

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Second Regular Session)

5 AUG 23 P2:52

SENATE
S.B. No. **2093**

RECEIVED BY: _____

Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

The Constitution expressly guarantees the people's right to earn a decent living. Section 1, Article XIII states:

Congress shall give highest priority to the enactment of measures that shall protect and enhance the right of all people to human dignity; reduce social, economic and political inequities... The State shall regulate the acquisition, ownership, use and disposition of property and its increments.

Commercial buildings and spaces, by their very nature, become a public concern once offered for rent.

It has been observed that some building owners indiscriminately raise the rent they charge – sometimes to unreasonable levels despite the steady depreciation in the value and quality of these buildings. This effectively kills most small and medium business enterprises which cannot afford a large amount of increase in their rentals; they are forced to close shop and lay off their employees, or transfer elsewhere and start again.

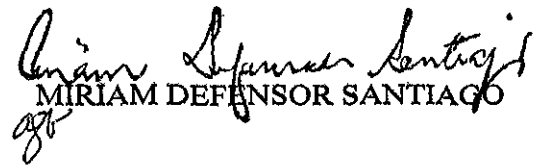
Against the backdrop of the current economic crisis, the regulation of rentals and increases in rentals of commercial buildings and spaces is urgently needed. As the economy struggles to keep afloat, there is a need to aid small and medium business entrepreneurs, who rent these buildings and/or spaces, to prevent the collapse of their businesses, and equally important, to prevent more laborers from losing jobs.

Unemployment because of business closure is not a matter that should be taken lightly. The pressure created by lessors because of high rental costs and their subsequent unrestrained increases (along with wage hikes and the unrelenting rise on the prices of goods) is one of the common causes of closure of small business enterprises which sadly translates to increased

unemployment. Thus, any substantial increase in rental rates of commercial spaces not only negatively affects small and medium enterprises but also detrimentally impacts on employee income, including earned benefits, and employment potential.

These are compelling reasons to enact a law to regulate the rent and protect small and medium business entrepreneurs considering that they comprise approximately ninety percent (90%) of business society providing employment to the general public.

The urgent passage of this bill is thus recommended.


MIRIAM DEFENSOR SANTIAGO

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AN ACT
ESTABLISHING COMPREHENSIVE RENTAL CONTROL ON
COMMERCIAL BUILDINGS AND SPACES, AND PROVIDING
PENALTIES FOR VIOLATION THEREOF

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 as “Comprehensive Commercial Units Rental Act of 2005.”

SECTION 2. *Declaration of Policy.* – The State shall, for the common good, undertake a continuing program of urban land reform which will make available at affordable cost, commercial units for Small and Medium Business Enterprises (SMBE) in the National Capital Region (NCR) and other urban areas.

SECTION 3. *Monthly Rentals and Maximum Increases.* – Beginning 1 January 2005 and for a duration of three (3) years thereafter ending on 31 December 2008, the monthly rentals of all commercial units in the NCR and other urban areas shall not be increased by more than the annual average rate of devaluation of the Philippine currency or more than ten percent (10%) cumulative in every year thereafter.

SECTION 4. *Definition of Terms.* – As used in this Act, the following terms shall mean:

(a) “Rental” is the amount paid for the use or occupancy of a commercial building whether payment is made on a monthly or other basis.

(b) “Commercial Building/Unit” is a commercial building or land, including parts or units thereof, offered for rent for business and/or residential purposes.

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

(d) "Lessee" is the person renting a commercial unit for commercial purposes and/or commercial and residential uses.

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

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

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

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

SECTION 5. *Rental and 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's advance rental and three (3) months' deposit.

SECTION 6. *Assignment of Lease or Subleasing.* – Assignment of lease or subleasing of the whole or any portion of the commercial unit, without the written consent of the owner/lessor, is prohibited.

SECTION 7. *Right of Tenancy of the Tenant.* – As long as the tenant is religiously paying his monthly rental, the lessor can not 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.

SECTION 8. *Grounds for Judicial Ejectment.* – Ejectment shall be allowed on the following grounds:

(a) Assignment of lease or subleasing of commercial units in whole or in part, without the written consent of the owner/lessor;

(b) Arrears in payment of rent for one (1) month: 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 (1) 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. If an ejectment case is already pending, the court upon proper motion may order the lessee or any person or persons claiming under him to immediately vacate the leased premises without prejudice to the continuation of the ejectment proceedings. At any time, the lessor may, upon the authority of the court, withdraw the rentals deposited.

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 commercial unit; provided, however, that the lease for a definite period has expired; provided, further, that the lessor has given the lessee three (3) months' advance formal notice of the lessor's intention to repossess the property, and; provided, finally, that the owner/lessor is prohibited from leasing the commercial 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 commercial unit, and; provided, finally, that if the commercial 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.

SECTION 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.

SECTION 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 business unit in favor of the latter. Such an agreement shall be exempt from the coverage of Section 3 of this Act.

SECTION 11. *Application of the Civil Code and Rules of 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 commercial 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.

SECTION 12. *Coverage of this Act.* — All commercial units in the NCR and other highly urbanized cities the total monthly rental for each of which does not exceed Seven Thousand Five Hundred Pesos (₱7,500.00) and all commercial units in all other areas the total monthly rental for each of which does not exceed Four Thousand Pesos (₱ 4,000.00) as of the effectivity date of this Act shall be covered, without prejudice to existing contracts.

SECTION 13. *Penalties.* — A fine of not less than Fifty Thousand Pesos (₱ 50,000.00) but not more than Two Hundred Thousand Pesos (₱ 200,000.00) or imprisonment of not less than one (6) month and one (1) day to not more than two (2) years or both shall be imposed on any person, natural or juridical, found guilty of violating any provision of this Act.

Where the offender is a corporation or a juridical entity, the President or General Manager thereof shall suffer the penalty of imprisonment provided herein, without prejudice to the imposition of fine on such corporation or entity.

SECTION 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.

SECTION 15. *Transition Program.* – The Housing and Urban Development Coordinating Council is 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.

SECTION 16. *Separability Clause.* – If any provision of this Act is held invalid or unconstitutional, the remainder of the Act or the provision not otherwise affected shall remain valid and subsisting.

SECTION 17. *Repealing Clause.* – Any law, presidential decree or issuance, executive order, letter of instruction, administrative rule or regulation contrary to or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

SECTION 18. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in at least two newspapers of general circulation.

Approved,