL ESTATE, PROJECT REFERS TO A TRACT OF LAND SUBDIVIDED
7 AND DEVELOPED ACCORDING TO A COMPREHENSIVE PLAN UNDER A
8 UNIFIED CONTINUOUS MANAGEMENT AND WITH PROVISIONS FOR BASIC
9 INFRASTRUCTURE AND UTILITIES WITH OR WITHOUT PRE-BUILT
10 STANDARD FACTORY BUILDING AND COMMUNITY FACILITIES FOR THE
11 USE OF THE COMMUNITY OF INDUSTRIES.”

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

14 “(F) ‘INDUSTRIAL ESTATE’ MEANS A LARGE AND SUITABLE TRACT OF
15 LAND WHICH HAS BEEN SUBDIVIDED AND DEVELOPED PRIMARILY FOR
16 THE USE OF A COMMUNITY OF INDUSTRIES WHICH MAY INCLUDE
17 PROVISIONS FOR STAFF HOUSING AND RECREATIONAL FACILITIES
18 PROVIDED WITH ROADS, WATER SUPPLY FACILITIES, ELECTRICAL
19 FACILITIES, COMMUNICATION FACILITIES, SEWERAGE AND DRAINAGE
20 SYSTEMS, AND OTHER INFRASTRUCTURES. THE ESTATE SHALL BE SO
21 PLANNED BASED ON SOUND PLANNING PRINCIPLES AS TO PROVIDE
22 GOOD LAYOUT AND JUDICIOUS ALLOCATION OF AREAS. INDUSTRIAL
23 ESTATES MAY ALSO INCLUDE SCIENCE AND TECHNOLOGY PARKS.”

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

26 “(a) The boundary of the unit granted are the interior surfaces of the perimeter walls,
27 floors, ceilings, windows and doors thereof: *PROVIDED*, THAT IN THE CASE OF AN
28 INDUSTRIAL ESTATE, THE WHOLE BUILDINGS, PLANTS OR FACTORIES IN A

1 CONDOMINIUM PROJECT MAY BE CONSIDERED AS SEPARATE UNITS
2 DEFINED UNDER SECTION 3 HEREOF.

3 “(b) THE BOUNDARY OF A UNIT SHALL INCLUDE THE OUTER
4 SURFACES OF THE PERIMETER WALLS OR FENCES, EXCEPT IN
5 CONDOMINIUM PROJECTS LOCATED INSIDE THE INDUSTRIAL ESTATES.
6 The following are not part of the unit: bearing walls, columns, floors, roof, foundations and
7 other common structural elements of the buildings; lobbies, stairways, hallways and other
8 areas of common use, elevator equipment and shafts, central heating, central refrigeration
9 and central air conditioning equipment, reservoir, tanks, pumps and other central services
10 and facilities, pipes, ducts, flues, chutes, conduits, wires and other utility installations,
11 wherever located, except the outlets thereof when located within the unit.”

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

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

18 “Sec. 11. THE DESIGN STANDARDS OF A CONDOMINIUM PROJECT
19 SHALL BE REGULATED BY THE HOUSING AND LAND USE REGULATORY
20 BOARD (HLURB): *PROVIDED, THAT THE PROJECTS LOCATED IN AN*
21 *ECOZONE SHALL BE REGULATED BY THE PHILIPPINE ECONOMIC ZONE*
22 *AUTHORITY (PEZA), WITHOUT PREJUDICE TO THE AUTHORITY OF THE*
23 *SECURITIES AND EXCHANGE COMMISSION (SEC) TO REGISTER A*
24 *CONDOMINIUM CORPORATION IN ACCORDANCE WITH THE PROVISIONS*
25 *OF THE CORPORATION CODE. The term of the said corporation shall be coterminous*
26 *with the duration of the condominium projects, the provisions of the Corporation Law to*
27 *the contrary notwithstanding.”*

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

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

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

14 “SECTION 25. THE BUILDING AND DESIGN STANDARDS FOR THE
15 CONDOMINIUM PROJECTS SHALL BE BASED ON SOUND PLANNING
16 PRINCIPLES AS TO PROVIDE GOOD LAYOUT AND JUDICIOUS ALLOCATION
17 OF AREAS AMONG OTHERS, ACCESSIBILITY FEATURES FOR DISABLED
18 PERSONS PURSUANT TO BATAS PAMBANSA BILANG 344 OF 1984. THE
19 DESIGN STANDARDS FOR CONDOMINIUM PROJECTS SHALL INCLUDE A
20 SYSTEM OF LAND UTILIZATION SPECIFIED IN THE FRAMEWORK PLAN SET
21 BY THE HOUSING AND LAND USE REGULATORY BOARD (HLURB) AND
22 OTHER EXISTING LAWS. THE EXISTING LAWS ON BALANCED HOUSING
23 DEVELOPMENT AND OPEN SPACES SHALL APPLY ON ECOZONES.”

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

26 SEC. 9. *Separability Clause.* – If any provision of this Act is held unconstitutional or invalid,
27 all other provisions not affected thereby shall remain valid.

1 SEC. 10. *Repealing Clause.* - All laws, acts, presidential decrees, executive orders,
2 proclamation and/or administrative regulations that are inconsistent with the provisions of this Act,
3 are hereby amended, modified, superseded or repealed accordingly.

4 SEC. 11. *Effectivity.* - This Act shall take effect fifteen (15) days following its publication in
5 the Official Gazette or in at least two (2) newspapers of general circulation, whichever comes first.

6 *Approved,*