



PHILIPPINES 2000



## MEMORANDUM CIRCULAR

NO. 14

Series of 2006

**SUBJECT: GUIDELINES FOR THE USE OF LANDS, BUILDINGS AND SPACES OF DEPARTMENT'S PROPERTIES**

### I. Rationale

The Department of Social Welfare and Development is the owner of several patrimonial and donated properties located all over the Philippines. The inventory of the Task Force on Asset Management revealed that the Department has a total of one hundred thirteen (113) properties, either titled or untitled, situated in different parts of the country.

It is to the interest of the Department to develop these properties and maximize its use. However, given the limited resources to do so, the Department may allow other government agencies, non-government organizations, people's organizations and/or private corporations to use the properties which will redound to the benefit of the Department and its clientele.

### II. Legal Bases

Title II, Book II Civil Code of the Philippines.

Joint Circular No. 1, dated September 30, 1989, Manual on Policies, Standards, Guidelines and Issuances on Building Services and Real Property Management

Chapter 3, Letters E, F, G of Government Accounting and Auditing Manual, Volume II (Manual on the Lease of Lands, Buildings and Spaces)

### III. Objective

To prescribe guidelines for the use of the Department's properties by other national government agencies, local government units, non-government organizations, peoples' organizations and/or the private corporations.

### IV. Coverage

This guideline shall cover both titled and untitled real properties of the Department.

REPUBLIKA NG PILIPINAS  
KAGAWARAN NG KAGALINGANG PANLIPUNAN AT PAGPAPAUNLAD  
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## **V. Definition of Terms**

1. Lease – a contract whereby a person grants temporarily the use of a thing for an agreed consideration.
2. Lessor- the obligee in a contract of lease or one who rents out the premises to the obligor or the lessee. The Department, as lessor shall be represented by the official having custody and administration of the space, who is duly authorized by law to enter into contract. The lease contract shall be subject to approval of the official concerned.
3. Lessee - one who has a contract of lease with the owner of the premises. The head of the agency shall be represented by the official having control of the appropriation against which the contract shall be charged and the contract shall be subject to the approval off the head of the agency concerned.
4. Rent- compensation in money received by the lessor for the use of his land or property.
5. Usufruct- is a contractual arrangement where the owner gives another person the right to enjoy the property of another with the obligation to preserve its form and substance.
6. Usufructuary-the beneficiary of the Usufruct.
7. Joint Venture Agreement- is an Agreement which entails the sharing of resources, profits and risks by two or more agencies known as joint venture partners to the extent of their equity contributions in order to achieve a common purpose.

## **VI. Party to the Contract for the Department**

The Secretary through his/her duly authorized representatives which are as follows:

1. For Centrally Managed Properties, the Assistant Secretary for General Administration and Support Services.
2. For Properties under the jurisdiction of the Field Offices, the Regional Director.

The Secretary has the right to disapprove or rescind any contract entered into by the designated official, if it is found to be disadvantageous to the Department.

## **VII. General Guidelines**

1. The Department may allow other national government agencies, local government units, non-government organizations, cooperatives, peoples' organization and private corporations the use of its property through a contract of lease, usufruct or joint venture agreement.
2. The Department shall charge a reasonable rate of rental for the lease of Property. The rental shall be reviewed every two (2) years.
3. Improvements on the land shall accrue to the Department upon the termination of the contract.
4. There shall be no implied new contract when the period of the agreement or contract expires;
5. No new improvement shall be introduced on the property without the written approval of the Department. The lessee/usufructuary/joint venture partner shall not be entitled to indemnification for the improvements made in the property.
6. The lessee/usufructuary/joint venture partner cannot assign the property without the written consent of the Department, neither can it sublease the property.

## **VIII. Contract Form**

The draft contract should clearly define the basic and legal relationship between the Department and the other contracting party (lessee/usufructuary/joint venture partner).

The contract shall also contain the following stipulations:

1. Rights and responsibilities of the Contracting Parties
2. Costs of insurance
3. Mode and Manner of Payment
4. Liquidated Damages
5. Effectivity Date and Period of the Contract
6. Governing Law and Venue for Action

7. Force Majeure
8. Grounds for Contract Termination
9. Manner and Procedures for Dispute Settlement, including arbitration procedures

#### **IX. Duration of the Contract**

As a general rule, the duration of the agreement shall not exceed one (1) year and as far as practicable, shall not go beyond the end of any given year. However, the Department may enter into a long term agreement, provided that the same shall not exceed twenty five (25) years.

#### **X. Monitoring and Reporting**

1. The Management Division shall monitor contracts covering Department properties situated in the Field Offices. It shall submit a quarterly report to the Task Force on Asset Management on the status of said properties.

2. The Task Force on Asset Management shall monitor the properties which are centrally managed and render a quarterly report to the Undersecretary of the General Administration and Support Services Group on the status of said properties.

The Task Force shall consolidate the report from the Field Offices and submit a consolidated report to the Undersecretary of General Administration and Support Services.

3. All contracts entered into by the Field Offices must be submitted to the Asset Management for purposes of reporting and monitoring.

#### **XI. Separability Clause**

If a part of this Memorandum Circular has been declared to be unconstitutional or contrary to law, other provisions not affected shall continue to be in full force and effect.

#### **XIV. Effectivity**

This Memorandum Circular shall take effect after publication in the Official Gazette.

  
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Secretary *nlc*