

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 8813



Introduced by **HON. VINCENZO RENATO LUIGI R. VILLAFUERTE, HON. MIGUEL LUIS R. VILLAFUERTE, HON. TSUYOSHI ANTHONY G. HORIBATA, AND HON. TERRY L. RIDON**

EXPLANATORY NOTE

This bill aims to address the continuing severe housing shortage in the Philippines by allowing the implementation and establishment of Accessory Dwelling Units or ADUs in residential lots nationwide, simplify permitting procedures, and provide incentives to homeowners and builders to encourage their development.

According to the Department of Human Settlements and Urban Development (DHSUD), as of 2025, the national housing backlog has exceeded 6.5 million housing units and continues to grow each year due to rapid urbanization, population growth, and rising land prices in urban centers, which means that these Filipino families lack access to adequate, safe, and affordable housing. Without a proper and long-term solution, the housing backlog may grow significantly up to 22 million by 2040.

It is said that one of the main reasons for the housing backlog is because of how expensive lands are in urban areas, the priority developers tend to focus on middle to high-income housing instead of affordable ones, the cost of materials, the slow process of approving permits and land titles, among others. Therefore, new and innovative housing solutions must be explored to complement existing government programs.

Under this Act, a possible solution is the implementation of the Accessory Dwelling Unit (ADU) system, also commonly known as “granny flats”, “backyard homes”, or “second dwellings”. These are small, self-contained residential units built within the same lot as an existing primary dwelling.

ADU policies have been successfully implemented in countries such as Australia, the United States, Canada, and New Zealand, where they have proven to be an effective tool in increasing housing supply quickly and efficiently without requiring large tracts of new land or massive government expenditure. In the United States alone, ADUs now make up 20% of all housing permits in California from 2016 to 2023.

By allowing homeowners to construct small secondary housing units within their residential properties, ADUs provide multiple benefits, such as additional affordable housing units within existing communities, supplemental income for homeowners through rental opportunities, housing options for students, workers, and young

families, multi-generational housing arrangements for Filipino families, and more efficient use of existing urban land and infrastructure.

Under this Act, the following shall be the main goals:

- a) Allow the construction of up to two (2) Accessory Dwelling Units per residential lot;
- b) Establish a streamlined and time-bound permit system to reduce bureaucratic delays;
- c) Provide tax incentives and financing support to homeowners and builders;
- d) Promote modular and prefabricated housing technologies to accelerate construction; and
- e) Encourage local government to integrate ADUs into local housing strategies.

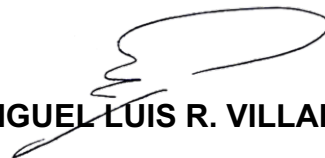
By unlocking the potential of residential lots across the country, this measure could generate hundreds of thousands of new housing units within a few years, significantly helping address the country's housing backlog.

More importantly, this measure empowers Filipino homeowners to become active partners in solving the housing crisis while generating additional economic opportunities for families and communities.

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



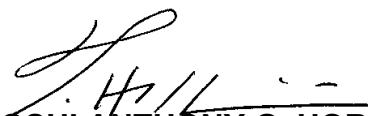
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AN ACT ALLOWING ACCESSORY DWELLING UNITS (ADUs) AND MICRO-HOMES IN RESIDENTIAL LOTS NATIONWIDE, SIMPLIFYING PERMITS, PROVIDING INCENTIVES TO HOMEOWNERS AND BUILDERS, PROMOTING MODULAR HOUSING TECHNOLOGIES, AND ACCELERATING AFFORDABLE HOUSING SUPPLY, AND APPROPRIATING FUNDS THEREOF

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

SECTION 1. Short Title. - This Act shall be known as the "*Philippine Accessory Dwelling Unit and Micro-Housing Act*"

SEC. 2. Declaration of Policy. – It is hereby the policy of the State to undertake a continuing program of urban land reform and housing which will make available at affordable cost, decent housing, and basic services to underprivileged and homeless citizens.

Furthermore, the State shall promote innovative housing solutions that aims to address the national housing backlog estimated at over six (6) million units, encourage small-scale housing construction of homeowners, promote affordable rental housing for workers and young families, support multi-generational Filipino households, encourage industrialized and modular housing technologies, and maximize efficient use of urban residential land.

SEC. 3. Definition of Terms. – As used in this Act:

- a) *Accessory Dwelling Unit (ADU)* refers to a self-contained residential unit located in the same residential lot as a primary dwelling, with its own sleeping area, kitchen, bathroom, and independent entrance.

SEC. 4. Types of ADUs. – The following are the types of ADUs that shall be implemented under this Act:

- a) *Detached ADU* – small house built within the lot;
- b) *Attached ADU* – extension of the main dwelling unit;
- c) *Garage Conversion ADU* – garage of the main dwelling unit that shall be converted into a small, independent living space;
- d) *Roof Deck ADU* – small, independent living space that is built on top of an existing building or main dwelling unit that shall be converted into a livable unit;
- e) *Modular or Prefabricated ADU* – small, independent home that is built off-site in a factory and then transported to a property for installation.

SEC. 5. Nationwide Allowance of ADUs. – ADUs shall be allowed in all residential zones in the Philippines, wherein each residential lot may build up to two (2) ADUs, *Provided*, That local government units cannot prohibit its implementation.

SEC. 6. Authorized Size Limits of ADUs. – All ADUs shall have the minimum size of 18 square meters and the maximum size of 75 square meters with a maximum height of up to two (2) floors.

Furthermore, ADUs may be built on lots with a minimum size of 120 square meters.

SEC. 7. Automatic Permit Approval. – In pursuant to Republic Act 9485, as amended by Republic Act No. 11032 otherwise known as the *Anti-Red Tape Law*, local government units must approve ADU permits within sixty (60) days from submission, otherwise, the permit shall be deemed automatically approved.

All ADU permits shall be processed through a national digital permit platform integrated with DHSUD, LGUs, and the Housing and Land Regulatory Board (HLURB) zoning data.

SEC. 8. Pre-Approved ADU Design. – The Department of Human Settlements and Urban Development (DHSUD) shall create a national catalogue for the following ADU models, which shall receive immediate permit approval nationwide:

- a) Pre-approved ADU Designs;
- b) Modular ADU Systems; and
- c) Contained ADU Systems.

SEC. 9. No Additional Parking Requirement. – In pursuant to global housing best practices, ADUs are not required to have additional parking spaces, particularly in urban areas near public transportation routes.

SEC. 10. Incentives for Homeowners. – Homeowners who build ADUs are entitled to the following incentives:

- a) Real property tax Incentive of 50% for every five (5) years, *Provided*, That the ADU is exclusively built for purposes of affordable housing, student housing, rental housing for workers, and/or additional dwelling for a family member;
- b) Income Tax Exemption for annual rental income from ADUs who earn up to P300,000.00.

SEC. 11. Incentives for Builders and Manufacturers. – Companies manufacturing ADU systems shall be entitled to the following incentives:

- a) 5-year income tax holiday;
- b) VAT exemption for ADU units priced below P3M;
- c) Duty-free importation of machinery for modular housing plants; and
- d) BOI strategic investment priority classification.

SEC. 12. ADU Financing Programs. – Government financial institutions, such as Pag-Ibig fund, Landbank, and the Development Bank of the Philippines shall create special ADU loan programs with the following features:

- a) Up to P3 million loanable amount;
- b) Up to 25-year repayment;
- c) Low interest housing loan.

SEC. 13. Partnerships with the Private Sector. – The DHSUD may enter into agreements with the private sector for purposes of financing the program.

SEC. 14. Rental Housing Support. – Homeowners renting ADUs to teachers, nurses, police officers, government employees, and students shall receive additional incentives of property tax rebates and government-backed rental insurance.

SEC. 15. Responsibilities of Local Government Units. – Local government units shall have the following responsibilities in the implementation of this Act, *Provided*, That LGUs shall not impose excessive fees on ADU constructions:

- a) Integrate ADUs into zoning ordinances;
- b) Establish ADU information desks; and
- c) Streamline permit processes.

SEC. 16. Implementing Agency. – DHSUD shall serve as the primary implementing agency for this Act.

SEC. 17. Appropriations. – The Secretary of DHSUD shall include the funding necessary for this program under the annual General Appropriations Act.

SEC. 18. Implementing Rules and Regulations. – The DHSUD shall, in consultation with the DILG, LGUs, BOI, and the Pag-Ibig Fund, shall promulgate not later than one hundred and twenty (120) days upon the effectivity of this Act, the rules and regulations for its effective

implementation: *Provided*, that the failure to promulgate the rules and regulations shall not prevent the implementation of this Act upon its effectivity.

SEC. 19. Separability Clause. - If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected thereby shall remain in full force and effect.

SEC. 20. Repealing Clause. - All orders, issuances, rules and regulations or parts thereof that are contrary to, or inconsistent with, the provisions of this Act are hereby repealed, modified or amended accordingly. This Act is consistent with and shall not supplant the other streamlining initiatives of the government covered by existing laws and previously issued executive orders.

SEC. 21. Effectivity. - This Act shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general circulation.

Approved,