

CREATING THE DEPARTMENT OF HUMAN SETTLEMENTS AND THE HUMAN SETTLEMENTS DEVELOPMENT CORPORATION, APPROPRIATING FUNDS THEREFOR, AND ACCORDINGLY AMENDING CERTAIN PRESIDENTIAL DECREES

PRESIDENTIAL DECREE NO. 1396, June 02, 1978

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WHEREAS, man and his community require the fulfillment of the following basic needs and requirements such as water, power, food, clothing, shelter, medical services, education, sports and recreation, economic base (livelihood), mobility and ecological balance embodied in a humanistic ideology for the realization of a New Society;

WHEREAS, it is the national policy to attain the fruits of social and economic development in our communities within the integrative framework of human settlements;

WHEREAS, it is imperative that our development activities promote and enhance a wholesome relationship between human beings and their civic and physical environment;

WHEREAS, while the government has already addressed the problems of rural poverty and stagnation by adopting and implementing a massive countryside development program, a proper development perspective requires equal concern for the management of urban development;

WHEREAS, it is necessary to organize the government's policies and programs along these new areas of concern by establishing an appropriate department and delineating its relationships with the various agencies involved with its functions;

WHEREAS, it is also national policy to promote innovative land development and community development controls as a technology for building communities and estates in new areas, or renewing communities in depressed or blighted areas; and

WHEREAS, the physical planning, development and management of new communities and estates, or of old communities and blighted areas can best be accomplished through the creation and operation of an adequate corporate arm for the new Department.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the following as part of the law of the land:

SECTION 1. Declaration of Policy.—It is hereby declared to be the policy of the government to foster the growth and renewal of our communities, both rural and urban, in an integrative manner that promotes optimum land use, adequate shelter, environmental protection, utilization of appropriate technology and rational inter-dependence amongst self-reliant communities, all these towards the fullest development of man as a civic person and as a human being, involving in this process the coordinated contribution of the public and private sectors.

SEC. 2. Creation of the Department of Human Settlements.—In order to carry out the above stated policy, there is

hereby established the Department of Human Settlements, hereinafter referred to as the Department.

The Department shall be headed by a Secretary. For purposes of coordination, the Secretary shall serve ex-officio as Chairman of each of the governing boards of the corporation, commissions, and authorities which are placed under the supervision of the Department.

The Secretary shall be assisted by one Undersecretary, unless otherwise determined by the President.

SEC. 3. Establishment of the National Capital Region.—In view of the critical importance of the Metropolitan Manila Region in human settlements development, it is hereby declared and established as the National Capital Region of the Republic of the Philippines, and its administration as such is hereby vested in the Secretary of Human Settlements. The pertinent provisions of Presidential Decree No. 824, creating the Metropolitan Manila Commission, are hereby accordingly amended.

SEC. 4. Powers and Functions of the Department.—The Department shall have the following powers and functions which it shall undertake by itself or through the corporations, commissions and authorities which are placed under its supervision.

- Promulgate national standards and guidelines for human settlements which shall govern land use plans and zoning ordinances of local governments, civil works and infrastructure programs and projects of the National Government, and subdivisions or estate development projects of both the public and private sectors;
- Promulgate national standards and guidelines for environmental management relative to air quality, water quality, land use and waste management which shall govern development programs and projects and other activities in settled communities, urban or rural, as well as in those areas immediately contiguous thereto and develop an environmental impact assessment system for the operationalization of said standards and guidelines;
- In coordination with appropriate agencies, effect a single regulatory system relative to subdivision, zoning (including architectural design), building, fire and related regulations;
- Prepare and submit to the Board of the National Economic and Development Authority a national multi-year Human Settlements Plan which shall translate the Philippine Development Plan into spatial and temporal terms, based on the locational distribution of national resource endowments (including energy), population, climate, and production capacity;
- Formulate plans and programs and implement, either on its own initiative and operational responsibility or through the agencies or corporations placed under its supervision, projects for:
 - Urban renewal and development, including but not limited to the construction and management of social and economic housing
 - Estate or New Town development within sites designated by the Office of the President as Bagong Lipunan sites
 - Land assembly and real property management
 - Development and installation on a community scale of waste management systems and of appropriate technologies.
 - Promulgate appropriate rules and regulations which shall have regulatory force for the enforcement of its standards and guidelines;
 - Enter into contracts, either domestic or foreign, under such terms and conditions as it may deem necessary and reasonable;

- Receive, take and hold by bequest, devise, gift, purchase or lease, either absolutely or in trust for any of its purposes from foreign and domestic sources, any asset, grant or property, real or personal, subject to such limitations as are provided in existing laws and regulations; and to convey such assets, grants or property; invest and reinvest the same under this provision and deal with and expand its assets and income in such manner as will best promote its public welfare objectives;
- Develop and maintain in conjunction with cooperating agencies a responsive and effective information system through the establishment of a data bank to support the department at various levels in the planning, monitoring, execution, coordination and control of its various activities, programs and/or projects;
- Determine, fix and collect reasonable amounts to be charged as filing fees, inspection fees and other administrative or service fees necessary for the effective implementation of all the laws, Presidential Decrees and other legal issuances enforced by the Department;
- Supervise all corporations placed under the Department;
- Call on any department, bureau, office, agency or instrumentality of the government and private entities and organizations for cooperation and assistance in the performance of its functions;
- Adopt rules and regulations for the transaction of its business; and
- Perform such other activities which are necessary for the effective performance of the abovementioned functions and objectives.

SEC. 5. Creation of the Human Settlements Development Corporation.—In order to provide an adequate corporate arm for the Department, especially in the discharge of its functions relative to urban renewal, New Town and estate development in Bagong Lipunan sites and real property management, there is hereby created the Human Settlements Development Corporation. The Corporation shall be subject to the supervision of the Department.

SEC. 6. Purposes of the Corporation.—The purposes of the Corporation shall be as follows:

- The development of new communities that are economically viable and environmentally sound, through innovative urban land mechanisms and self-financing arrangements;
- The renewal of urban communities or parts thereof, through housing and other urban improvement projects.

The abovementioned development and/or renewal activities of the Corporation shall be undertaken or implemented generally, but not exclusively, on land parcels or tracts which have designated as Bagong Lipunan sites by the Office of the President.

SEC. 7. Powers and Functions of the Corporation.—The Corporation shall have the following powers and functions:

- Prepare and implement development and/or renewal project plans for Bagong Lipunan site. The Corporation shall have as its initial project the Lungsod Silangan Townsite consisting of 20,313 hectares in the Municipalities of Antipolo, San Mateo and Montalban, Province of Rizal and the parcel of land consisting of 160,410 hectares embraced and covered by Proclamation Nos. 1636 and 1637 with boundaries delineated in Proclamation No. 1637 which are hereby declared as Bagong Lipunan sites;
- Administer, operate and/or manage estates or New Town projects on Bagong Lipunan sites either exclusively through subsidiary corporations or in association with other government (including local governments) or private entities;

- Provide or operate utilities services in Bagong Lipunan project sites, in accordance with law;
- Acquire, purchase, clear, alter, construct, enlarge, occupy, mortgage, manage and dispose by lease or sale or otherwise deal in lands and building of every kind and character, whether belonging to or to be acquired by the Corporation; exercise the right of pre-emption, either by agreement or by expropriation; and in general, engage in real property management;
- Engage in the transfer of property rights of land within designated Bagong Lipunan project sites, when deemed necessary, such that the land is exchanged for one of similar value; Provided, that no land acquired by the Corporation through eminent domain as provided for in Section 13 of this Decree shall be sold or the title thereof disposed;
- Construct, or cause to be constructed, acquire, own, lease, operate and maintain infrastructure facilities, housing units, factory buildings, utilities and services necessary or useful in the development of pilot communities;
- Fix, assess and collect charges and fees, including rentals for the lease, use or occupancy of lands, buildings, structures, and all the facilities owned and administered by the Corporation; to fix and collect fees and charges for the issuance of permits, licenses and the rendering of services not enumerated herein, the provisions of law to the contrary notwithstanding. Provided, that an equitable formula for sharing the proceeds thereof with the local governments or other government agencies concerned shall be developed and shall be in effect upon approval by the President;
- Recommend to the President the transfer to the Corporation of all foreclosed properties held by government agencies located within Bagong Lipunan and prototype project areas;
- When essential to the proper administration of its corporate affairs or when necessary for the proper transaction of its business or for carrying out the purposes of this decree, to issue bonds or contract loans, credits or indebtedness, domestic or foreign, the payment of which shall be guaranteed by the government through the President of the Philippines or his duly authorized representative; and
- Prescribe its by-laws; adopt, alter and use a corporate seal which shall be judicially noticed; make contracts, lease, own or otherwise dispose of personal and real property; sue and be sued, and otherwise do and perform any and all acts and things that may be necessary or proper to carry out the purposes of this Decree.

SEC. 8. Governing Body of the Corporation.—The Corporation shall be governed by a Board of Directors, composed of seven (7) members, as follows:

- Secretary of the Department of Human Settlements as Chairman
- Chairman of the Development Bank of the Philippines
- Governor of the Central Bank of the Philippines
- Secretary of the Department of Local Government and Community Development
- Secretary of the Department of Public Works, Transportation and Communications
- Secretary of the Department of Industry.

The Chief Executive of the Corporation shall be a General Manager which shall be appointed by the Board.

SEC. 9. Appointment, Control and Discipline of Personnel.—The Board, upon recommendation of the General Manager of the Corporation, shall appoint the officers and employees of the Corporation and its subsidiaries; fix their compensation, allowances and benefits, their working hours and such other conditions of employment as it

may deem proper; grant them leaves of absence under such regulations as it may promulgate; discipline and/or remove them for cause; and establish and maintain a recruitment and merit system for the Corporation and its affiliates and subsidiaries.

SEC. 10. Capitalization of the Corporation.—The Corporation shall have an authorized capital stock of Five Hundred Million Pesos (P500,000,000) divided into 500,000 shares with a par value of One Thousand Pesos (P1,000.00) per share to be subscribed and paid for by the Government of the Republic of the Philippines.

For this purpose, an initial release of One Hundred Million Pesos (P100,000,000) is hereby authorized for CY 1978 chargeable against the Special Activities Fund of P.D. 1250.

Additional capitalization in the nature of (a) properties as may be contributed to the Corporation by the government through further Presidential Proclamation designating Bagong Lipunan sites and other prototype project sites, (b) all capitalized surplus and (c) contributions by government financial institutions are also hereby authorized.

SEC. 11. Borrowing Power.—With the prior approval of the Secretary of Finance, the Monetary Board and the President of the Philippines, the Corporation may borrow from foreign public or private financial institutions such amounts as may from time to time be required for its operations, or issue bonds promissory notes, debentures, certificates of indebtedness, and other debt instruments in foreign currency. Notwithstanding the provisions of any law to the contrary, the Central Bank is hereby authorized to extend loans and advances to the Corporation under Section 88 of Republic Act No. 265, as amended, otherwise known as the Central Bank Charter, subject to such terms and conditions as may be prescribed by the Monetary Board.

No part of the proceeds of domestic and/or foreign borrowings shall be used for operating expenses of the Corporation.

The bonds, promissory notes, debentures, certificates of indebtedness and other debt instruments issued in local or foreign currency shall be at such interest rates, maturities and other terms and conditions as the Corporation may determine. The debt instruments may be secured by the assets of the Corporation and shall be fully exempt, both as to principal and interest, from any and all taxes imposed by the government or any of its subdivision. The debt instruments shall be fully negotiable and shall be unconditionally guaranteed both as to principal and interest by the Government of the Republic of the Philippines, which guaranty shall be indicated on the face thereof.

A sinking fund is hereby created for the payment of the Corporation's bonds issued under the provisions hereof in such manner that the total contribution thereto accrued at such rate of interest as may be determined by the Secretary of Finance in consultation with the Monetary Board shall be sufficient to redeem the bonds at maturity. The said fund shall be under the custody of the Central Bank of the Philippines which shall invest the same in such manner as the Monetary Board may approve; shall charge all expenses of such investment to the sinking fund and shall credit the same with the interest on investments and other incomes belonging to it.

A standing annual appropriation is hereby made out of any general funds in the National Treasury in such amount as may be necessary to provide for the sinking fund created herein and for the interest on bonds issued by the Corporation by virtue hereof.

SEC. 12. Profits of the Corporation.—Profits which may be realized from the operations of the Corporation shall accrue to and be automatically appropriated as part of the corporate earnings of the Corporation, any provision of law to the contrary notwithstanding.

SEC. 13. Eminent Domain.—The Corporation shall have the power to acquire any property required for the

establishment and expansion of Bagong Lipunan sites and facilities by purchase by negotiation or by expropriation proceedings. To promote maximum development of these areas, the properties acquired may thereafter be resold, or leased by the Corporation to any enterprise, private or government, under such terms and conditions as it may impose, except those acquired through expropriation proceedings which cannot be resold or the title thereof disposed.

SEC. 14. Corporation, Authorities and Agencies Under the Supervision of the Department.—The following corporations, authorities and agencies are hereby placed under the supervision of the Department and their respective charters are correspondingly amended to the extent that the pertinent provisions thereof are inconsistent with the provisions of this Decree. The specific amendments to be effected in the respective charters of the affected corporations and authorities shall be provided for in the Letters of Implementation to be issued by the President to implement this Decree, which legal issuance shall form part of this Decree.

- National Housing Authority
- National Home Mortgage Finance Corporation
- Home Financing Commission
- National Housing Corporation
- Technology Resource Center
- National Environmental Protection Council
- National Pollution Control Commission
- Human Settlements Commission

The President shall, in the light of the provisions of Section 2 of this Decree and, whenever necessary in order to maintain the odd number in the membership of the governing boards of the above corporations and commissions, appoint an additional member each to the said Boards. In the case of the Human Settlements Commission, in addition to the Undersecretary of Energy who shall be made an ex-officio member, a Deputy Chairman shall be appointed by the President.

SEC. 15. Relationship Between the Department and the Supervised Agencies.—The supervision of the government corporations and authorities listed in Section 14 shall be for the purpose of policy and program coordination and integration. The formulation and implementation of the policies, plans and projects of the attached agencies shall conform to the overall policies and plans of the Department.

To give effect to the foregoing, a centralized administrative and management office known as the Corporate Planning Office is hereby created in the Department.

SEC. 16. Regional Offices.—There shall be established as many regional offices as are necessary and consistent with the requirements of economy and efficiency: Provided, That they are established in accordance with the regional pattern as described in Paragraph 1, Article I, Chapter III, Part II of the Integrated Reorganization Plan, as amended. The regional office shall be headed by a Regional Director who may be assisted whenever necessary, by one or more Assistant Regional Directors.

SEC. 17. Counterpart Units and Sub-Regional Offices.—The regional office shall have such counterpart units as may be necessary, corresponding to the major functional areas and responsibilities of the different corporations and agencies attached under it.

The Department shall, within each region, establish such sub-regional offices as may be necessary for the accomplishment of its declared objectives and policies.

SEC. 18. Conversion of the Human Settlements Commission.—The Human Settlements Commission established pursuant to Presidential Decree No. 933 is hereby renamed as the Human Settlements Regulatory Commission and shall accordingly be the regulatory arm of the Department.

SEC. 19. Appointment of Department Personnel.—The Department shall have an adequate personnel complement. Its officers and employees shall be appointed by the Secretary, except those whose appointments are vested by law in the President of the Philippines. The Office of Compensation and Position Classification, Budget Commission, shall consider professional and technical qualifications and competencies in fixing the salaries of the corresponding personnel.

SEC. 20. Appropriations.—To carry out the purpose of this Decree, there is hereby appropriated out of any funds in the National Treasury not otherwise appropriated the sum of FIFTY MILLION PESOS (P50,000,000) for the operation of the Department and its regional offices. This shall be in addition to whatever applicable appropriations may be transferred to it from among the government agencies reorganized under this Decree. Thereafter, the appropriations for the Department and its regional offices shall be included in the National General Appropriations Act. The regional offices may likewise utilize the Local and the Regional Development Funds as may be necessary in the implementation of projects at the regional level.

SEC. 21. Repealing Clause.—All laws, decrees, executive orders, rules and regulations inconsistent herewith are hereby repealed, amended or modified accordingly.

SEC. 22. Separability Clause.—If for any reason, any section or provision of this Decree is declared to be unconstitutional or invalid, the other provisions hereof not affected shall continue in full force and effect.

SEC. 23. Effectivity.—This Decree shall take effect immediately.

Done in the City of Manila, this 2nd day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JACOBO C. CLAVE
Presidential Executive Assistant

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