

Introduction

The main focus of this feasibility study for affordable housing is to ascertain if it is economically, socially and environmentally possible to execute an affordable housing project in Currimao, Barangay Bimangga, Ilocos Norte, Philippines for the local citizens in the community and for the international community who wanted to retire in Ilocos Norte. It is our hope from this study that we will zero-in on the most important and efficient ways of accomplishing this goal, considering the capacity of the nonprofit and the capacity of the community involved (Currimao community). We fully understand that neither the nonprofit nor the community has a surplus of cash flow, so the main focus of this feasibility study will be based upon the capacity that the existing nonprofit and community have at this particular time. However, there will be sufficient room in this study for capacity-building for future growth of the nonprofit and the income from the local citizens over the next two to five years.

While this study looks at the need for affordable housing on Balanga City, we emphasize that housing supply and affordability is a regional issue needing regional solutions. The supply of housing is falling far short of the demand and there is little incentive for developers to produce affordable housing for either low-moderate income persons or "middle income" persons.

The roots of the affordable housing problem are complex. Dependence upon local property taxes creates a disincentive for towns to allow growth that includes families. Local land use regulation and a shortage of developable land create barriers to a logical market response to the demand for new construction.

Map of Currimao, Ilocos Norte



Satellite Map of Currimao, Ilocos Norte



DEFINITION OF FEASIBILITY STUDY AND THE UNDERSTANDING OF THE PROCESS

A Feasibility Study is a preliminary study undertaken to determine and document a project's viability. The results of this study are used to make a decision whether to proceed with the project, or table it. If it indeed leads to a project being approved, it will - before the real work of the proposed project starts - be used to ascertain the likelihood a recommendation on the best alternative. For example, can SICARS decide it is best to provide rental housing for special events, permanent housing for local residents on the island or perhaps table the affordable housing project at this time.

Within a feasibility study, seven areas must be reviewed, including those of a Needs Analysis, Economics, Technical, Schedule, Organizational, Cultural, and Legal.

Needs Analysis

A needs analysis should be the first undertaking of a feasibility study as it clearly defines the project outline and the clients requirements. Once these questions have been answered the person/s undertaking the feasibility study will have outlined the project needs definition. The following questions need to be asked to define the project needs definition: What is the end deliverable? What purpose will it serve? What are the environmental effects? What are the rules and regulations? What standards will we be measured against? What are the quality requirements? What is the minimal quality requirements allowed? What sustainability can we expect? What carry over work can we expect? What are the penalty clauses? How much do we need to outsource? How much do we need to insource?

Economic Feasibility Study

This involves questions such as whether the firm can afford to build the system, whether its benefits should substantially exceed its costs, and whether the project has higher priority and profits than other projects that might use the same resources. This also includes whether the project is in the condition to fulfill all the eligibility criteria and the responsibility of both sides in case there are two parties involved in performing any project.

Technical Feasibility Study

This involves questions such as whether the technology needed for the system exists, how difficult it will be to build, and whether the firm has enough experience using that technology. The assessment is based on an outline design of system requirements in terms of Input, Output, Fields, Programs, and Procedures. This can be qualified in terms of volumes of data, trends, frequency of updating, etc. in order to give an introduction to the technical system.

Schedule Feasibility Study

This involves questions such as how much time is available to build the new system, when it can be built (i.e. during holidays), whether it interferes with normal business operation, etc.

Organizational Feasibility Study

This involves questions such as whether the system has enough support to be implemented successfully, whether it brings an excessive amount of change, and whether the organization is changing too rapidly to absorb it.

Cultural Feasibility Study

In this stage, the project's alternatives are evaluated for their impact on the local and general culture. For example, environmental factors need to be considered.

Legal Feasibility Study

Not necessarily last, but all projects must face legal scrutiny. When an organization either has legal council on staff or on retainer, such reviews are typically standard. However, any project may face legal issues after completion too.

Marketing Feasibility Study

This will include analysis of single and multi-dimensional market forces that could affect the commercial, along with the company that is carrying out the feasibility achieving more and more reputation as they have carried out safety checks which allow the system to run appropriately.

DEFINITION OF AFFORDABLE HOUSING

The generally accepted definition of affordability is for a household to pay no more than thirty percent of its annual income on housing. Families who pay more than thirty percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care. An estimated twelve million renter and homeowner households now pay more than fifty percent of their annual incomes for housing, and a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States. The lack of affordable housing is a significant hardship for low-income households preventing them from meeting their other basic needs, such as nutrition and healthcare, or saving for their future and that of their families.

NEIGHBORHOOD AND COMMUNITY ANALYSIS

Sustainable Economic Development

The human community within our rural and resource-dependent environment holds the key to environmental health and sustainability. The challenge for PHILSYSCONSULTANCY INC. and Currimao is to redirect today's economy both to sustain the environment and culture, and to position those descendants trapped in the economic bottom to take advantage of opportunities presented by our ever changing economic trends.

Currimao, Ilocos Norte

The Land Area of Currimao, Ilocos Norte consists of approximately 11,163 acres. Currimao is located in the province of Ilocos Norte in northern Luzon. Today Currimao has just recently been transformed into a City. Prior to this development, the City has extended its urban fringe to east of the National Highway and a new growth center in Paoay has been delineated in the Comprehensive Land Use Plan. During the past years, the city saw a high record of residential growth. The consequent expansion of the physical limits of the urban core as well as the expected large increases in population, and its attractiveness to commercial and employment activities, the City Government of Paoay decided to undertake a Master Planning exercise and to propose various developmental projects that would establish Currimao as a well-planned community with quality and character that is innovative and special. The total population of 91,059 and an average growth rate of 2.35%, which was estimated using the 2000 – 2007 National Census Statistics Report.

Currimao has been transformed into a HIGH-TECH region where Wi-Fi internet connections are available in barangay halls and public elementary schools. Peace and security are enhanced by the installation of CCTV cameras at strategic locations of the city. Prior to this, the city had extended its urban fringe to the east National Highway and new growth center in Paoay had been delineated in the Comprehensive Land Use Plan. The city also continued to experience high record of residential growth, along with the attractiveness to commercial in employment activities causing the expansion on the physical limit of the urban core. Alongside with this is the continuing role of the city as the education center of the province where one (1) state university, ten (10) colleges, seven (7) secondary schools (2 public, 5 private), thirty (30) elementary schools (17 public, 13 private), twenty-seven (27) Day Care Centers and ten (10) pre-schools.

Furthermore, several major food chain companies have thriving business here and the number of banks, from rural to commercial ones, is continuously increasing. This only proves that the city is now one good investment haven.

RECOMMENDATIONS

Housing Feasibility Study Analysis

After extensive research, this is our recommendation for your consideration of the most reasonable and economical ways for affordable housing for Currimao, Ilocos Norte and the housing program in this report can be used by the Currimao City and PHILSYSCONSULTANCY INC. and/or by individual community landowners.

Affordable Rental Housing

Affordable rental housing for one day, one week or one year. Affordable buildings that can be bought or used as a condominium. At present time there is not enough affordable rental housing in Currimao during special events, cultural special educational presentations, special tourism visits, etc. This is an economical loss of income to the Currimao community.

SAMPLE CONDO RENTAL /CONDOTEL AGREEMENT

Home Rental/Condominium and/or by individual unit owners

This agreement constitutes a contract between the Guest(s) and PHILSYSCONSULTANCY INC., or by individual unit owners.

PHILSYSCONSULTANCY INC. serves as the agent and representative of all owners of rental units in our rental program, and is acting at all times, in and for the best interests of the owners.

Check-in/Check-out

Check-in time is 2 p.m. All of our condo units/suites have lockboxes, so you do not need to come to our office first. Lockbox instructions will be provided with your reservation confirmation.

Check-out time is prior to 12 p.m.. Please be prompt to allow us adequate time to prepare the unit/suites for the next guests, and return all keys to the lockbox before leaving to avoid additional charges.

Reservation Requirements

Twenty-five percent of the total rental fee in advance of the arrival date and a signed reservation agreement is required to secure a reservation. PHILSYSCONSULTANCY INC. accepts MasterCard, Visa, and Debit Cards. No personal checks will be accepted. Balance of rental fee is due upon arrival with cash, certified funds, traveler's checks, MasterCard or Visa. We do not accept checks (except traveler's) at check-in.

Cancellation

A € 30 administration fee is assessed for all cancellations. However, if Guest(s) cancel less than Thirty (30) days prior to their arrival date there will be no refund. For a refund of deposit, cancellations must be in writing and sent by certified mail 30 days prior to arrival date (less a € 30 administration fee) to:

PHILSYSCONSULTANCY INC. No-show Policy. The total amount of the reservation will be charged along with a € 30 administration fee.

Confirmation

Confirmation of the reservation will be emailed to Guest(s) upon receipt of the reservation advanced payment. Please read the confirmation for accuracy of dates, mailing address, number of adults and/or children and accommodations. Report any errors to PHILSYSCONSULTANCY INC. within seven (7) days of mailing. Pay close attention to the number of persons on the confirmation. Occupancy is limited to registered guests only. Absolutely no overnight visitors are allowed without prior arrangements made in advance in writing to PHILSYSCONSULTANCY INC.

Additional Guests

All rental prices are for up to 4 adults. Additional guests, over the age of 12, must be pre-approved by SICARS and there will be a charge of € 20 per person per night. There is no charge for children age 12 and under.

Keys

The key(s) to your rental cabin are located in a lockbox outside the cabin. There will be a € 25 charge for any unreturned keys.

Satellite Television

All cabins are privately owned and have different subscription packages for satellite. PHILSYSCONSULTANCY INC. does not guarantee any programs or events.

Telephone Calls

All cabins may or can be equipped with a telephone. All long distant calls are to be placed by credit card or calling card.

Smoking

Smoking is not permitted inside any cabin. Outside smoking is permitted but please do not litter.

Alcoholic Beverage

By Philippine Law, no drinking of alcoholic beverages by persons under the legal age of 21 is allowed.

Pets

Pets are permitted in most of our cabins. There is a pet fee of € 10 per night per pet. Pets are to be housed in a crate inside of cabin when guests are away from cabin. Guests are completely responsible and liable for any damage, caused by their pet(s), to the cabin and its premises during their stay. If you have a pet and it is not listed on the reservation agreement, your immediate eviction and loss of all rents and security deposit will result. Prior permission must be granted. Pets are not allowed on furniture or bedding.

Cabin Furnishings and Equipment

All unit/suites are privately owned with furnishings and equipment provided by the unit/suites owner. PHILSYSCONSULTANCY INC. cannot make any changes to this. Moving of furniture is prohibited. If you require special appliances or equipment, please bring them with you. Decor, style, color and themes will vary between unit/suites. Furnishings are subject to change without notice.

Linens

All cabins are supplied with bed linens, towels, blankets and pillows. These items are not changed during your stay. PHILSYSCONSULTANCY INC. provides your initial supply of paper products, soaps, and trash bags etc. for your convenience.

Unit/Suites Descriptions and Rates

Information regarding the individual cabins is believed to be accurate but cannot be guaranteed. We have made every effort to ensure that all the information on PHILSYSCONSULTANCY INC. website is current and accurate. The possibility of errors and omissions still exists. We will be happy to confirm all the information or answer any of your questions prior to booking your reservation. Rates, furnishings, fees and taxes are subject to change without notice.

Rates for holidays, special events and weekends may be slightly higher. Rates do not include tax or end-of-stay cleaning fee. Minimum night requirements may vary during holiday or special events. Weekly stays can run from Friday arrival/departures and Sunday arrival/departures. Other arrangements can be made by calling us.

Taxes and Fees

For pets, a pet fee of € 10 per night per pet is charged. An end-of-stay cleaning fee of € 65 is required for all rentals. Applicable taxes are 7% state tax and 3% county tax on all rentals.

Check-out Procedures

We ask that you please comply with the following items prior to check-out:

- Property should be left in the same condition it was when you arrived.
- All litter, cigarette butts and pet waste should be picked up from the yard and placed into a trash bag.
- All trash put in the outside garbage cans.
- Please lock all windows and doors, if there is A/C set to 78 or heat on 55 degrees depending on the season.
- We ask that you please wash, dry and put away all the dishes, pots, pans, and kitchen utensils.

Repairs and Service Calls

SICARS cannot guarantee against mechanical failure of air conditioning, TVs, Satellite Receivers, DVD players or other appliances. Please report any equipment that is not operating properly.

PHILSYSCONSULTANCY INC. will make every effort to resolve the problem as quickly as possible. Should a repair person make a call to a unit/suites and find the the charge for the service will be the Guest(s) responsibility. All maintenance repairs must be reported to PHILSYSCONSULTANCY INC. between 9 AM and 5 PM. Guest(s) understand and agree that PHILSYSCONSULTANCY INC. or its repair people might need access to the cabin for the purpose of making the repair.

Refunds

Refunds or rate adjustments are not made for any inconvenience due to construction noise, road repairs, early departures, delayed arrivals or reducing the number of nights reserved with less than 30 days notice. No refunds or reschedules due to inclement weather.

Terminations by Owner/Substitutions

PHILSYSCONSULTANCY INC. strives to comply with your reservation requests, however, due to uncontrollable circumstances beyond our control, changes in ownership, properties being removed from the rental program, mechanical problems, etc. we cannot absolutely guarantee a specific cabin. SICARS reserves the right to change your cabin without notice or liability should the cabin become unavailable. Neither the owner nor PHILSYSCONSULTANCY INC. shall be liable for events beyond their control which may interfere with you visit. This may include but not limited to Acts of God, acts of Governmental agencies, fire, war, inclement weather and construction noise. No rebate or refund will be offered in these circumstances. We will try to offer a comparable cabin at the same rate satisfactory to you or you can receive a complete refund of your reservation deposit. PHILSYSCONSULTANCY INC. will attempt to give you as much notice as possible so other arrangement can be made.

House Parties

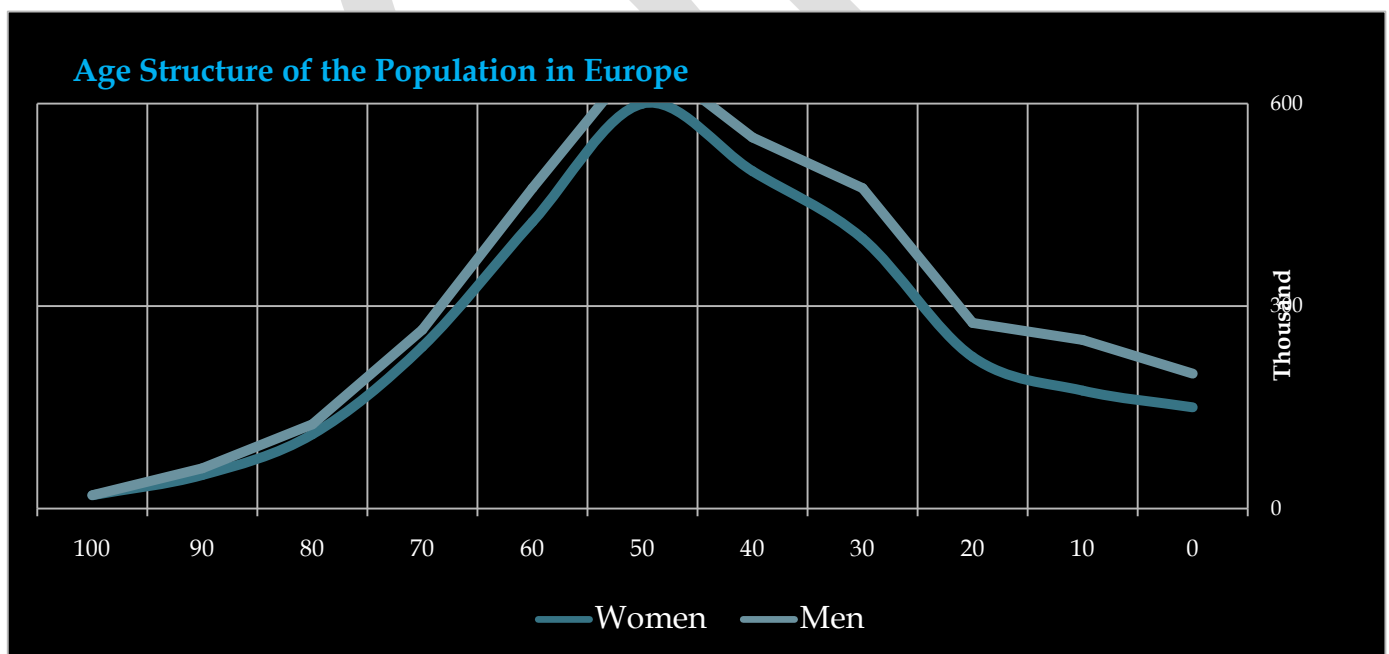
Rental guests understand that PHILSYSCONSULTANCY INC. will accept responsible adults over the age of 21 only. Guest(s) agree that no more than the number of persons listed on the reservation agreement shall occupy the premise overnight. If the unit is occupied by more than the number of persons stated, the result will be a loss of total rent, security deposit and/or additional charge to your credit card. Guests shall not disturb or offend any neighbors, discharge firearms or use fireworks of any kind in accordance with Philippine Law.

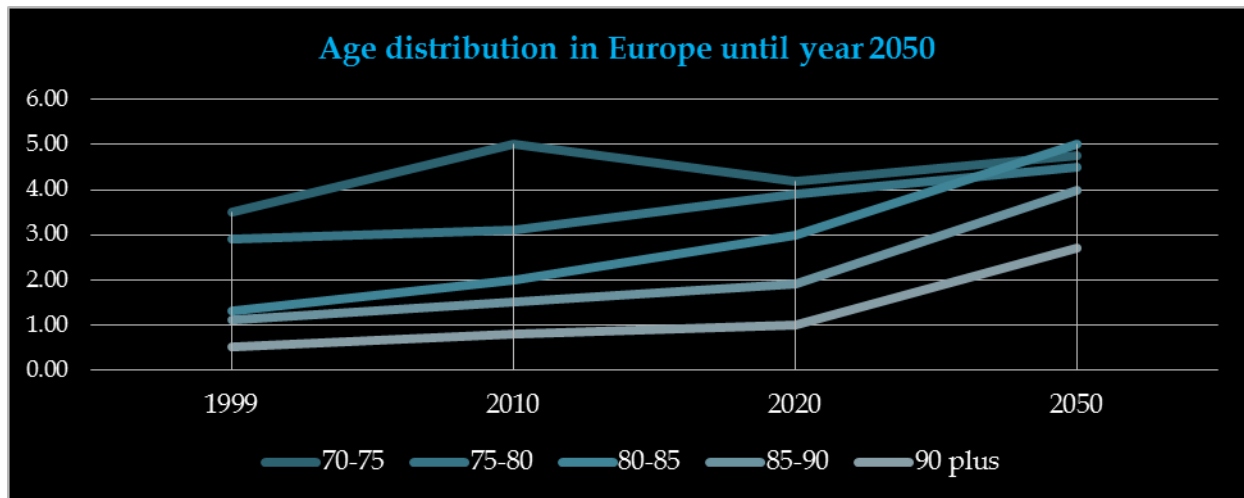
Refusal of Service

PHILSYSCONSULTANCY INC. reserves the right to refuse service to anyone. All rental cabins are leased without regard to race, creed, color, religion, sex, sexual orientation, national origin or handicap.

RETIREMENT HOMES MARKET

- The growth drivers of inpatient nursing are the demographic changes and the shift from outpatient to inpatient.
- According to HPS Research, the growth in the nursing market volume will be disproportionate to the demand and will outstrip that of the economy as a whole in terms of GDP, mainly because of the increasing nursing intensity (the nursing cases and the relative prices are divided in three levels depending on the severity of the care required).
- The increase in the nursing intensity is a function of the increasing age of those requiring nursing care. According to the fourth annual European Commission report, it is estimated that healthcare costs for 65-75 year olds are 2.5 times higher than those for people under 65, while the costs for those over 75 are estimated to be 4.5 times higher.
- According to HPS Research, the European nursing market is set to grow by roughly 50% from now until 2020, and by a further 100% until 2050 and the market share of private operators will grow sharply.



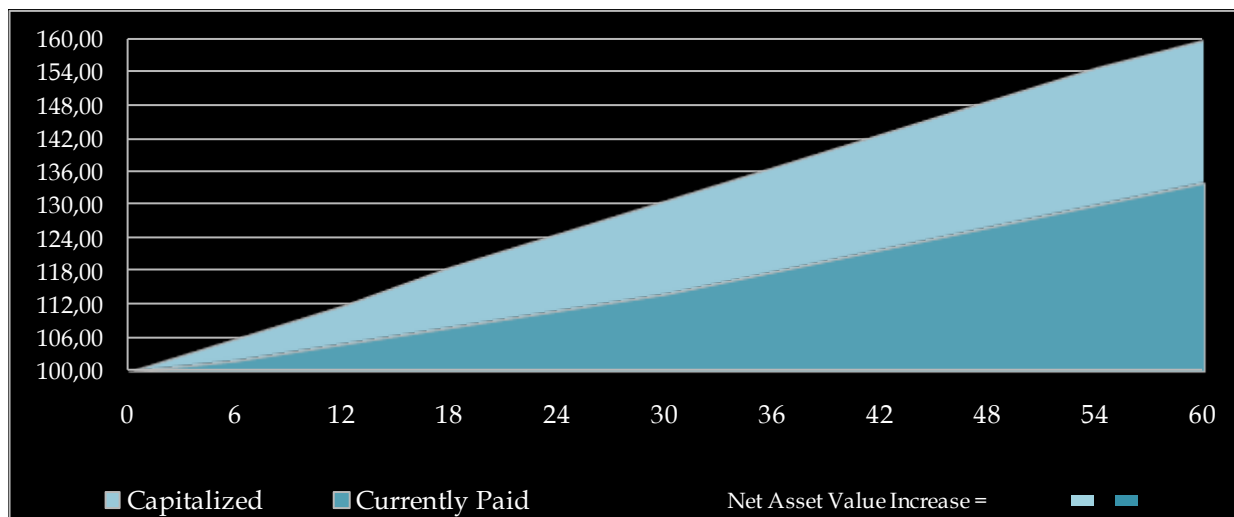


- ✓ Germany is, after Japan, Italy and Switzerland the country with the fastest ageing population. It ranks fourth in terms of highest average age and has the third largest percentage of population aged 60 and over, just after Italy and Greece.
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- ✓ The German Federal Statistical Office estimates that by the end of 2030 the number of the population over 65 will rise from the current 16 million to about 24 million. It is estimated that the number of above 80 years old will increase from 2 million to 5.2 million by 2030.

INVESTMENT STRATEGY

- The Investment strategy behind this transaction is to purchase/develop a Portfolio of Retirement Homes, well located and with attractive cap rates. The properties will be acquired/developed and sold to a single buyer (targeting institutional investors such as Pension Funds, Mutual Funds, Real Estate Funds) as a portfolio.
- We are in preliminary discussions with some institutional investors interested in the purchase of the portfolio once the amount of the investment has reached a target size of approx. € 100 - 150 million.
- The targeted term of this investment is 4-5 years from the inception date (January 2013).
- The net asset value growth during the investment period will be partially currently paid and partially capitalized through the mortgage amortization.

Net Asset Value growth during the investment period



INVESTMENT RATIONALE

- ✓ Low price per sqm: The Philippines real estate sector is still very attractive due to its relative low cost compared to other developed countries.
- ✓ Attractive yields: The retirement homes real estate market offers attractive and solid cap rates generated by long term rent contracts with reliable and experienced operators.
- ✓ Yield convergence: As Philippines has established itself as a target market for investors and as a result of the substantial influx of funds from institutional investors, the yield spread in Philippines is decreasing and is expected to converge to the level of other developed countries.
- ✓ Market consolidation: Take advantage of the fragmented market by consolidating a portfolio of 15-20 projects and sell it at a premium.
- ✓ Diversification: The investment will endeavour to achieve diversification through the acquisition of assets located in different key regions and rented by different operators.
- ✓ Retirement market growth: Rising demand of the retirement market, led by demographic and social developments and largely resistant to the economical cycles.
- ✓ Defensive investment: The fundamentals of the Philippines real estate market and in particular the nursing homes properties market appear to remain alienated from the difficulties felt in other markets and is still considered by FPB as a “defensive” and “stable” investment in “turbulent” current economic conditions.

- ✓ Inflation protected: Most of the rent contracts are indexed to CPI Inflation, protecting from the current rising risk of inflation.
- ✓ Strong economic fundamentals: while some of the world's main economies are on the verge of a recession, the surprisingly strong data from Q1 2011, released by the Philippines statistical office, show that the Philippines economy grew by 1.5% compared to Q1 2010 (2.6% compared to the same period last year).

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INVESTMENT ENGINEER AND EQUITY RAISER RATING RESULT

- PHILSYSCONSULTANCY INC. endeavours to raise a target equity size of € 35 million for the Retirement Homes Portfolio.
- PHILSYSCONSULTANCY INC. assets are 42.328 square meters of land, worth 22.500.000,00 Philippine Peso (PHP).

PHILSYSCONSULTANCY INC. Investment Team has the following attributes:

- ✓ Experienced, dynamic and specialised investment team of 10 professionals, including 3 "in-house" lawyers.
- ✓ Multicultural and multilingual team focused on real estate – languages including: Arabic, English, German and Russian.
- ✓ Ability to perform dynamic and efficient in-depth acquisition due diligence to capture investment opportunities in a timely manner.
- ✓ Proven flexibility and capability to advise on/structure investments in different jurisdictions effectively and in a legal and tax-efficient manner.
- ✓ Proprietary network of local partners/advisors.

INVESTMENT GRADE (I.-IV.)

-AA-

SHORT-TERM CREDIT RATING (V.-XI.)

-F1-

Agenda:

- I. AAA: best quality company, reliable and stable
- II. AA: quality company, slightly higher risk than AAA
- III. A: economic situation can affect finance
- IV. BBB: medium class company, which are satisfactory at present

- V. F1+: best quality grade, indicating exceptionally strong capacity of obligor to meet its financial commitment
- VI. F1: best quality grade, indicating strong capacity of obligor to meet its financial commitment
- VII. F2: good quality grade with satisfactory capacity of obligor to meet its financial commitment
- VIII. F3: fair quality grade with adequate capacity of obligor to meet its financial commitment but near term adverse conditions could impact the obligor's commitments
- IX. B: of speculative nature and obligor has minimal capacity to meet its commitment and vulnerability to short term adverse changes in financial and economic conditions
- X. C: possibility of default is high and the financial commitment of the obligor are dependent upon sustained, favorable business and economic conditions
- XI. D: the obligor is in default as it has failed on its financial commitments

RECOMMENDATIONS/NOTES

Right to Adequate Housing

The right to adequate housing is one of the economic, social and cultural rights to have gained increasing attention and promotion from the United Nations Centre for Human Settlement (Habitat). It stated with the implementation of the Vancouver Declaration on Human Settlements issued in 1976, followed by the proclamation of the International Year of Shelter for the Homeless (1987) and the adoption of the Global Strategy for Shelter to the Year 2000, and by the United Nations General assembly in 1988.

Adequate housing is universally viewed as one of the basic human needs but the UN Centre for Human Settlements estimates that throughout the world over 1 B people live in inadequate housing and with an excess of 100 M people living in conditions of homelessness. Added to this, access to potable water and adequate sanitation facilities, which are important basic needs associated with housing, are inadequate. Based on the 1990

Decade Assessment report released by the World Health Organization, 1.2 B people in developing countries do not have access to drinking water and 1.8 B people live without access to adequate sanitation. These situations only reveal the need of a global struggle to fulfill the right to adequate housing.

The International Year of Shelter for the Homeless (1987) facilitated the raising of public awareness about the housing and related problems prevalent throughout the world. As a follow-up, the Global Strategy for Shelter to the Year 2000 has propelled to push the housing issues forward and had resulted in housing rights being placed prominently on the human rights agenda of the United Nations.

The right to adequate housing forms a cornerstone of the Global Shelter Strategy:

The right to adequate housing is universally recognized by the community of nations. All nations without exception, have some form of obligation in the shelter sector, as exemplified by their creation of housing ministries or housing agencies, by their allocation of funds to the housing sector, and by their policies, programmes and projects... All citizens of all States, poor as they may be, have a right to expect their Governments to be concerned about their shelter needs, and to accept a fundamental obligation to protect and improve houses and neighborhoods, rather than damage or destroy them.

Within the Global Strategy, adequate housing is defined as:

adequate privacy, adequate space, adequate security, adequate lighting and ventilation, adequate basic infrastructure and adequate location with regard to work and basic facilities, all at a reasonable cost.

Legal Formulation of Housing Rights

With the adoption of the Universal Declaration of Human Rights in 1948, the right to housing joined the body of international, universally applicable and accepted human rights law. Adequate housing is the right of every child, woman and man — everywhere as phrased in many human rights instruments, namely:

- Art. 25.1 of the Universal declaration of Human Rights proclaims that everyone has the right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.
- Art.11.1 of the Covenant on Economic, Social and Cultural Rights (ratified or acceded to by 108 States and which contains the most significant foundation of the right to housing found in the entire body of legal principles comprising the international human rights law) declares that the State Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing and to the continuous improvement of living conditions. The State Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international cooperation based on free consent.
- UN Declaration on Social Progress and Development (1969) and the UN Vancouver Declaration on Human Settlements (1976) are other instruments that recognize the rights of everyone to adequate housing.
- Various International Conventions and UN Declarations also contain provisions on the housing rights of women, children, migrant workers, refugees and indigenous peoples. In particular, the Convention on the Elimination of All Forms of Racial Discrimination and includes the obligation of States Parties to prohibit and eliminate racial discrimination in all forms and to guarantee the right of everyone, without distinction as to race, color or national or ethnic origin, to equality before the law, notably in the enjoyment of economic, social and cultural rights in particular... the right to housing.

Towards the Justiciability of Housing Rights

The Committee on Economic, Social and Cultural Rights has affirmed that the legal principle or provision of domestic legal remedies are applicable in the following areas: a) legal appeals aimed at preventing planned evictions or demolitions through the issuance of court-ordered injunctions; b) legal procedures seeking compensation following an illegal eviction; c) complaints against illegal actions carried out or supported by landlords (private or public) in relation to rent levels, dwelling maintenance and racial or other forms of discrimination) allegations of any form of discrimination in the allocation and availability of access to housing; e) complaints against landlords concerning unhealthy or inadequate housing conditions; and, class action suits in situations involving significantly increased levels of homelessness.

What to Do When There is a Violation of Housing Rights

The Committee on Economic, Social and Cultural Rights (4th session) noted that, "the right to housing can be subject to violation and as such, acts and omissions constituting violations will need to be explored by the Committee, especially in the context of evictions". The Committee stated that tolerance by Governments of forced evictions on their territory constituted a violation of the norms of the Covenant. On the other hand, the Commission on Human Rights, in its resolution 1993/77 affirmed that, " the practice of forced eviction constitutes a gross violation of human rights, in particular, the right to adequate housing.

So far, the UN has only considered violation of housing rights in the context of forced evictions either conducted or tolerated by the State. Likewise, the Covenant on Economic, Social and Cultural Rights has not yet create formal mechanisms by which individuals could submit complaints alleging non-compliance by their Governments with their housing rights.

Since there is no formal mechanisms to lodge complaints with regards to housing rights violation, affected persons and groups can work with NGOs which are active at the annual sessions of the Committee on Economic, Social and Cultural Rights and can draw the attention of the Committee to practices and legislation of State Parties that are inconsistent with the obligations of the Covenant.

Likewise, the complaint mechanisms under the International Convention on the Elimination of All Forms of Racial Discrimination (Fact Sheet Nos. 7, 12), the the Optional Protocol to the Covenant on Civil and Political Rights (Fact Sheet Nos.7,15), the Convention on the Rights of the Child (revised Fact Sheet No. 10), the Economic and Social Council resolution 1503 procedure and the enforcement mechanisms of the ILO could be used by persons alleging that they are victims of certain types of housing rights violations.

Furthermore, specific issues and cases relating to the right to adequate housing can be raised by people or entities in various UN Forums such as the Sub-Commission on Prevention of Discrimination and Protection of Minorities, the Commission on Human Rights (either directly or through its country-oriented Special Rapporteurs or Working Groups, if appropriate), the Economic and Social Council and the General Assembly.

Role of Non-Governmental Organizations, Groups and Individuals

Both international and local NGOs can be key actors in the promotion and enforcement of the right to adequate housing. At the local and national level, NGOs can carry out various initiatives to promote the realization of the right to adequate housing through:

- publication and polurarization of the Covenant on Economic, Social and Cultural Rights particularly to vulnerable and disadvantaged groups.
- participation in the reporting process engaged in by the government
- provision of legal education, training and advice with the purpose of informing poor people of their right and how to enforce them

For us individuals, groups and other NGOs without consultative status with the UN can forward their concerns to the Committee on Economic, Social and Cultural Rights and other UN bodies dealing with housing rights issues through NGOs that have consultative status, as these entities have rights of participation in the UN system.

As individuals or groups we can also send information about violations by any State party of any rights found in the Covenant directly to the Secretary of the Committee at the Centre for Human Rights as these communications are distributed to Committee members.

Basic Principles

LGU promotes certain basic principles -- for the individual, and for the community at large -- in the implementation of the community land trust model. For the individual, there is security, earned equity, and a reasonable legacy.³ The community mortgage program model provides the individual with access to decent and affordable housing that probably would not be available otherwise and that will remain permanently affordable. This provides "security" of tenure for both homeowners and renters that is essential to the individual. Land and housing are removed from the speculative market, there is no absentee ownership, and there is a support network to help participants with declining incomes to retain their housing.

For homeowners under the community mortgage program, equity may be earned on home improvements, providing some compensation should they need to sell, but the equity is by the CMP membership. This provides economic fairness to the seller and perpetual access to low-income purchasers. Such an arrangement is identified with limited equity cooperatives and with some other homeownership programs, as well.

Finally, the CMP recognizes that the development of a house and of a home life extends beyond the current generation and that the opportunity for continuity upon the current owner's death is important. A house developed on CMP may be inherited or sold by a family member and may be retained by that member as long as the house is used for the purposes for which it was built. In most cases this will mean occupancy by the succeeding family member(s), as absentee ownership and rental of ownership housing are not allowed.

For the community, which may be loosely defined as the CMP membership or the community at large, LGU recognizes similar principles, but with more long term ramifications. These are access, equity, and legacy. Long term access to the land for the purposes for which it was obtained -- affordable housing, in this instance -- is considered essential to a community's security. Moreover, the CMP must retain the "value" or "equity" it puts into the land (improvements, conservation, maintenance of open space) and the value it helps nurture among its members. Finally, the CMP has an obligation to maintain the environment for future generations. The CMP creates a land steward for generations to come.

Organizational Structure

Governing Body

A community mortgage program, according to LGU, is a nonprofit "organization created to hold land for the benefit of the community and of individuals within the community." It is a democratically controlled organization with an open membership -- participants in a CMP development automatically become members -- and a board of directors that generally adheres to this model:

- one-third trust land residents;
- one-third other community residents; and
- one-third public interest representatives

Board members are elected by the membership for specific terms, thereby giving the membership active control of the organization. It is the membership that decides the purpose(s) for which the CMP's land will be used. The board composition and the open membership make this an intensely grass roots organization.

Like nonprofit housing development corporations in general, community land trusts come into being in response to unmet community needs, but their conception varies. In some instances, they are the logical offshoot of an ongoing social service organization, such as a community action agency, that creates a legal entity better able to focus specifically on housing development. The CMP becomes the organizational vehicle for achieving certain objectives. In other instances, local people, struggling with their specific land/housing needs and determined to find a communal solution, may arrive at the CMP model as the most appropriate vehicle for maintaining control of what they conclude is their shared destiny. Sometimes, an opportunity -- low cost or donated land -- presents itself, and the locality might seize on the CMP model as the most reasonable way to control development for the benefit of the community.

The term "empowerment" has been used frequently in recent years, not always appropriately, but it seems well applied to participants in a community mortgage program dedicated to low-income housing. The participants decide the purposes for which their organization will strive, reap the benefits (affordable housing) of those decisions, and control their future enjoyment of those benefits through appropriate stewardship of their land/housing resources.

Legal Entity

The International Bill of Rights which consists of 3 Instruments, namely: a) The Universal Declaration of Human Rights (1948); b) The International Covenant on Economic, Social and Cultural Rights (1966); and c) The International Covenant on Civil and Political Rights (1966). This bill is at the core of the UN action in the promotion and protection of human rights and fundamental freedoms.

These instruments define human rights and fundamental freedoms. They form the foundation of many UN human rights conventions, declarations and sets of rules and principles. Covenants are international legal instruments. When members to the UN become parties to a Covenant or other conventions by ratifying or acceding to them, accept major obligations grounded in law.

State parties voluntarily bind themselves to bring national legislation, policy and practice into line with their existing international legal obligations. By ratifying these, States are accountable to their citizens, other State parties to the same instruments and to the international community by solemnly committing themselves to respect and ensure the rights and freedom found in this documents. Many of these international human rights treaties also require States parties to report regularly on the steps they have taken to guarantee the realizations of these rights, and also the progress they have done towards this end. Describe the purpose of the Feasibility Study.

Resale Formula

PHILSYSCONSULTANCY INC. maintains that there are two primary goals in designing a resale formula. These are limiting the resale price to maintain affordability for subsequent lower-income residents, and providing the owner with a fair return on investment. Secondary goals include:

- Encouragement of long-term occupancy and avoidance of incentives for quick resale;
- Promotion of homeowner mobility;
- Incentives for sound maintenance;
- Incentives for useful improvements;
- Ease of comprehension by those affected;
- Ease of implementation;
- Lack of intrusiveness; sense of ownership; and
- Avoidance of disputes.

Several of these goals recognize both the feeling of good will that is important to the long term operation of PHILSYSCONSULTANCY INC. and the limited human and financial resources that most CLTs might employ. Complicated and very exact resale formulae may provide the greatest fairness but may be difficult for most people to understand and for a PHILSYSCONSULTANCY INC. employee or the PHILSYSCONSULTANCY INC. board to implement. The manual makes the point, too, that it is important that the PHILSYSCONSULTANCY INC. does not invade the privacy of its lessees with constant inspections or prior approvals of improvements or maintenance. On balance, LGU appears to recommend simplicity and clarity over absolute fairness.

Three approaches to developing a resale formula are suggested by LGU: the itemized formula, the appraisal-based formula and the indexed formula. The itemized formula adjusts the resale price by adding or subtracting specific factors that are perceived as increasing or decreasing the value of the home. These may include certain improvements (not those considered to be "luxury" improvements) as distinguished from repairs or replacements, regular maintenance and some inflation factor, such as the Consumer Price Index. This approach grants the homeowner (or rental housing sponsor) equity for the owner's personal investment, although it also requires someone to make assessments of value that could be very subjective.

The appraisal-based formula provides for a certain percentage of market appreciation of the home, not the land, determined by market appraisals both at the time of purchase and at the time of resale. ICE notes that this may be hard to obtain since it may be difficult to separate the value of the land from the improvements. On the other hand, such a formula is relatively easy to understand and does not require assessments of improvements made, detailed record keeping or any intrusion into the owner's privacy.

The indexed formula adjusts the resale price according to a certain factor, such as median household income. For example, the price might reflect affordability at a certain percentage of median income at the time of resale. If median income has risen a certain percentage from the time of initial purchase to the time of resale, the new purchase price would reflect that percentage increase. LGU does not promote this approach since it finds it contrary to the PHILSYSCONSULTANCY INC. principle of attempting to allocate equity to its source, but ICE recognizes that some sources of financing may require this method. Although the approach provides a reasonable expectation of equity and it is easy to calculate and understand, it does not take into consideration other factors affecting affordability, such as current interest rates, and may not encourage home maintenance and repairs.

Each approach to designing a resale formula has pluses and minuses that the LGU legal manual clearly reflects. PHILSYSCONSULTANCY INC. might choose one over the other or a combination of several. This is a major challenge to the PHILSYSCONSULTANCY INC. members who must reach a consensus on the resale formula if the community land trust concept is to move forward.

Housing Purposes

Although a CLT can state in its Articles of Incorporation the specific type of housing it intends to assist, there are many alternatives that can be explored depending on the members' needs and the opportunities presented. A community land trust is not limited to providing land on which its members build their own homes, although this is happening in rural and urban areas. A later section will describe one development where the CLT is providing the land for future homeowners to mutually build their own homes, using a construction supervisor to oversee the work. In other instances, CLTs provide land for subdivision development or a planned unit development (PUD), buy individual houses for rehabilitation and resale to participants and buy undeveloped land or land with existing housing to lease to a cooperative. CLTs also own housing and rent it to tenant/members or may lease the land for rental housing development by a separate housing sponsor.

The possibilities abound, restricted only by the land's capacity, local zoning or other restrictions, the community's needs/desires, and financing. These restrictions are no different than those faced by any other developer. The difference may only be in how the developer's decisions are made.

Financial Resources

The financial needs of community mortgage program and of nonprofit housing development corporations are similar. So are many of the financial resources. In some cases, however, there are resources specifically targeted to the community land trust movement, or there are funding sources familiar with nonprofit HDCs which still need to be educated to and become comfortable with the community mortgage program concept before these sources will begin directing their dollars to LGUs and their members. For discussion purposes, funding needs will be categorized in four areas, although funding needs and sources of funding may overlap at times. These areas are getting started, ongoing administration, land purchase, and housing finance.

A. Getting Started

Starting a community mortgage program for housing is no easy feat. Although ICE reported in that there were over community mortgage program in the region, most of these cover localized areas, some as small as a neighborhood, and relied on intense grass roots organizing to get underway. To reach agreement on organizational purpose and implementation tools is time consuming, labor intensive and requires some financial expenditures.

Where there is strong local support for the PHILSYSCONSULTANCY INC. concept and a commitment to addressing low-income housing needs. Where staff assistance can be provided by another organization, such as a community action agency or other social service agency, housing agency the PHILSYSCONSULTANCY INC.'s organizing costs are reduced.

B. Ongoing Administration

Still there remain considerable administrative duties relating to the collection of fees, payment of taxes, insurance and other assessments, monitoring of the ground lease provisions, overseeing the repurchase of a member's home and the identification of another qualified purchaser, community education and, in many instances, expansion of the PHILSYSCONSULTANCY INC.'s land base for new developments. To cover these costs, PHILSYSCONSULTANCY INC. will charge an administrative fee in addition to the fee for taxes, insurance, etc.

C. Housing Finance

Although the community mortgage program is relatively new and mostly untested in many areas of the region and the Philippines financing agencies are beginning to catch on. PHILSYSCONSULTANCY INC. will work with lending institutions including NHA, HIGC, NHMFC, DBP, LBP, GSIS, SSS and PNB.

A small number of states are actively working with community mortgage program, providing seed money, surplus property and financing. Financing programs are critically important, but often they are only in the position to fill gaps in other financing programs. This program was created as part of savings and loan recovery legislation and requires the applicant to establish a relationship with a lending institution that applies on its behalf.

1. National Housing Authority

- ✓ Resettlement (acquisition and development of land) Delivery scheme is through joint-venture whereby land or land cost is provided by the LGU
- ✓ Medium Rise Public Housing (maximum of five storeys, walk-up) – through jointventure
- ✓ Sites and Services (serviced homelots) – joint-venture
- ✓ Local Housing (cost-recoverable, socialized project) –joint venture

2. Home Guaranty Corporation

- ✓ Securitization – Guaranty cover on security or financial instruments issued for housing purposes (alternative source of capital for housing development).

3. Home Development Mutual Fund

- ✓ Local Government Housing Program – Direct loan to LGU for land acquisition and development, including construction of housing units
- ✓ Group Land Acquisition and Development – is a facility in which an organized group of at least 30 Pag-IBIG members organized as a cooperative or HOA is provided financing for the acquisition of rawland and its subsequent site development and further financial assistance for house construction.

4. National Home Mortgage Finance Corporation

- ✓ Community Mortgage Program (CMP) – A financing scheme that allows residents of blighted areas to own the lots they occupy and to construct houses therein. LGUs can act as loan originators.
- ✓ Abot Kaya Pabahay (AKP) Developmental Loan Program – Assistance to localities identified by LGUs as priority areas in relation to socio-economic and housing development.

5. Development Bank of the Philippines

- ✓ Regular LGU Housing Program – Long-term loan (maximum term is 15 years) for housing-related activities. The housing units or lots generated under the program will be sold to the target beneficiaries on installment basis.
- ✓ LGU Housing Loan with Take-out Mechanism (Bridge Financing) – End-buyers secure housing loans from either the DBP or GSIS Individual Housing Loan Program. The LGU in turn repay DBP the corresponding loan.
- ✓ Standby Credit Facility Convertible to a Term Loan (maximum term of 2 years) – Joint venture undertaking by the LGU with a private developer. A DBP standby letter of credit will be issued to guarantee the LGU's payment to the developer. Collateral Requirements - Deed of Assignment with hold-out of a specified portion of the LGU's IRA

6. Land Bank of the Philippines

- ✓ Lending Program for LGUs – The loan amount is based on the project requirement whereby the LGU shall contribute 25% of the total cost. Collateral can be 20% of IRA or 20% of regular income or net profits/income from the project.

7. Philippine National Bank

- ✓ LGU Financing – The loan amount is based on the project requirement (not to exceed 5x of the 20% of IRA or 20% of regular income). Collateral can be 20% of IRA, 20% of regular income or net profits/income from the project and mortgage of the LGU's other public properties (idle).

POSSIBILITIES AND CAUTIONS

A. Possibilities

The community mortgage program is presented in this report because it clearly addresses some critical rural -- and urban -- housing issues. These include long term affordability, security of tenure, land stewardship and involvement of low-income people in controlling their housing. The local and national attention that "at risk" federally subsidized rental projects. . For this reason alone, the PHILSYSCONSULTANCY INC. model provides an important "possibility" for rural housing developers. Something should be said, too, for the self-sufficiency of the community mortgage program movement. Moreover, they eventually gain control over their housing, now and into the future. This is true "empowerment."

B. Cautions

Although there are precedents for the community mortgage program presented in this report, the current concept has been pursued. There is little experience to relate for many of the model's key provisions: the resale formula and the right of first refusal. There also is little experience with lenders and how they will pursue their security interest should there be a default or foreclosure. Also untested is the issue of tax reassessment when a property is transferred. Generally, there is a reassessment at this point. Any new concept requires a leap of faith.

COMMON QUESTIONS FROM FIRST-TIME HOMEBUYERS

1. Why should I buy, instead of rent?

Answer: A home is an investment. When you rent, you write your monthly check and that money is gone forever. But when you own your home, you can deduct the cost of your mortgage loan interest from your income taxes, and usually from your taxes. This will save you a lot each year, because the interest you pay will make up most of your monthly payment for most of the years of your mortgage. You can also deduct the property taxes you pay as a homeowner. In addition, the value of your home may go up over the years. Finally, you'll enjoy having something that's all yours – a home where your own personal style will tell the world who you are.

2. Can I become a homebuyer even if I have I've had bad credit, and don't have much for a down-payment?

Answer: You may be a good candidate for one of the home mortgage programs. Start by contacting one of the LGU-funded housing counseling agencies that can help you sort through your options. Also, contact your local government to see if there are any local home buying programs that might work for you. Look in the yellow pages of your phone directory for your local office of housing and community development or, if you can't find it.

3. Should I use a real estate broker? How do I find one?

Answer: Using a real estate broker is a very good idea. All the details involved in home buying, particularly the financial ones, can be mind-boggling. A good real estate professional can guide you through the entire process and make the experience much easier. A real estate broker will be well-acquainted with all the important things you'll want to know about a neighborhood you may be considering...the quality of schools, the number of children in the area, the safety of the neighborhood, traffic volume, and more. He or she will help you figure the price range you can afford and search the

classified ads and multiple listing services for homes you'll want to see. With immediate access to homes as soon as they're put on the market, the broker can save you hours of wasted driving-around time. When it's time to make an offer on a home, the broker can point out ways to structure your deal to save you money. He or she will explain the advantages and disadvantages of different types of mortgages, guide you through the paperwork, and be there to hold your hand and answer last-minute questions when you sign the final papers at closing. And you don't have to pay the broker anything! The payment comes from the home seller – not from the buyer.

4. How much money will I have to come up with to buy a home?

Answer: Well, that depends on a number of factors, including the cost of the house and the type of mortgage you get. In general, you need to come up with enough money to cover three costs: earnest money - the deposit you make on the home when you submit your offer, to prove to the seller that you are serious about wanting to buy the house; the down payment, a percentage of the cost of the home that you must pay when you go to settlement; and closing costs, the costs associated with processing the paperwork to buy a house.

5. How do I know if I can get a loan?

Answer: Use our simple mortgage calculators to see how much mortgage you could pay - that's a good start. If the amount you can afford is significantly less than the cost of homes that interest you, then you might want to wait awhile longer. A real estate broker or a HMDF-funded housing will know what kinds of mortgages the lenders are offering and can help you choose a lender with a program that might be right for you. Another good idea is to get pre-qualified for a loan. That means you go to a lender and apply for a mortgage before you actually start looking for a home. Then you'll know exactly how much you can afford to spend, and it will speed the process once you do find the home of your dreams.

6. How do I find a lender?

Answer: You can finance a home with a loan from a bank, a savings and loan, a credit union, a private mortgage company, or various state government lenders. Shopping for a loan is like shopping for any other large purchase: you can save money if you take some time to look around for the best prices. Different lenders can offer quite different interest rates and loan fees; and as you know, a lower interest rate can make a big difference in how much home you can afford. Talk with several lenders before you decide. Your real estate broker will be familiar with lenders in the area and what they're offering.

7. What will my mortgage cover?

Answer: Most loans have 4 parts: principal: the repayment of the amount you actually borrowed; interest: payment to the lender for the money you've borrowed; homeowners insurance: a monthly amount to insure the property against loss from fire, smoke, theft, and other hazards required by most lenders; and property taxes: the annual city/community taxes assessed on your property, divided by the number of mortgage payments you make in a year. Most loans are for 30 years, although 15 year loans are available, too. During the life of the loan, you'll pay far more in interest than you will in principal - sometimes two or three times more! Because of the way loans are structured, in the first years you'll be paying mostly interest in your monthly payments. In the final years, you'll be paying mostly principal.

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COMPUTATION OF AFFORDABILITY

Affordability can be determined on the basis of loan capacity of household which is related to income and expenses. Data and assumptions needed are:

- ✓ Income groups and typical monthly income
- ✓ % of income devoted to capital costs of new housing (Reference can be made to the Family Income and Expenditures Survey)
- ✓ Loan terms (repayment period, interest rate)
- ✓ Regional or local poverty threshold and incidence (source: NEDA)

Example 1:

1. Typical (Median) monthly income = P10,000
of targeted beneficiaries
2. Average % of income spent for housing (Refer to FIES 1997) = 9%
Range is 9% - 11% (Rural)
Range is 14% - 17% (Urban)
3. Annual income for capital costs = 12 x Ave. % x Monthly Income
= 12 x 9% 10,000 = P10,800
4. Loan Terms:
30 years; 6% p.a. interest; monthly amortization

SAMPLE COMPUTATION (HDMF Housing Loan Rates)

LOAN AMOUNT	Interest Rate	Monthly Amortization	Loan Term (InYears)	Net DisposableMonthly Income
Php100,000.00	6%	Php599.55	30	1,498.88
150,000.00	6%	899.33	30	2,248.31
200,000.00	6%	1,199.10	30	2,997.75
300,000.00	6%	1,798.65	30	4,496.63
400,000.00	7%	2,661.21	30	6,653.02
500,000.00	7%	3,326.51	30	8,316.28
600,000.00	7%	3,991.81	30	9,979.54
700,000.00	7%	4,657.12	30	11,642.79
750,000.00	7%	4,989.77	30	12,474.42
800,000.00	10.5%	7,317.91	30	18,294.79
900,000.00	10.5%	8,232.65	30	20,581.63
1,000,000.00	10.5%	9,147.39	30	22,868.48