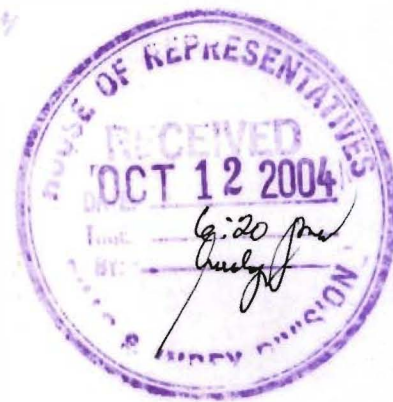


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Thirteenth Congress
First Regular Session

HOUSE BILL NO. 3096



Introduced by: Hon. Eduardo V. Roquero, M.D.

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, becomes a public concern once offered for rent and should thus be regulated accordingly.

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

Understandably, with the fierce competition in many small and medium business entrepreneurs few survive such incidents.

A handwritten signature in black ink, appearing to be "J. Roquero", is written below the word "incidents" in the previous paragraph.

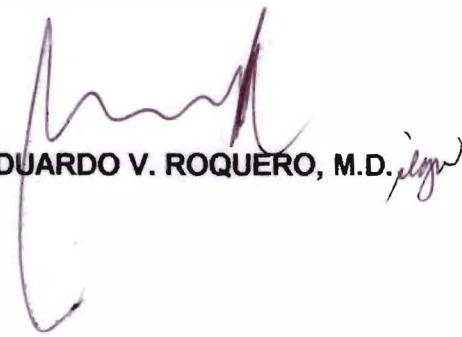
Against the backdrop of the current economic crisis the regulation of rentals and increases in rentals of commercial buildings and spaces is urgently called for. As the economy struggles to keep afloat there is a need to aid small and medium business entrepreneurs, who rent these buildings and/or spaces,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

These are however compelling reasons to enact a law to regulate the rental control and protect the benefit in the small and medium business entrepreneurs considering that our business society is composed of more or less is ninety percent (90%) small and medium business entrepreneurs who are who are providing employment to the masses and are craving for survival in their chosen field of business.

The pressure of the lessors to the lessee who are renting in any commercial spaces are the common causes of closure of small business entrepreneurs resulting to unemployment due to high cost and uncontrolled increase of rental which almost deprived the small and medium business entrepreneurs to survive in business entrepreneurship. Thus, any substantial increase in rental rates of commercial spaces adversely affect the income and employment potential and the opportunity of providing the just and fair benefit to the workers of every entrepreneur.

Likewise, the impact of the wage hike and/or retrenchments in small and medium business industries leading to unemployment should be taken into account. The payment of substantially unregulated rental rates of small and medium business entrepreneurs is just too much for the vast majority of our business sector.

In view of the foregoing, approval of this measure is earnestly urged.



EDUARDO V. ROQUERO, M.D.

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HOUSE BILL NO. 3096

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

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

1 **SECTION 1. *Short Title.*** – This Act shall be known and cited as the
2 “Comprehensive Commercial Units Rental Act of 2004.”

3

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

8

9 Toward this end, the State shall establish a comprehensive rental control law
10 in commercial establishments in the regulation of rentals of all commercial units.

11

12 **SECTION 3. *Monthly Rentals and Maximum Increases.*** – Beginning 01
13 January 2005 and for a duration of three (3) years thereafter ending on 31 December
14 2008, the monthly rentals of all commercial units in the National Capital Region
15 (NCR) and other urban areas shall not be increased by more than the annual
16 average rate of devaluation of the Philippine currency nor more than ten percent
17 (10%) cumulative in every year thereafter.

1 **SECTION 4. Definition of Terms.** – The following terms as used in this Act
2 shall be understood as:

- 3
- 4 (a) **"Rental"** shall mean the amount paid for the use or occupancy
5 of a commercial building whether payment is made on a
6 monthly or other basis.
- 7
- 8 (b) **"Commercial Building/Unit"** shall refer to a commercial
9 space, building and/or land on which another's dwelling is
10 located and used for commercial purposes and shall include
11 not only buildings, parts or units thereof used for business
12 and/or business and residential purposes offered for rent by
13 their owners.
- 14
- 15 (c) **"Immediate members of family of the lessee or lessor"** for
16 purposes of repossessing the leased premises, shall be limited
17 to his or her spouse, direct descendants or ascendants, by
18 consanguinity or affinity.
- 19
- 20 (d) **"Lessee"** shall mean the person renting a commercial
21 unit for commercial purposes and/or commercial and
22 residential uses.
- 23
- 24 (e) **"Owner/Lessor"** shall include the owner or
25 administrator or agent of the owner of the commercial unit.
- 26
- 27 (f) **"Sublessor"** shall mean the person who leases or rents out a
28 commercial unit leased to him by an owner.
- 29
- 30 (g) **"Sublessee"** shall mean the person who leases or rents out a
31 commercial unit from a sublessor.
- 32
- 33 (h) **"Assignment of lease"** shall mean the act
34 contemplated in Article 1649 of the Civil Code of the
35 Philippines.

1 **SECTION 5. *Rental and Deposit.*** – Rental shall be paid in advance within
2 the first five (5) days of every current month or the beginning of the lease agreement
3 unless the contract of lease provides for a later date of payment. The lessor cannot
4 demand more than one (1) month advance rental and three (3) months deposit.

5
6 **SECTION 6. *Assignment of Lease or Subleasing.*** – Assignment of lease or
7 subleasing of the whole or any portion of the commercial unit, without the written
8 consent of the owner/lessor is prohibited.

9
10 **SECTION 7. *Right of Tenancy of the Tenant*** – As long as the tenant is
11 religiously paying his monthly rental, the lessor can not eject the tenant, unless
12 embodied in the provisions of Section 8 of this Act. The tenant has the priority right
13 over the lessor to extend and/or renew his contract of lease.

14
15 **SECTION 8. *Grounds for Judicial Ejectment.*** – Ejectment shall be allowed
16 on the following grounds:

17
18 (a) Assignment of lease or subleasing of commercial units in whole or in
19 part, without the written consent of the owner/lessor;

20
21 (b) Arrears in payment of rent for one (1) month: *Provided*, That in the
22 case of refusal by the lessor to accept payment of the rental agreed
23 upon, the lessee may either deposit, by way of consignment, the
24 amount in court, or with the city or municipal treasurer, as the case
25 may be, or in a bank in the name of and with notice to the lessor,
26 within one (1) month after the refusal of the lessor to accept payment.

27
28 The lessee shall thereafter deposit the rental within ten
29 (10) days of every current month. Failure to deposit the rentals for
30 three (3) months shall constitute a ground for ejectment. If an
31 ejectment case is already pending, the court upon proper motion may
32 order the lessee or any person or persons claiming under him to
33 immediate vacate the leased premises without prejudice to the
34 continuation of the ejectment proceedings. At any time, the lessor
35 may, upon the authority of the court, withdraw the rentals deposited.

1 The lessor upon authority of the court in case of consignment or upon
2 joint affidavit by him and the lessee to be submitted to the city or
3 municipal treasurer and to the bank where deposit was made shall be
4 allowed to withdraw the deposits;

5
6 (c) Legitimate need of the owner/lessor to repossess his or her property
7 for his or her own use or for the use of any immediate member of his
8 or her family as a commercial unit: *Provided, however,* That the lease
9 for a definite period has expired: *Provided, further,* That the lessor has
10 given the lessee formal notice three (3) months in advance of the
11 lessor's intention to repossess the property and : *Provided, finally,*
12 That the owner/lessor is prohibited from leasing the commercial unit or
13 allowing its use by a third party for a period of at least one year from
14 the time of repossession;

15
16 (d) Need of the lessor to make necessary repairs of the leased premises
17 which is the subject of an existing order of condemnation by
18 appropriate authorities concerned in order to make the said premises
19 safe and habitable. *Provided,* That after said repair, the lessee ejected
20 shall have the first preference to lease the same premises: *Provided,*
21 *however,* That the new rental shall be reasonably commensurate with
22 the exoenses incurred for the repair of the said commercial unit and:
23 *Provided, finally,* That if the commercial unit is condemned or
24 completely demolished, the lease of the new building will no longer be
25 subject to the aforementioned first-preference rule in this subsection;
26 and

27
28 (e) Expiration of the period of the lease contract.
29

30 **SECTION 9. *Prohibition Against Ejectment by Reason of Sale or***
31 ***Mortgage.***— No lessor or his successor-in-interest shall be entitled to eject the lessee
32 upon the ground that the leased premises have been sold or mortgaged to a third
33 person regardless of whether the lease or mortgage is registered or not.
34

35 **SECTION 10. *Rent-to-Own Scheme.*** — At the option of the lessor, he or she
36 may engage the lessee in a written rent-to-own agreement that will result in the

1 transfer of ownership of the particular business unit in favor of the latter. Such an
2 agreement shall be exempt from the coverage of Section 3 of this Act.

3
4 **SECTION 11. *Application of the Civil Code and Rules of Court of the***
5 ***Philippines.*** – Except when the lessee is for a definite period, the provisions of
6 paragraph (1) of Article 1673 of the Civil Code of the Philippines, insofar as they refer
7 to commercial units covered by this Act, shall be suspended during the effectivity of
8 this Act, but other provisions of the Civil Code and the Rules of Court on lease
9 contracts, insofar as they are not in conflict with the provisions of this Act shall apply.

10
11 **SECTION 12. *Coverage of this Act.*** – All commercial units in the National
12 Capital Region and other highly urbanized cities the total monthly rental for each of
13 which does not exceed Seven Thousand Five Hundred Pesos (P 7,500.00) and all
14 commercial units in all other areas the total monthly rental for each of which does not
15 exceed Four Thousand Pesos (P 4,000.00) as of the effectivity date of this Act shall
16 be covered, without prejudice to existing contracts.

17
18 **SECTION 13. *Penalties.*** – A fine of not less than Fifty Thousand Pesos
19 (P 50,000.00) but not more than Two Hundred Thousand Pesos (P 200,000.00) or
20 imprisonment of not less than one (6) month and one (1) day to not more than two (2)
21 years or both shall be imposed on any person, natural or juridical, found guilty of
22 violating any provision of this Act.

23
24 Where the offender is a corporation or a juridical entity, the President or
25 General manager thereof shall suffer the penalty of imprisonment provided herein,
26 without prejudice to the imposition of fine on such corporation or entity.

27
28
29 **SECTION 14. *Information Drive.*** – The Department of the Interior and Local
30 Government and the Housing and Urban Development Coordinating Council, in
31 coordination with other concerned agencies, are hereby mandated to conduct a
32 continuing information drive about the provisions of this Act.

33
34 **SECTION 15. *Transition Program.*** – The Housing and Urban Development
35 Coordinating Council is hereby mandated to formulate, within six (6) months from
36 effectivity hereof, a transition program, which will provide for safety measures to
37 cushion the impact of a free rental market.

1 **SECTION 16. *Separability Clause.*** – If any provision or part hereof is held
2 invalid or unconstitutional, the remainder of the law or the provision not otherwise
3 affected shall remain valid and subsisting.

4
5 **SECTION 17. *Repealing Clause.*** – Any law, presidential decree or issuance,
6 executive order, letter or instruction, administrative order, rule or regulation contrary
7 to or inconsistent with the provisions of this Act is hereby repealed, modified or
8 amended accordingly.

9
10 **SECTION 17. *Effectivity Clause.*** – This Act shall take effect on 01 January
11 2005 following its publication in at least two (2) newspapers of general circulation.

12
13 **Approved.**