



23 JAN 31 P4 :24

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

RECEIVED BY:

SENATE
S.B. No. 1824

Introduced by **SENATOR IMEE R. MARCOS**

AN ACT
PROMOTING LAND VALUE CAPTURE IN THE PHILIPPINES, AND
APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE

Article II, Section 25 of the 1987 Constitution provides that, "The State shall ensure the autonomy of local governments. Moreover, Article II, Section 9 states that the State shall promote policies that provide adequate social services.

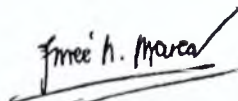
The insufficient infrastructure of the country is threatening the country's economic growth. In 2017, JICA reported that economic loss due to congestion in Metro Manila is estimated to be Php 3.5 billion on lost opportunities per day, which is higher than their 2012 estimate of Php 2.4 billion per day. The government is trying to fill the infrastructure gap of the country through the "Build Build Build" Program, projected to be an 8.4 trillion peso undertaking. However, the expected expenditure on Republic Act No. 11223 or the "Universal Healthcare Act", Republic Act No. 10931 or the "Universal Access to Quality Tertiary Education Act" and other social programs of the government threatens to jeopardize infrastructure spending. As such, there is a need for government to consider alternative methods of financing.

One underutilized source of financing in the country is land, which is ironically the country's biggest financial asset, accounting for 50% to 75% of the national wealth. The Local Government Code of 1991 gave the power to tax land value to local government units (LGUs). However, LGUs were not able to maximize revenues associated with land value, as real property taxes contribute only about 31% of LGU's local sources, with 116 out of 286 municipalities (40%) remaining dependent on their Internal Revenue Allotment (IRA). Given the current government mandate of decentralization and fiscal reform, the current situation needs to be addressed.

According to the World Bank, two global cities in Asia, which are Hong Kong and Tokyo, provide cases of successful large-scale development-based land value capture as a strategic apparatus for sustainable urban finance and development. They have been applying it not only to recoup the costs of mass transit construction, operation, and maintenance but also to support their transit-oriented development for sustainable urban development. The Asian Development Bank further states that any fees, charges, or contributions made via land value capture to mass rapid transit funding and other infrastructure are only a relatively minor portion of the benefits received by beneficiaries – either directly or less directly from better transit and growing cities. In other words, property owners and the private sector have nothing to lose through this mechanism, and everything to gain.

Therefore, the failure of the LGUs to implement a land value capture mechanism is a great disadvantage to the government since it is an additional clear source of funding. The proposed measure aims to address this by clarifying and facilitating the mechanism in which special levies can be imposed.

Therefore, the immediate passage of this bill is respectfully sought.


IMEE R. MARCOS

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

1 **SECTION 1.** *Short Title.* – This Act shall be known as the
2 “*Land Value Capture Act*”.

3
4 **SEC. 2.** *Development of Special Levy Standards.* – Notwithstanding the
5 provisions of any law to the contrary, the Bureau of Local Government Finance (BLGF)
6 shall develop, adapt, maintain, and implement uniform valuation standards which shall
7 be used by all appraisers and assessors in the Local Government Units (LGUs) in the
8 imposition of special levies. The valuation standards shall conform with internationally
9 accepted valuation standards and principles.

10
11 **SEC. 3.** *Administering Special Levies.* – An LGU, acting alone or in partnership
12 with other LGUs or implementing agencies, may impose a special levy on the lands
13 comprised within its territorial jurisdiction benefited by public works projects or
14 improvements funded by the local government unit concerned: Provided, That the
15 special levy shall not apply to residential lands, lands exempt from basic real property
16 tax and the remainder of the land portions of which have been donated to the LGU
17 concerned for the construction of such projects or improvements.

18
19 **SEC. 4.** *Special Levy District.* – The LGU imposing a special levy must define a
20 special levy district from which the special levy will be collected, the area of which shall
21 not lie more than two (2) kilometers from the public work project or improvement
22 funded by the national government or the local government unit concerned. The

1 boundaries of the territory proposed for inclusion in the district shall include the entirety
2 of any parcel subject to the special levy. The proposed special levy district may contain
3 separate zones, which may consist of either contiguous or noncontiguous areas of land
4 within the district. The local government unit may fix different rates for different zones
5 in the district.

6
7 **SEC. 5. *Preparation of Special Levies.*** – The LGU assessor, with the assistance
8 of the BLGF and/or other administrative agencies, if needed, shall prepare the map of
9 the special levy district. They shall also estimate the revenue and payment impact of
10 the proposed special levy. The assessor shall thereafter prepare and submit the
11 revenue and tax impact report to the local chief executive for consideration.

12
13 The local chief executive shall transmit the special levy district map and the
14 revenue and payment impact report to the *Sanggunian* for the enactment of an
15 ordinance setting the appropriate special levy district and special levy rate. During the
16 *Sanggunian's* deliberations prior to the enactment of the special levy ordinance, it may
17 call upon the assessor to provide technical assistance and calculate the revenue and
18 tax impact of additional options in order to arrive at a desired level of revenue and
19 payment burden that the *Sanggunian* will adopt. The ordinance imposing a special levy
20 shall describe with reasonable accuracy the nature, extent, and location of the public
21 works projects or improvements to be undertaken, the estimated cost thereof, and the
22 number of annual installments for the payment of special levy, which in no case shall
23 be less than two (2) years nor more than ten (10) years). The concerned *Sanggunian*
24 shall enact the ordinance upon conduct of public hearings and proper consultations.

25
26 **SEC. 6. *Publication of Proposed Ordinance Imposing a Special Levy.*** – Before
27 imposing a special levy, the *Sanggunian* concerned shall conduct a public hearing
28 thereon; notifying by publication for three (3) consecutive weeks in a newspaper of
29 general circulation, as well as posting in the websites of the relevant local government
30 unit, the owners of the real property to be affected or the persons having legal interest
31 therein as to the date and place thereof and afford the latter the opportunity to express
32 their positions or objections relative to the proposed ordinance.

33
34 **SEC. 7. *Fixing the Amount of Special Levy.*** – The special levy authorized herein
35 shall be apportioned, computed, and assessed by the assessor concerned. Upon the
36 effectivity of the ordinance imposing special levy, the assessor concerned shall
37 forthwith proceed to determine the annual amount of special levy assessed against
38 each parcel of land comprised within the area especially benefited and shall send to

1 each landowner a written notice thereof by mail, personal service or publication in
2 appropriate cases.

3
4 **SEC. 8. *Implementing Rules and Regulations (IRR).*** – Within six (6) months
5 after the effectivity of this Act, the DOF, in consultation with the concerned parties,
6 shall issue the IRR for the effective implementation of this Act: Provided, That the
7 failure of the DOF to promulgate the said rules and regulations shall not prevent the
8 implementation of this Act upon its effectivity.

9
10 **SEC. 9. *Suppletory Application of Existing Laws.*** – The provisions of Republic
11 Act No. 7160, otherwise known as the "Local Government Code of 1991", and other
12 laws consistent with this Act shall have suppletory effect.

13
14 **SEC. 10. *Repealing Clause.*** – All laws, presidential decrees, executive orders,
15 presidential proclamations, rules and regulations or parts thereof contrary to or
16 inconsistent with this Act are hereby repealed, superseded or modified accordingly.

17
18 **SEC. 11. *Separability Clause.*** – If any section or provision of this Act shall be
19 declared unconstitutional or invalid, the other sections or provisions not affected
20 thereby shall continue to be in full force and effect.

21
22 **SEC. 12. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
23 complete publication in the Official Gazette or in a newspaper of general circulation.

Approved,