



Kaagapay ng Komunidad sa Maginhawang Pamumuhay



SHFC Manual No. 2020 - 001
Series of 2020

SOCIAL HOUSING FINANCE CORPORATION CONSTRUCTION MANUAL

*Version <1.0>
December 2020*

THE SOCIAL HOUSING FINANCE CORPORATION

The Social Housing Finance Corporation (SHFC) was created through Executive Order No. 272 (E.O.272), which directs the transfer of the Community Mortgage Program (CMP), Abot Kaya Pabahay Fund (AKPF) Program, and other social housing powers and functions of the National Home Mortgage Finance Corporation to the SHFC.

Mandate

Under E.O. 272, the SHFC shall be the lead government agency to undertake social housing programs that will cater to the formal and informal sectors in the low-income bracket and shall take charge of developing and administering social housing program schemes, particularly the CMP and the AKPF Program (amortization support program and development financing program).

Vision

By 2022, SHFC shall have provided 530,000 organized homeless and low-income families with Flexible, Affordable, Innovative, and Responsive (FAIR) shelter solutions to their housing needs.

Mission

We empower and uplift the living conditions of underprivileged communities by Building Adequate Livable Affordable and Inclusive (BALAI) Filipino Communities through provision of FAIR shelter solutions in strong partnerships with the national and local government, as well as the civil society organizations and the private sector to support the underprivileged communities.


THE ENGINEERING GROUP (EG) & THE REGIONAL ENGINEERING DEPARTMENT (RED)

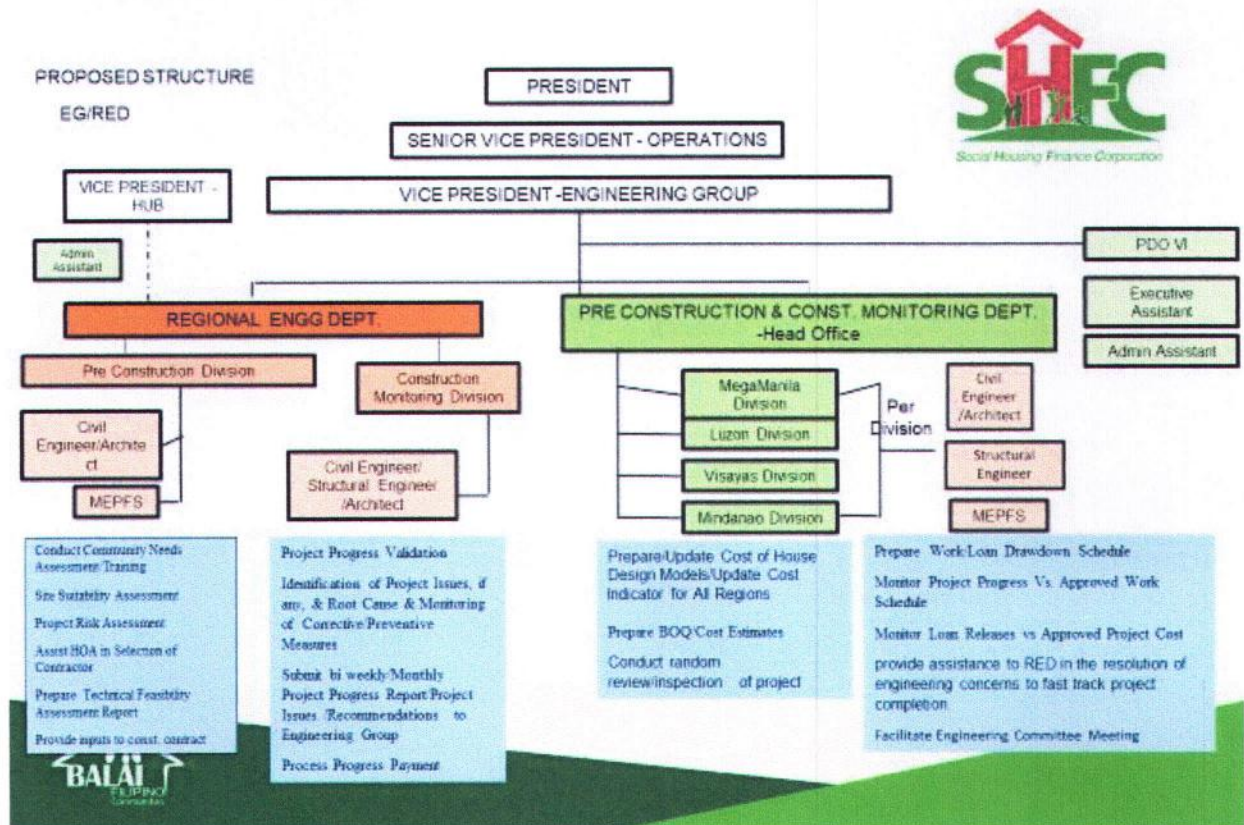
Vision

We shall become one of the trusted partners of the BALAI communities and Builders in developing safe, cost effective, and resilient housing.

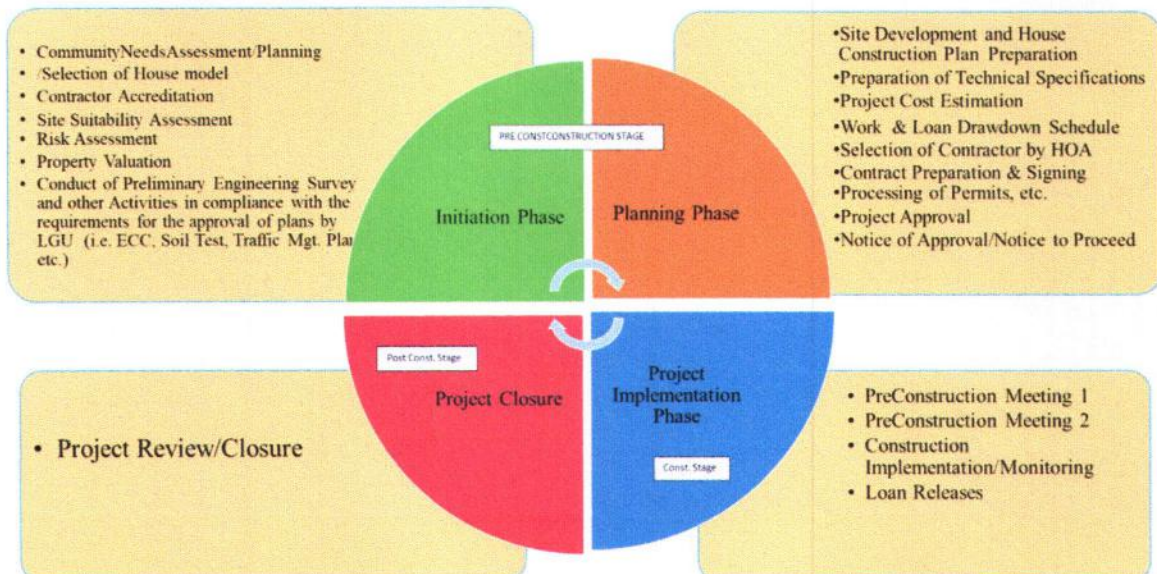
Mission

A team dedicated in providing fair, quality, and transparent technical service or assistance with utmost integrity and professionalism to Homeowners Association (HOA) and Builders towards timely completion of FAIR housing projects.


Engr. Elsa Juliana Calimlim



SHFC PROJECT IMPLEMENTATION CYCLE



SECTION 1. INTRODUCTION

Any undertaking takes off from a clear understanding of objectives and strategies toward which all efforts would be directed. Substantial appreciation of how the entire process works and of the rationale for all-inclusive activities and requirements is therefore deemed essential.

This Construction Manual (CM), which was prepared by the SHFC Engineering Group (EG) in coordination/consultation with the SHFC technical personnel, Management Committee and some members of the SHFC Board of Directors, describes the essential technical processes and requirements necessary to assess the site suitability for socialized housing development, to value the property to be posted as loan collateral, and to evaluate and implement the projects in accordance with the SHFC's various housing programs' terms and policies which include CMP modalities, High Density Housing, other national government agencies initiated socialized housing projects and Office of Civil Defense recovery housing projects.

It also provides templates and other pro forma documents to establish the groundwork of uniformity and guidance not only for the technical staff of SHFC but also for the use of non-technical SHFC staff involved in loan processing, releases and project documentations and for the HOA, Mobilizers, Contractors/Developers, and other Civil Engineers, Architects, Urban Planners who will work with SHFC projects to help them comply with the SHFC requirements.

Specific requirements not included in this manual shall refer to the existing provisions in the implementing rules and regulations of Batas Pambansa Blg. 220 (BP 220) and other applicable laws, local or national.

SECTION 2. PRE-CONSTRUCTION STAGE

The pre-construction stage encompasses all of the activities that must be completed prior to construction implementation. These include among others, coordination with Community Association for its needs and initial design concept, site and risk assessment, property valuation, preparation of site development plan, house design and technical specifications, setting of project cost and duration, selection of Contractor and LGU approval of plans and other technical documents.

2.1 Initial Phase

2.1.1 Community Needs Assessment

This process starts upon SHFC's receipt of loan application from the Community Association (CA). During this process, the who, what, where, and how the project shall be implemented must be discussed and decided upon by the CA in coordination with SHFC. While members of the CA have varying needs, they shall choose from the SHFC approved house design models subject to revisions depending on the site conditions and their preferences.



2.1.2 Site Suitability Assessment

The initial assessment of the site suitability shall be undertaken on the basis of information gathered from secondary sources such as geohazard maps provided through website by authorized government agencies like PHIVOLCS-DOST and DENR, statistical records, and other documents submitted by the HOA, Contractor/Developer/Builder, and Mobilizer while the firsthand information of the site's condition shall be obtained through site inspection.

All proposed project sites which shall be posted as collateral to the loan must be inspected by SHFC to assess its suitability to socialized housing development. The site inspection results shall likewise serve as reference in the property valuation and in the preparation of site development and building/house designs.

Site suitability assessment should be conducted upon receipt of the complete requirements listed under item 2.1.2.a and upon completion of initial hazard assessment. While this undertaking is one of the crucial parts of the procedures for loan processing and evaluation, it should cover, but will not be limited to, the site criteria and areas of concern enumerated under Section 2.1.2.b, 2.1.2.c and in the BP 220 guidelines.

Within fifteen (15) working days after ocular inspection, a report which shall include the complete site assessment results and recommendations shall be prepared and submitted by the concerned technical personnel to the Chief of Division and Manager of Regional Engineering Department for review and approval. Thereafter, the approved report with supporting documents and photos shall be immediately forwarded to the Office of the Vice President of the concerned Regional Operations for consideration and inclusion in the overall project evaluation for approval by the CRECOM, EXECOM, Board of Directors, whichever is applicable and to the Office of the Vice President of the Engineering Group for reference/random audit.

a. Checklist of Requirements

- Topographic Map, if sloping terrain
- Certified photocopies of titles (present, 1st back & 2nd Back) covering the property to be posted as loan collateral
- Copy of tax declaration & tax map
- Zoning Certification issued by the concerned LGU citing the land use classification of the property and the Sanggunian Resolution/ Ordinance approving the zoning and/or the reclassification of the subject property
- DENR-LMB/LRA approved Lot Plan/Subdivision Plan (lot boundaries must be provided with lot monuments or temporary fence prior to site inspection)
- Vicinity Map/Site Structure Plan showing the socio-economic facilities/



establishments within 2 to 5-km radius and distance from the Proposed CMP site

- Data on other Housing Projects (CMP/HDH/PRIVATE SUBDIVISION/LOTS) within 2 to 5-km radius
- Disaster Risk Reduction Management Plan signed by the authorized HOA & Barangay/City Official

b. Site Criteria/Areas of Concern

The proposed project site must have all the physical characteristics that will assure a healthful, safe, and environmentally sound community life and an essential security for the proposed loan. Therefore, the undertaking is aimed at gathering and validating information vis a vis the corresponding criteria such as:

PARAMETERS	CRITERIA
Property Location/boundaries	<p>Must be consistent with the metes and bounds appearing on the title, on the lot/subdivision plan issued by DENR LMB or /LRA and on the landmarks shown in the vicinity map submitted by the HOA/Mobilizer/Contractor.</p> <p>Must be accurately marked by temporary fence and/or lot monuments to minimize land dispute problems.</p> <p>Encroachments, occupants, and claimants must also be noted to avoid land conflicts.</p>
Physical Features - size, shape, terrain, elevation in relation to fronting street, waterways and mean sea level, soil condition, existing structures/vegetation (if any), road/alley obstructions, easement/setback requirement, structures occupying the open spaces/easements, etc.	Should not impose high cost of development and with assurance of structural stability for house/building construction.
Critical factors	<p>Must have minimum of at least 5 meters buffer zone on both sides of the fault trace or from its zone of deformation.</p> <p>Must be outside of the critical areas such as but not limited to the following:</p> <ul style="list-style-type: none"> ▪ very high susceptibility to hazard



PARAMETERS	CRITERIA
	<p>per DENR-MGB & PHIVOLCS maps.</p> <p>Otherwise, the HOA/Mobilizer/ Contractor must submit HOA and LGU Disaster Risk Reduction Management plans to reduce the impact of those identified hazards and a Certification from LGU/DRRM Office stating that the site is suitable for socialized housing development to ensure safety of the project beneficiaries.</p> <ul style="list-style-type: none"> ▪ garbage dump site, heavy industrial center and the like ▪ transmission line right-of-way ▪ large gullies/ravine and the like <p>Small gullies or depression (less than 1m in depth) within the proposed project site that serve as natural waterways for rainwater runoff or surface runoff and shall form part of the project's drainage system may be included as loan collateral with value, provided that control measures, if necessary, shall be undertaken to prevent gully erosion. The cost necessary to provide control measures must be considered in land valuation and in site development plan.</p> <p>However, those gullies or depression with running water even without rain, a certification must be secured from DENR stating the classification of the running water and the required legal easement, if any.</p> <p>On the other hand, small bodies of water such as river, creek, stream, and the like within/traversing the property as well as its easement may form part of the loan collateral but with zero value.</p>

PARAMETERS	CRITERIA
<p>Accessibility - classification of road right-of-way, its condition, type, width, and obstructions, if any, mode/availability of transportation must be established.</p>	<p>In no case shall a proposed project be approved and loan proceeds be released without necessary access road/right-of-way to a city, municipal, or barangay road. It must be legally established either through a Deed of Donation or execution of Grant of Road Right-of-Way in favor of the HOA.</p> <p>In case the landowner of the existing road cannot be found, if unknown, or deceased in cases where the estate has not been settled, after exerting due diligence, a certification from LGU must be secured stating the existing road being used as direct access to the site for a period of time and that it is being maintained by LGU for public use.</p> <p>The HOA may opt to include the acquisition of its access road as part of their loan, provided that the title covering the subject road lot is identified as private lot.</p>
<p>Project Utilities – (road type, width, and condition, facilities/project amenities, if any, drainage/sewerage system, source of water and power supply)</p>	<p>Must be of reasonable distance to local power, water, drainage and sewerage systems and drainage outfall.</p> <p>Must have a certification from the concerned utility provider as to power and water availability and the estimated cost requirement, if any. For the project to access the ERC No Cash Advance Requirement under its Distribution Services and Open Access Rules (DSOAR), the SHFC President must issue a certification (1 original and 2 certified true copy per MERALCO requirement) stating that the project is a SHFC- assisted socialized housing project.</p> <p>For resettlement sites, there must be a space provided for possible waste water treatment facility for future development.</p> <p>Legal right-of-way for the drainage outfall, if necessary, must be established prior to approval or release of loan.</p>



PARAMETERS	CRITERIA
	In the absence of any of these, definite alternative should be identified by the HOA/Developer/Contractor.
Land use classification	<p>Must be located within a non-agricultural zone area per City/Town Comprehensive Land Use Plan. Vegetation, if any, should complement with the proposed development. Otherwise, clearing should be undertaken.</p> <p>For resettlement projects, property that is classified as residential after June 15, 1988 must be covered by DAR Conversion Clearance.</p>
Presence of Other Developments and Support Facilities (distance from the subject property i.e., government and private offices, recreational facilities, hospitals, churches, public market, other housing development)	<p>Must be of considerable distance from basic support facilities and establishments such as town/city hall, school, hospital/health center, public market, religious center, park, etc.</p> <p>In the absence of community facilities and utilities, a prescribed area should be allocated within the project site for this purpose.</p> <p>Must be child and senior citizen friendly community</p>
Prevailing land usage in the neighborhood, population characteristics and trends, growth directions and level of employment and the highest and best use of the property.	Must be undoubtedly supportive of other land uses and activities in the project vicinity.



c. Usual Technical Challenges/Requirements

Challenges	Requirements
Susceptible to hazard/s per MGB & PHIVOLCS Hazard maps or reports	<p>Certification from LGU that the site is suitable for socialized housing development.</p> <p>Mitigating measures / actions taken by LGU / CA / Brgy.</p> <p>Disaster Risk Reduction Management plan (CA & Brgy. / Local government unit)</p> <p>General Assembly (CA, SHFC, LGU DRRM Office) to discuss potential hazards and mitigating measures.</p>
<p>Plotted lot configuration is an open polygon</p> <p>Closed polygon but computed area is not the same area appearing on the title and on the submitted subdivision plan</p>	<p>LRA/DENR-LMB approved technical description or approved lot data computation. If the approved technical description is the same technical description appearing on title, hire the services of Geodetic Engineer to rectify the technical description and to secure its approval from DENR-LMS/LRA</p> <p>Approved correction/s on technical description must be annotated in the existing title; OTHERWISE, new title with corrected technical description must be secured and submitted</p>
CMP area is just a portion of a large tract of land	<p>Technical description of the CMP area signed by GE and approved by LRA/DENR-LMB</p> <p>Lot plan showing the CMP area within the large tract of land signed by GE and approved by LRA/DENR-LMS</p>

Challenges	Requirements
<p>Soil erosion was noted</p> <p>Portion of the property/adjacent property has high elevation/steep slope</p>	<p>Lot plan showing the area affected by soil erosion and the net CMP area with the corresponding technical descriptions signed by GE and approved by LRA/DENR-LMS</p> <p>Certification issued by City Engineers' Office or Mines Geoscience Bureau stating whether or not the site is suitable for socialized housing development</p> <p><i>*protection measure must be provided where further soil erosion is possible</i></p> <p><i>Area affected by soil erosion may form part of the CMP area but no value</i></p> <p><i>Note: if there is a threat to life and loss of property that will require significant amount to complete riprapping/retaining wall, advise HOA to look for another site.</i></p>
<p>The property is located within/along/near fault line</p>	<p>Certification from PHIVOLCS stating the property's distance from the fault line and whether or not the proposed project site is safe/suitable for housing</p> <p>If not safe/suitable for housing (within the 5m buffer zone set by PHIVOLCS), advise HOA to look for another relocation site.</p> <p>If suitable, recommend resilient housing design.</p>

Challenges	Requirements
<p>Traversed by public road, NPC transmission line, railroad, irrigation canal, etc. or affected by government project.</p>	<p>Lot Plan showing the actual right-of-way of the public road, NPC transmission line, etc. and the technical description of the affected portion of property subject for CMP duly signed by a Geodetic Engineer</p> <p>Certification from the concerned agency stating whether or not the subject project is outside their required easement/right-of-way.</p> <p>If portion of the property is affected by right-of-way/easement, require technical descriptions of area affected and the net CMP area as well as the lot plan duly signed by GE and approved by DENR-LMS/LRA.</p> <p><i>Affected Area may form part of the CMP area but no value</i></p>
<p>Traversed by river/creek, drainage canal, etc.</p>	<p>Lot Plan showing the actual course of the river/creek, drainage canal, etc. and the technical description of the affected portion of property subject for CMP duly signed by a Geodetic Engineer to determine the area to be deducted from the CMP area</p> <p>Certification from the concerned agency stating whether or not the subject project is outside their required easement/right-of-way.</p> <p>If portion of the property is affected by right-of-way/easement, require technical descriptions of area affected and the net CMP area as well as the lot plan duly signed by GE and approved by DENR-LMS/LRA.</p> <p>If prone to flooding, disaster risk reduction and management plan is required (LGU/Barangay & CA level)</p>

Challenges	Requirements
Setback requirement, if applicable, is not yet established	<p>LGU certification stating the setback requirement and a subdivision plan showing the setback.</p> <p><i>Setback (national road, etc.) that will be used as road lot or common space by the HOA may form part of the CMP area.</i></p>
Legal easement requirement is not yet established and is occupied by structure/s	<p>Subdivision plan indicating the legal easement/setback requirement as well as the technical description duly signed by GE</p> <p>Lot monument to establish the legal easement and submit the technical description of the affected portion of property subject for CMP duly signed by a Geodetic Engineer to determine the net CMP area.</p> <p>Legal Easement may form part of the CMP area but no value. <i>Legal Easement may form part of the CMP area but no value.</i></p> <p><i>Request assistance from LGU to clear the legal easement/setback.</i></p>
Road networks are not compliant with BP 220 standards or not passable to fire truck/light vehicles or with obstruction i.e., structures, etc.	<p>The CA/Brgy./ LGU mitigating measures e.g. fire hydrant or small fire truck.</p> <p>Coordinate with local government for assistance in clearing of obstruction</p>
<p>Road Right-of-Way/access road not physically/legally established</p> <p>Some home lots have no direct access to the road within the project -not physically established</p>	<p>Physically establish the Road Right-of-Way (RROW)/access road for both on site and resettlement sites.</p> <p>Road map showing the identified roads</p> <p>If private road, Grant of road right-of-way executed by the landowner/s concerned in favor of the CA supported by copy of the its title or certification from CEO stating that the project's RROW is a public road.</p>
Property Boundaries are not yet established	Landowner shall provide temporary fence, lot monuments, billboard per instruction of MANCOM

Challenges	Requirements
	Permanent fence must be included in the site development cost
Project adjacent / near to Cemetery, Factories, Garbage disposal facilities that may affect the health of proposed MBs who will be relocated to the site	<p>Certification from City / Municipal Health Office, DOH</p> <p>Require CENRO stating that the proposed site is safe for housing development and is outside the required easement/buffer/salvage zone, if any.</p>
Home lots, road lots, etc. are not in accordance with the approved site development plan	<p>Must submit LRA/DENR-LMS approved subdivision plan within two (2) years while reblocking/individual lot monumenting must be done within three (3) years from date of issuance of approved subdivision plan. (Must be covered by Warranty Undertaking to be assisted and monitored by Mobilizer and SHFC Settlements Management Group (SMG). Mobilizer must assist HOA in the said undertakings.) Mobilizer must include in their data the structures/home lots/road lots, etc. that are not in accordance with the site development plan.</p> <p>Advise to avail site development and house construction loan</p> <p>The SMG in coordination with SHFC Loan Administration Division, the HOA & Mobilizer shall monitor compliance with the DENR-LMS/LRA approved subdivision plan, reblocking requirements, and the occupancy plan. The Pre take-out unit will turn over the necessary documents to SMG.</p>

2.1.3 Construction Risk Assessment

Construction risk can have serious impact on cost and project performance; thus, risk management must be done from project conceptualization to project completion to help reduce or mitigate its potential impact; to wit:

a. Identification

Determine what risks are most likely to affect the project and identify the implications that these risks might have on the project.

b. Planning

Identify mitigating measures undertaken or to be taken by the LGU and the HOA to reduce the effect of those risks

c. Response monitoring and control

Validate effectiveness of risk responses that have been implemented, if any to determine if the risk exposure has changed.

Some of the construction risks and preventive measures are as follows:

Risks	Mitigating/Preventive Measures
Incomplete drawings and inaccurate Bill of Quantities/Project Cost/inaccurate property boundaries	Contractor & HOA must conduct detailed site investigation/Preliminary Survey during planning stage while for SHFC, ensure that detailed technical review/evaluation of project is conducted prior to project approval
Prone to natural disasters	Strict compliance with BP 220 guidelines, National Building Code and other national/local laws. Identify evacuation center that can accommodate the project's member beneficiaries. Create Disaster Committee with identified roles and responsibilities Identify and consider structural/non-structural measures in coordination with LGU DRRMO CA General Assembly/Hazard Awareness meetings must be conducted by HOA through the assistance of its Mobilizer and in coordination with concerned DRRMO to discuss hazards and possible mitigating measures
Physical injury and chemical hazards	Contractor must submit Health and Safety Measures/Protocols i.e., wearing of PPE, etc. and to assign health and safety officer
Shortage of construction materials & labor	Provision of Contingencies in BOQ/BOM Contractor must include in their work schedule the resources needed to complete tasks i.e., manpower, equipment, etc.

Risks	Mitigating/Preventive Measures
Construction Defect Claims	Contractor must submit quality management/control plan and to assign Quality Control Officer
Socio-political risks	Local regulations and codes must be taken into consideration in project planning.

2.1.4 Land Valuation

As a general rule, land valuation shall be done by an external valuer acceptable to Bangko Sentral ng Pilipinas and/or other government financing institutions. SHFC, in accordance with the procurement law, shall hire the services of appraisal companies to establish a fair and reasonable valuation of all real estate properties to be posted as loan collateral under SHFC's housing programs.

Valuation fee shall be paid by SHFC and it shall be based on the services rendered as indicated in the Service Agreement to be executed by and between SHFC and Appraisal Company.

Should land valuation be part of any agreement with other government financing institution or turnkey modality, it shall be provided by the concerned institution.

Valuation report of the external appraiser which includes site's physical features and other data that may influence the value of the property shall be considered final that further validation of SHFC is no longer necessary. The concerned Branch/VP shall request assistance from the Procurement Division to facilitate the process of hiring external valuers in accordance with the existing procurement law.

2.2 Planning Phase

2.2.1 Hiring of Design Consultant

SHFC, in accordance with the procurement law, shall hire the services of a reputable architecture and engineering firm for the preparation of the complete set of technical plans and documents for SHFC House Design Models. The contract duration for the said undertaking shall be for a period of three (3) months, reckoned one day (1) from the date of the issuance of the Notice to Proceed. Design fee shall be paid by SHFC and it shall be based on the services rendered as indicated in the Service Agreement to be executed by and between SHFC and Design Consultant.

Expected Output

- Complete set of HC/BC plans and technical specifications for SHFC House Design Models (as compliance with LGU requirements for its approval)
- Construction Methodology

- Detailed Bill of Quantity/Detailed Unit Price Analysis
- Work/Loan Drawdown Schedule
- Construction Safety & Health Program
- Quality Management/Control Plan
- Provide Advisory Services/Assistance during the Construction Stage, if necessary

2.2.2 Accreditation of Contractor/Performance Evaluation

Both accreditation and performance evaluation criteria shall be in accordance with the Builders' Manual of SHFC. The SHFC should come up with an IT system on the Contractors Registration Certificate wherein all the information of the Contractors including the status of their existing projects with SHFC and completed projects is provided therein which can be easily accessed by the Management and the members of the Board.

2.2.3 Contractor's Eligibility

In order to successfully undertake and complete the project, all contractors who are interested to work with SHFC-assisted projects must have the valid PCAB license and registration for the type and cost of the project contract to be undertaken and must pass the accreditation criteria of SHFC.

Interested contractors are required to submit to SHFC-PRD the required documents that will establish their legal existence and they must comply with both the technical and financial requirements needed to be eligible to undertake the project such as but not limited to 1) Classification 2) Category; 3) 50% experience of the total Approved Budget of the Contract (ABC) and; 4). Sufficient Net Financial Contracting Capacity (NFCC).

Taking into consideration the size and type of projects/arrangements, exemptions from PCAB License or from Category requirement may be granted to the following upon recommendation of Executive Committee and approval of the Board, to wit:

- Contractors with projects of less than P15 Million may be exempted from Category requirement.
- Contractors/Builders for 100% Turnkey and similar arrangements may be exempted from Category requirement
- Organized self-help housing not within the process describes below

Those CAs who will build their own houses (one storey structure) through organized self-help approach are exempted from securing a PCAB license, provided that CA can submit the following:

- its project implementation plan and proof of their technical capability to undertake the project which include among others, arrangements with TESDA and/or other training institutions for formal construction training or construction workers' certificates of training and/or workshop attended and related work experiences certified by the project owner;
- Members of CA families who will be involved in the construction and must execute an agreement to share the labor on all houses within the group; and
- Composition of Committees such as Management Committee that will be in charge to overall project administration and management, the Construction Committee that will supervise/monitor the construction activities, Settlement Management Committee that will be responsible for post-construction activities i.e., building administration/property maintenance and the Secretariat to handle meetings and project documentations.

The concerned RED in coordination with PRD shall monitor the continuing validity of the contractor's PCAB license and remind the latter to renew the same on a timely manner.

2.2.4 Maximum Number of Units per Contractor

At any one time, the contractor may engage in either 1 or 2 projects with a maximum number of 1,200 units per engagement only. "*Per engagement*" shall refer to the approval of either one (1) or two (2) projects at the same time but not exceeding 1,200 units. The Contractor may commence with succeeding engagement (either 1 or 2 projects with maximum of 1,200 units) upon satisfaction of all the projects of the following conditions:

1. 85% completion of previous engagement with satisfactory performance; and
2. it has not incurred negative slippage of more than 5%.

2.2.5 Selection of Contractor

The CA's Construction Committee (at least 5 members) with the supervision of SHFC RED, Settlements Management Group (SMG) & Project Development and Enhancement Group (PDEG)/Partner Relations Division (PRD) shall be responsible in the selection of Contractor for their proposed project following the procedures as follows:

a. Selection of Qualified Contractor

In order to ensure that the Contractor has the technical and financial capacity to undertake site development and house construction, the CA shall select only from the list of SHFC accredited Contractors for their specific project.



The CA may send request for quotation to Contractors/Developers not in the SHFC list, however, the Contractor must submit its certificate of SHFC accreditation prior to opening quotation.

b. Request for Quotation

The CA with the assistance of SHFC PRD & SMG shall be responsible for sending out invitations to prospective Contractors, informing them of scheduled opening of quotations and any other notices/instructions/actions. At least five (5) invitations must be sent out to ensure competition and that at least three (3) quotations will be received.

c. Submission and Receipt of Quotations

Quotation should be submitted on or before the specified time and date of the deadline, as stated in the request for quotation. Even if only one eligible Contractor submits a quotation, the selection process may proceed and recommend award the contract if quotation is found responsive. If no eligible Contractor submits a quotation, the Committee shall issue a Resolution declaring a failure of the selection process. Should there be a second failure of selection process, CA may enter into a negotiated contract with qualified SHFC accredited Contractor subject to SHFC approval.

d. Opening & Evaluation of Quotations

The presence of the majority of the Committee members shall constitute a quorum, provided that the chairperson or the vice chairperson is present. The Committee then proceeds with the opening and preliminary examination of quotations in the place specified in the quotation request. For each quotation, the Committee will open the envelope containing the proposal and determine its compliance with the required documents and that the total proposed cost does not exceed the SHFC allowable project cost.

The Committee Chairperson shall read the proposed project cost of the qualified Contractors that are considered compliant with the requirements. All members of the Committee or their duly authorized representatives who are present during the opening of price quotations, shall have initial in every page of the original copies of all quotations received and opened. The Committee members and the Observers (if they concur with the proceedings) shall also sign the "Abstract of Quotations as Read" and proceed with the detailed evaluation of quotations.

Evaluation of quotations is done through a detailed evaluation of the financial component of the quotations and shall be ranked in the ascending order of their total proposed project cost which do not exceed the SHFC allowable project cost.

e. Award of Contract

The contract shall be awarded to the contractor with the LOWEST QUOTATION, at it submitted proposed project cost. The Committee shall issue a resolution recommending to the HOA Officers & Members the award of the contract to the Contractor with the lowest price quotation. Simultaneously, a

copy of the Notice shall be furnished to all losing Contractors. The HOA should notify the successful Contractor in writing that its proposed project cost has been accepted, through a Notice of Award received personally or sent by registered mail or electronically. It is important that, in case the Notice of Award is not received personally, its receipt must be confirmed in writing by the successful Contractor and submitted personally or sent by registered mail or electronically to the CA.

The HOA Construction Committee shall record the proceedings using an electronic tape recorder, or a video recorder. The minutes of the selection process, the evaluation report and the awarding of Contract shall be prepared by the Selection Committee with the assistance of the SHFC representatives and shall form part of the SD and HC/BC loan application documents.

f. Execution of Contract

After the selection of Contractor, a tripartite agreement shall be executed by the CA, Contractor, and SHFC. The selected Contractor shall be responsible in the preparation of final site development and house/building plans and executing the CA's proposed project in accordance with the program policies and guidelines set by SHFC and other applicable national and/or local laws. It shall conduct the inspection of the proposed project site to ensure that the site's physical features including project risks are considered in the site development and house design and costs. This process which must be carried out with a high degree of efficiency is necessary to ensure project completion on time, within budget and in compliance with all the LGU approved plans and specifications requirements and policies under the SHFC's socialized housing programs.

In case there are site features and/or risks that are not considered in the SHFC house design model chosen by the CA but are found necessary to ensure protection of property and safety of project beneficiaries, the selected Contractor must immediately advise SHFC for validation and propose revisions on plans and cost, if needed, subject to the approval of CA and SHFC.

2.2.6 Final Design/Plans

While CMP projects are community-driven and community-led project and that the SHFC's mandate is to provide financing assistance only to the CA, the site development and final house/building plans which shall be prepared by the Contractor selected by HOA must take into consideration the CA's preferences/plan and/or the CA chosen SHFC house design.



It must also consider the site conditions, the availability of project utilities, maximum loanable amount and the affordability level of HOA members, the potential construction risks, the SHFC terms and policies, the BP 220 standards, National Building Code, and other applicable national and/or local laws. The end design must relate functionally with immediate surrounding community in relation to land use, existing utilities, drainage, transportation systems, etc.

For other CMP modalities, the following shall apply:

a. Farm Lot CMP

The site development and construction of houses over agricultural lands must likewise adhere to the BP 220 standards, National Building Code, and other applicable national/local laws.

b. Culturally Sensitive CMP

The CA shall decide on the design, development and construction of their housing units in accordance with their cultural traditions, beliefs, and customs which shall be manifested by the CA during the housing project's planning stage but must be compliant also to the BP 220 standards and National Building Code and other applicable national/local laws.

c. Turnkey projects

- Shall include the location of the project site with valuation from SHFC contracted appraisal group following SHFC requirement.
- May include complete package proposal such as the SD and house design, the amenities such as multipurpose hall, day care center and police station that will be provided, the provision for green space, and the total cost for each member beneficiary.
- Must have the conformity of all the members and a booking contract between the developer, builder and CA, subject to favorable endorsement of the EXECOM and approval of the Board, price ceiling set by DSHUD and other applicable national and local laws.
- Payment shall be made only upon submission of requirements listed under Builders' Manual and it must have necessary permits. However, the participatory nature of the CMP using the people's plan and community driven strategies will be strengthened. All other pertinent provisions of this manual shall apply suppletorily.

In cases where development and construction of structures would deviate from conventional practices and consider alternative technology, AITECH accreditation and its detailed construction materials and methodology must be submitted.

The CA with the assistance of CMP-M and Contractor shall be responsible for the approval of plans with concerned LGU and securing permits necessary for project implementation.

1. Checklist of Requirements

The HOA/Contractor/Developer/Mobilizer shall prepare and submit copy of the following technical documents on the basis of SHFC Programs' policies, terms and conditions:

- Topographic map for property with sloping terrain
- Complete Set of Site Development plans and Technical Specifications approved by HOA & LGU
- Detailed SD Cost Estimate/Bill of Quantities signed by required licensed professional, HOA, & Contractor
- Site Development Work Schedule & Loan Drawdown Schedule signed by required licensed professional, HOA, & Contractor
- Complete Set of House Plans and Technical Specifications signed by required licensed professional, HOA, & Contractor
- House Construction Detailed Cost Estimate/Bill of Quantities signed by required licensed professional, HOA, & Contractor
- House Production Schedule/Loan Drawdown Schedule signed by required licensed professional, HOA, & Contractor
- Certified true copy of Development Permit/Building Permit
- AITECH Accreditation and Detailed Construction Methods/Practice, if using innovative technology
- Quality Control/Assurance Plan or Quality Management Plan signed by Quality Control Officer & Contractor (QC/QA could be the authorized QC/QA officer of Contractor and/or HOA Construction Committee who have attended technical trainings certified by Estate Management Division)
- Health & Safety Plan signed by Health Officer & contractor (must be compliant with DOLE requirement)
- Potential Construction Risks and Mitigating Measures signed by Contractor's Risk Officer and necessary construction notes and standard details signed by Structural Engineer & Contractor
- Project Organizational Structure with names duly signed by Contractor and its Letter re: Authorized representative to SHFC



Application for evaluation shall be acted upon only when complete set of the above listed technical requirements, signed and sealed by the appropriate registered license professional, the Contractor, and the HOA are received by SHFC.

2. Areas of Concern

b.1. Conformity to BP 220 and other Regulations

Site development and building/house plans should conform to the minimum requirements of BP 220, National Building Code and other applicable laws, rules and regulation. Coordination with utility providers must be done to ensure compliance with their requirement.

b.2. In Relation to Costs & Time

Developed design should consider the needs and the affordability levels of the targeted member beneficiaries and should achieve the intent provided in the SHFC program policies.

3. Bill of Quantities/Project Cost Estimates

The efficiency of estimates on quantity of materials and costs help gauge the viability of the proposed project. It is therefore essential to ensure the accuracy of cost estimates or detailed quantity survey.

Upon completion of site development plan and house/building plans, proper coordination with power and water providers should be undertaken by CA with the assistance of SHFC to establish the cost for power connections and water distribution. The quotation submitted by the Contractors that are acceptable to utility providers shall serve as basis for the cost of power and water. The cash advance fee initially required by MERALCO from the CAs must be deducted from the quoted power cost, if any, in compliance with the directive of ERC to MERALCO in September 2020.

The Final Bill of Quantities (BOQ)/project cost estimate both for site development and house construction which shall serve as basis of contract price must be prepared by Engineering Group using the LGU approved plans and technical specifications and the BOQ/Unit cost derivation prepared by the SHFC Consultants. It shall be approved by the SVP Operation and President subject to confirmation by the CRECOM/EXECOM/BOARD OF DIRECTORS depending on the project amount. For project cost of Php 100million and above, the contractors shall be invited in the project deliberations of the Executive Committee, and the Board meetings, when deemed appropriate.

The project cost shall be calculated using unit rates reflected in the approved SHFC cost indicators applicable for the region/location of the project site. It shall be composed of the estimated direct and indirect cost. Details are as follows:

- The estimated direct cost (EDC) shall consist of the cost of materials to be used in doing the work item with allowance for waste and/or losses, not exceeding 5% of materials requirement per Section A.1.5 of DPWH Department Order 197, series of 2016, and the cost of labor and equipment expenses.
- The Indirect Cost (IC) shall consist of the following:
 - Overhead Expenses (engineering and administrative supervision, office expenses, Premium on Contractor's All Risk Insurance, Premium on Surety Bond/Performance Bond)
 - Contingencies (Expenses for increase in cost of construction materials and labor, meetings, coordination with other stakeholders, billboards and other unforeseen events).
 - Miscellaneous Expenses (other laboratory tests for quality control and plan preparation, health and safety, and other expenses necessary for the completion of the project)
 - The percentages to be used for Overhead, Contingencies and Miscellaneous (OCM) Expenses and Contractor's Profit Margin are indicated in the following table:

Estimated Direct Cost (EDC)	Indirect Cost % for OCM & Profit		Total Indirect Cost (% for OCM & Profit)
	OCM (% of EDC)	Profit (% of EDC)	
Up to PhP5M	15	10	25
Above PhP5M up to PhP50M	12	8	20
Above PhP50M up to PhP150M	10	8	18
Above PhP150M	8	8	16

VAT allowance, if applicable, is five percent (5%) of the sum of the EDC, OCM and Profit

Mobilization and demobilization including the General Requirements is one percent (1%) of Estimated Direct Cost (EDC) and shall not be subjected to Overhead, Contingencies and Miscellaneous (OCM) and Profit.

Any additional items of work (out of scope of work defined under BP

220 price ceiling) such as tileworks, ceiling, painting, bedroom partitions, fence, etc. may be included in the project cost as add on to the price ceiling set under the BP 220 guidelines. The SHFC approved project cost shall be the basis of the Contract price.

The Engineering Group shall continuously update the information/statistics on market prices of all construction inputs using the National Government /DPWH Construction Materials Price Database (CMPD) and/or current prices (price quotations obtained from at least 3 construction materials suppliers in the area), the wage rates and the equipment rental rates by Association of Carriers & Equipment Lessor (ACEL) or based on current equipment rental rate in the area for incorporation in the Quarterly Cost Indicator per Region which shall be approved by the Office of the Senior Vice President of the Operations and the SHFC President.

In case the total project cost does not match the affordability level of the target member beneficiaries or the maximum loanable amount prescribed by SHFC/DHSUD, the RED in coordination with the Branch shall inform the HOA and the Contractor thru written notice of findings and/or thru HOA General Assembly with the presence of Contractor. Items of Work that shall be amended/deleted must be discussed and resolved for LGU confirmation and approval, if necessary. A copy of HOA Board Resolution and LGU approved amended plans with revised cost signed by Contractor and HOA must be submitted to SHFC.

2.2.7 Project Schedule/Loan Drawdown Schedule

The project which includes site development and building construction shall be fully completed for a maximum duration of thirty (30) months (at least 40 units per month or its equivalent cost per unit for vertical housing), from release of the mobilization fund.

The period of completion shall be incorporated in the contract with the contractor and shall be based on the size of the project, ground situation, and the capacity of the contractor.

The construction project schedule which shall bear the signature of the Contractor's Head and technical staff and the HOA provides a detailed description and representation of how the contractor plans to implement the project and how the work should progress to forecast loan drawdowns/releases and when the project will be finished.

The proposed work schedule should indicate, among others, the right order of items of work or the activities to be done per phase/project, the estimated resources needed (manpower, materials, and equipment), and the estimated time to complete the tasks and the schedule of loan releases.

The completion dates for certain number of buildings or housing units over a

period of months must be clearly specified in the designed schedule. The approved work schedule must be strictly implemented as any extension in the implementation would consequently affect the project's overall cost.

Bar Chart, PERT/CPM and S-Curve are the scheduling tools that may be used by the Contractor. SHFC and Contractors may use project management software that helps in planning, managing and controlling project costs, activities, resources, effectively and easily.

2.2.8 Technical Subsidy

It refers to the sum of money granted to the CA to be used for technical support activities to prepare and comply with the documentary requirements for the availment and processing of loans under various CMP modalities.

Under the General Appropriations Act (GAA), the National Budgetary Support to the Community Mortgage Program (CMP) included a special provision on subsidy for technical assistance and housing repairs needs which is five percent (5%) of the appropriated amount.

To eliminate possible subsidy leakage, only those who are qualified to avail the interest subsidy rates of 2% to 4.5% shall be granted the technical subsidy subject to submission of CA request, certified correct by CMP-M. Other non-qualified member beneficiaries shall pay directly to the authorized CA representative the cost corresponding to their share for the expenses incurred for technical support activities and professional fees.

In order not to delay the release of subsidy, SHFC may advance the technical subsidy while waiting for the payment of non-qualified members and/or final master list of member-beneficiaries indicating the member beneficiaries qualified to avail technical subsidy.

a. Objectives:

- To help SHFC scale up and accelerate housing delivery to the underprivileged and homeless by covering some of the costs related to its CMP loan application for land acquisition, site development and house construction, and consequently fast track compliance with the CMP requirements.
- To provide emergency financial assistance to existing CMP communities affected by calamities and disasters up to P5,000.00 per family. The emergency financial assistance can help cushion the impact of said calamities and disasters on affected ISFs who are generally considered most vulnerable. With the emergency financial assistance, affected ISFs can hopefully recover and rebuild faster.



b. Scope of Technical Related Subsidy

b.1 Technical Support Activities

All documentary requirements secured or obtained from different government agencies and local government units in compliance to SHFC requirements, findings or conditions or as alternative compliance needed by SHFC to process and evaluate the loan application shall be covered by the technical subsidy. These include but not limited to the following:

b.1.a Land Acquisition

- Certification on land use classification
- Certification on the Existence of Road Right- of- Way/Access Road
- Survey Fee which include DENR-LMB/LRA Approved Lot Plan, technical Description of CMP area & Lot Monumenting

b.1.b Site Development & Building Construction

- Project Feasibility Study
- Environmental Compliance Certificate
- Preliminary Approval & Locational Clearance or equivalent
- Cost for Development Permit, Building Permit, and all other permits, Clearances and related taxes except Real Property Tax necessary to implement the project
- LGU approved Site Development Plans & Technical Specification
- Office of Building Official Approved House/Building Plans & Technical Specifications
- Soil Boring Test and Other tests necessary to establish site suitability for housing development
- Construction Project Management (CPM) – maximum subsidy of 3% of SD & HC/BC Cost

- b.2 Emergency Housing Repair Assistance affected by Calamities/Disasters with a maximum allocation of P5,000 per member-beneficiary

- c. Requirements for Release of Subsidy

- c.1 Technical Support

In order to promote transparency, SHFC shall release the technical subsidy to the HOA in the CA General Assembly or through direct payment to the concerned government agency or LGU upon submission of the HOA's request with summary of expenses supported by original receipts as proof of payment or statement of account or billing from the government agency or LGU. The project must be included in SHFC's list of priority projects for funding for the year as certified by the concerned HUB/Branch/Division

- c.2 Professional Fees

It shall be released upon submission of HOA's request supported by an original official receipt or acknowledgement receipt, notarized contract or agreement, the approved plan and permits from the authorized government agencies and certification from HOA stating that all the documents or services required have been satisfactorily completed.

- c.3 Emergency Housing Repair Assistance

For CA or MB affected by calamities or disasters, they must submit to SHFC a certification from the concerned LGU attesting that said CAs or MB was indeed affected by the calamity or disaster. Release of calamity related subsidy shall be in accordance with the existing guidelines.

2.2.9 Technical Evaluation Report

Prior to project approval, a technical evaluation report and compliance report, if applicable, shall be prepared by SHFC Branch Engineers using the prescribed format subject to review and approval of the Regional Engineer. The approved report which shall include the project technical details, the bases for evaluation, the findings/results, requirements, if any, recommendations and annexes shall be forwarded to the HUB Vice President (cc. Engineering Group) for consideration and inclusion in the project evaluation and approval by the CRECOM, EXECOM, Board of Directors, whichever, is applicable.

No projects shall be endorsed to the Credit Committee /Executive Committee/Board of Directors for approval without the detailed technical evaluation report.



2.3.0 Project Approval/ Notice to award/Notice to Proceed

a. Technical documents needed for project approval

- Omnibus Certificate of Compliance issued by the Project Evaluators and their Immediate Supervisors (COD, Manager (Branch & RED), VP, & SVP for Operations)
- Certification issued per project by the following:
 - Program Development & Enhancement Group/SVP for Contractors' Eligibility
 - Engineering Group/Regional Engineering Department/SVP for Site Suitability Assessment & Valuation for Land Acquisition Loan & Project Progress & Performance for Site Development & House/Building Construction Loan in case the Contractor has existing project/s with SHFC
 - Finance and Comptrollership Group/SVP for Availability of Funds
 - Legal Group/SVP for Legal Compliance
 - Management Committee for conduct of due diligence per project stating among others that all laws has been complied with. The signatories include the President and other MANCOM members.
- Technical Evaluation Report prepared/approved by the concerned Regional Engineering Department
- Site Inspection Report with attached references/documents
- Supporting Documents to be signed by HOA, Contractor & SHFC (7 copies each for HOA, Contractor, RED, EG, HUB/Branch & DCCD, IAD) such as but not limited to the following:
 - complete set of LGU approved plans and technical specification (with topographic map for property with sloping terrain)
 - Bill of Quantities/Cost Estimates signed and sealed by the Contractor, its Engineer/Architect & HOA
 - Bill of Quantities/Cost Estimates prepared/approved by the RED
 - Project schedule & Loan Drawdown Schedule
 - Environmental Impact Assessment/Environmental Compliance Clearance (ECC), if applicable
 - Soil Testing Results, if applicable
 - Topographic map for property with sloping terrain
 - Development Permit/Building Permit
 - AITECH Accreditation and Construction Methods/Practice, if using innovative technology



- Quality Control/Assurance Plan or Quality Management Plan prepared and signed by the required professional
- Health & Safety Plan prepared and signed by the Health & Safety Officer
- Potential Construction Risks and Mitigating Measures and necessary construction notes and standard details signed by the Project Engineer & Contractor
- Project Organizational Structure signed by the Contractor
- Construction Contract Agreement executed by and between HOA & Contractor

The above listed documents must be signed by the HUB Vice President or its authorized representative, Contractor and HOA and shall form part of the Contract by and between the HOA and Contractor.

Project Approval:

Loan Amount	Level of Approval Authority
Up to 10 Million	Credit Committee
Above P10 M to P15 M	Executive Committee
Above P15 M	Board of Directors

Note: All projects must be discussed at the Pre Crecom-Level

SHFC shall issue the Notice of Approval to HOA no later than five (5) working days after project approval or issuance of SHFC Board Resolution or Secretary's Certificate approving the project. Subsequently, the HOA shall immediately issue the same to their chosen Contractor (cc: SHFC).

Likewise, SHFC shall issue the Notice to Proceed to HOA no later than five (5) working days upon Contractor's submission of the necessary requirements. Subsequently, the HOA shall immediately issue the Notice to Proceed to their chosen Contractor. Having received the Notice to Proceed, the Contractor shall put a Building Permit sign which complies with SHFC prescribed dimensions and information, and it shall start physical site work on or before the date specified in the notice.

The project development team shall turn-overall project documents to the construction monitoring team and provide copy to Engineering Group.

SECTION 3. PROJECT IMPLEMENTATION PHASE

3.0 Construction Stage

The success of any construction project starts with good construction planning and good site management. Regardless of the uniqueness of each building project, the flow of activities, events, and processes necessary for a project's realization is

basically the same in all buildings. Every project has a beginning (planning/pre-construction phase), a middle period during which activities move the project toward completion (Implementation/Construction phase), and an ending (post-construction phase/project closure).

SHFC Construction monitoring include tracking the progress of construction in terms of cost and time. Construction Quality shall be monitored by the HOA Construction Committee, Mobilizer and Contractor which will be measured using the LGU approved plans and specifications and Quality Management Plan submitted by the Contractor.

It is therefore essential for HOA & SHFC Monitoring Team to review the entire Construction Contract and all other technical documents such as the LGU-approved plans and specifications, the Bill of Quantities, work and loan drawdown schedule, etc. upon turnover of documents prior to construction. All submittals of the Contractor at any stage of the project require the HOA's approval/acceptance supported by HOA Board Resolution.

3.1 Pre-Construction Meeting 1 (Contractor, LGU & other Project Participants)

Upon SHFC's approval of the project, a preconstruction meeting must be held to provide an opportunity for the project participants to meet and to establish partnership, to ensure that they have a clear understanding of the project and the requirements/submittals in every stage of the project, to coordinate project activities in relation to the construction implementation plans and to establish the roles and responsibilities of each project participant to complete the project.

Checklist of Requirements (7 copies signed by SHFC, HOA, & Contractor)

- Complete set of LGU-approved site development and building plans with technical specifications
- Approved Detailed Bill of Quantities/Project Cost Estimates
- Approved Site Development Work & House Production/Building Construction & Loan Drawdown Schedules
- Applicable Permits
- Notice of Approval & Notice to Proceed
- Deed of Assignment executed by HOA in favor of the Contractor
- Project Organizational Structure – Contractor
- Project Construction Committee – HOA



- Construction Methodology
- Quality Control and Health & Safety Plan

Additional Documents:

- Technical Evaluation Report prepared by the concerned Branch or Unit
- Site Inspection Report Prepared/Submitted by the Branch with attached references/documents
- Environmental Impact Assessment/Environmental Compliance Clearance (ECC), if any
- Soil Testing Results, if applicable

3.1.1 Attendees

Attendees to the pre-construction meeting should include the HOA, the Mobilizer, the Contractor and its Project Manager, Project Engineer/Inspectors, design and engineering teams, the concerned SHFC Branch Office and the Engineering Group.

3.1.2 Agenda

The following items, where applicable, are recommended agenda items to discuss.

- The Project (Project Data, Tech Specifications, Project Risks, Cost, Project Duration, etc.)
- Project Organizational Structure & authorized Representative
- Working Area Limits & Storage/Staging Areas
- Progress Report
- Validation of Project Progress
- Weekly Tool Box Meeting
- Progress Documentation
- Construction Delay/Slippage
- Progress Payment



- Performance Bond/CARI
- Retention Money
- Variation Orders/Additional Work
- Construction Safety & Health
- Project Completion
- Project Closure

3.1.3.1 Project /Construction Risks

The Contractor shall briefly provide an overview of the project and the construction risks and determine if all the project participants have copies of all the construction documents and whether additional copies of the plans, specifications, and other documents are needed.

Since it is the contractor's obligation to carry out and complete the works in a proper and workmanlike manner as described in the contract documents, the contractor must discuss also how the construction works will be carried out correctly, the construction methodology, the quality control plans, how the project engineer/inspector will solve construction related problems and/or rectify deficiencies noted, if any, who must be notified and when, who has authority for various issues and the procedure.

3.1.3.2 Working Area Limits & Storage/Staging Areas

Discuss the property/site boundaries, locations for temporary staging or storing activities and what concerns exist with these areas such as clean up, erosion and sediment control, if applicable, safety, etc. before any site activities shall be done.

3.1.3.3 Construction Schedule

Discuss the submitted work schedule, the "Notice to Proceed," the start and completion date, work weekends or holidays and discuss any perceived issues or project risks, if any as well as the actions to be taken by Contractor to reduce its impact on the project, if it does occur.

3.1.3.4 Project's Organizational Structure and the Roles and Responsibilities of all project participants before, during and after the construction phase;

- 3.1.3.5 Identify the names, phone numbers, addresses, etc. of the Contractor, Project Manager, Project Engineer, Quality Control Officer, Health & Safety Officer, etc., the HOA Construction Committee, and the SHFC representatives;
- 3.1.3.6 Clarify the roles and responsibilities of all project participants in the project (who will be inspecting what, when, and how to ensure quality, who must be notified on construction problems and when, who has authority for various issues and the procedures, etc.)
- 3.1.3.7 Each participant must identify his/her top issues which he/she believes might affect his/her scope of responsibilities on the project and must be given the opportunity to make remarks and clarify details.
- 3.1.3.8 Construction Contract agreement for the project and its contents such as contract amount, progress payments, bond requirements including CARI, taxes, transmittals, completion dates, extensions, weather delays, liquidated damages, change orders/additional works, if any, liquidated damages, retention money, etc. to ensure that the HOA & Contractor are aware of the Contract provisions.
- 3.1.3.9 Progress Billing Process & Project Documentation must also be discussed to clarify the terms and conditions as well as the bases of payment as defined by SHFC programs' requirements and in the construction contract documents. It must be cleared that the progress payment is based on project's physical accomplishment and that the materials delivered on site but not yet installed will not be considered in the valuation of the accomplishment.
- 3.1.3.10 The level of completion that is required before payments will be made, the attachments to the contractor's request for progress payments, the construction drawings, if needed, the test results, the reports and documents that must be prepared, kept and well- managed by all project participants, etc. must be clarified.
- 3.1.3.11 Construction Safety

Identify and discuss the need to provide health & safety officer, the potential safety issues that may arise as part of construction work and what provisions will be made to address them.



3.1.3.12 Power and Water Connections

Identify who should be responsible for the project utilities and when to coordinate with utility providers to ensure timely installation/connection of power and water

3.1.3.13 Weekly Tool Box Meeting

There must be a weekly meeting to discuss the quality expectations, quality issues, the actions undertaken/to be undertaken and the project status. Include where it will be held, and who should attend and who will do the documentation or minutes of meetings.

3.1.3.14 Change Orders/Additional Works

Describe the steps and requirements of the change order process. Clarify who is authorized to approve change order or request for additional works, if indeed necessary, and any associated financial limitations.

3.1.3.15 Site Cleanup/Closeout/ Final Comments/Notes

Discuss the need for the Contractor to do project documentation and the proper turnover of the project and the project documents to HOA & SHFC. Discuss also what condition the site should be left in when the contractor has finished the project. Discuss that leftover debris or materials shall be disposed of by the contractor.

3.1.3.16 The agenda for the preconstruction meeting must be forwarded to all project participants with the invitation to the meeting within five (5) working days prior to the meeting to give the attendees enough time to prepare for it. The RED shall take minutes of the meeting and distribute copies to all attendees within five (5) working days after the meeting.

3.2 Pre-Construction Meeting 2 (Utility Provider)

The SHFC is responsible for arranging preconstruction meetings with representatives of utility companies that will be affected by the construction contract. The purpose of the meeting is to establish an early working relationship and to coordinate activities during construction phase to ensure timely installation of water and power. The agenda shall be sent by SHFC to the utility companies and to the Contractor within five (5) working days prior to the meeting. The RED shall take minutes of the meeting and distribute copies to all attendees within five (5) working days after the meeting.



3.2.1 Attendees:

Contractor, Utility Providers, HOA, Mobilizer, SHFC

3.2.2 Areas of Concern

To establish an early working relationship between the parties and to coordinate activities during construction.

The agenda shall be sent by the RED/Branch to each utility/office representative and to the Contractor at least five (5) days prior to the set meeting.

The RED shall take minutes of the meeting and distribute copies to all attendees within five (5) days after the meeting.

3.3 CONSTRUCTION PHASE

At this point, the project would have been planned in detail and is ready to be executed. During the implementation phase, the project plan is put into motion and the work of the project is performed.

It is the Contractor's responsibility to implement and monitor construction and to ensure that work is being done on time, within budget, and according to the project plans and specifications.

SHFC construction monitoring in coordination with HOA includes tracking the progress of construction in terms of cost and time. Construction Quality which shall be monitored by the HOA Construction Committee, Mobilizer, Contractor, and SHFC authorized representative, if any, will be measured using the LGU approved plans and specifications and Quality Management Plan prepared for the project.

It is therefore essential for HOA & SHFC Monitoring Team to review the entire Construction Contract and all other technical documents such as the LGU-approved plans and specifications, the Bill of Quantities, work and loan drawdown schedule, etc. upon turn-over of documents prior to construction. All submittals of the Contractor at any stage of the project require the HOA's approval/acceptance supported by HOA Board Resolution.

3.3.1 Checklist of Requirements

- Complete set of LGU-approved site development and building plans with technical specifications
- Approved Detailed Bill of Quantities/Project Cost Estimates

- Approved Site Development Work & House Production/Building Construction & Loan Drawdown Schedules
- AITECH Accreditation and Detailed Construction Methods/Practice, if using innovative technology
- Quality Control/Assurance Plan or Quality Management System
- Health & Safety Plan
- Potential Construction Risks and Mitigating Measures and necessary construction notes and standard details.
- Project Organizational Structure
- Applicable Permits
- Notice of Approval
- Notice to Proceed
- Performance bond & applicable insurances

3.3.2 Areas of Concern

During project implementation, the Contractor & HOA shall, at all times, ensure project compliance with the LGU approved plans and specifications and other applicable laws or regulations, closely monitor the project progress and communicate as needed to ensure its completion within the SHFC approved budget/cost and work/loan drawdown schedule.

3.3.2.1 Inspection of Work/Monitoring/Validation of Project Progress, Quality Control/Assurance and Audit of Records

The SHFC RED shall visit the project site at least once a week to monitor progress in terms of cost and time as well as the project issues and submit its report within seven (7) days from date of inspection supported by photos, updated work schedule, color coded plans, etc.

The Engineering Group on the other hand shall monitor project progress and the corrective/preventive actions taken by the Contractor, if any, based on the documents provided by RED.

The HOA Construction Committee in coordination with SHFC RED shall be responsible for managing and performing the daily quality control responsibilities of their specific project based on the LGU approved plans and technical specifications, Quality Management/Control Plan submitted by the Contractor, SHFC

approved Bill of Quantities/Project Cost, work/loan drawdown schedules and submitted construction methodology until project closure.

Thus, SHFC Engineering Group in coordination with Settlements Management Group (SMG) & Project Development and Enhancement Group (PDEG) prior to construction shall ensure that the HOA Construction Committee together with the other member beneficiaries have attended various training sessions and/or workshops that will provide them practical construction monitoring skills.

The SHFC independent inspectorate team under the Internal Audit Group shall independently monitor the project progress and submit project status report to the SHFC Executive Committee and Board of Directors on a monthly basis. Any project issues/concerns noted by the internal audit team must be discussed and clarified with the concerned Regional Engineer and Management & Engineering Committees prior to submission of report to the Executive Committee and other Board of Directors.

All project documents that form part of the Construction Contract (signed at the lower left corner by HOA, Contractor & SHFC VP concerned or authorized representative) including but not limited to plans, specifications, project cost, updated project status or bar chart, a logbook of daily construction activities wherein the actual daily progress of construction including tests conducted and tests results, weather condition and other pertinent data are to be recorded, shall at all times, be made available by the Contractor at the project site.

All Drawings and models are to be read and understood together with the Specifications, to form a part thereof. Where figures are given, they are to be followed in preference to measurements by scale. Anything shown on the Drawings but not mentioned in the Specifications, or vice versa, shall be furnished as if specifically shown and mentioned in both.

If required by the specifications, or in accordance with laws, ordinances, any work is to be especially be tested or approved, the Contractor shall give the HOA and/or SHFC or its authorized representative/s a notice at least a week before the actual conduct of test to be present for inspection.

All inspections and testing must be recorded by the Contractor's Quality Control Staff and submitted to HOA & SHFC. Test reports must be submitted by the Contractor no later than three (3) working days after the test was performed. Testing of materials should be done in DPWH/DOST Testing Laboratories

or DPWH/DOST

Accredited Testing Laboratories. The Contractor must submit the test results a day after the test results are released.

SHFC during site visit shall not be allowed to participate in the actual construction activities of the Contractor but may advise the Contractor of their opinion on how to perform a task but not actually direct/instruct Contractor to do it.

Any work that does not comply with the plans and specifications which include poor quality of materials being used and workmanship must be officially communicated by the SHFC – RED (copy furnished EG, VP HUB, Branch) to the HOA within seven (7) days from date of inspection. Subsequently, the HOA will immediately advise the Contractor on the findings provided by SHFC for appropriate action.

In order to closely monitor the milestones achieved and to make sure that the project is on schedule, all Contractors and SHFC authorized representative (CPM) are required to submit the following:

Weekly Report - e-copy signed by the Contractor's Project Engineer/Manager to be submitted every 1st day of work week

Monthly status report – hard copy to be submitted every first Monday of the month.

The report must be supported by photos, updated Bar Chart, issues and resolutions, and other information affecting the project.

Failure of the Contractor to submit the required reports on time can be a ground for disqualification of the Contractor from an availment of construction time extension.

All SHFC REDs are likewise required to submit their bi-weekly and monthly reports for consolidation, analysis, and submission of the EG to the Management on a monthly basis. Non-submission of RED shall be considered in the evaluation of their job performance.

3.3.2.2 Loan Release/Manner of Payment

The HOA shall execute a Deed of Assignment of loan proceeds in favor of Contractor/Developer and submit the same to SHFC prior to release of the loan. Loan releases must be up to a maximum of

12 tranches or every other month, depending on project size and amount, excluding mobilization fee.

3.3.2.2.1 Mobilization Fund

The SHFC shall process the mobilization fund (MF) equivalent to fifteen (15) percent of the total project cost (first engagement, either 1 or 2 projects with maximum of 1,200 units) immediately upon request of the Contractor and upon submission of the necessary documents as enumerated in the Notice of Approval/Notice to Proceed and as listed below:

- Disbursement Voucher;
- Budget Utilization Request (BUR)/Request for Payment (RFP);
- Site Development/House Construction Bill of Quantities/ Detailed Cost Estimates signed by HOA and Contractor/Developer & its authorized Engineer/ENP /Architect (SHFC Format);
- Site Development/House Construction Work Schedule (with Resource Requirements) and Loan Drawdown Schedule Approved by HOA & SHFC;
- Development/Building Permit;
- Omnibus Certificate of Compliance issued by the Project Evaluators and their Immediate Supervisors (COD, Manager (Branch & RED), VP, & SVP for Operations);
- SHFC CRECOM/EXECOM/Board Resolution approving the project, whichever is applicable;
- Performance /Surety Bond, Comprehensive All Risk Insurance (CARI);
- Certificate of Completeness of Documents, Compliance, and Loan Review;
- Notice to Proceed;
- Government Issued IDs of Representative, if with Deed of Assignment;
- Certification issued by the following:



- Program Development & Enhancement Group/SVP for Contractors' Eligibility;
 - Regional Engineering Department /SVP for Site Suitability Assessment & Valuation for Land Acquisition Loan & Project Progress & Performance for Site Development & House/Building Construction Loan in case the Contractor has existing project/s with SHFC;
 - Finance Department/SVP for Availability of Funds;
 - Legal Group/SVP for Legal Compliance; and
 - Management Committee (MANCOM) for conduct of due diligence per project stating among others that all laws has been complied with. The signatories include the President and other MANCOM members.
- All technical documents used in project loan approval, Notice of Loan Approval, Notice to Proceed, etc. -For transmittal to DCCD and for distribution to Engineering Group, Internal Audit, COA, etc.

The 15% mobilization fund may be released for the succeeding engagement (either 1 or 2 projects with max. of 1,200 units) upon 85% completion of previous engagement with satisfactory performance and it has not incurred negative slippage of more than 5%.

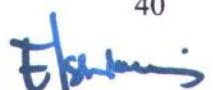
SHFC must recover the mobilization fee by deducting fifteen percent (15%) from the progress payments to the contractor until the MF is fully recouped within the duration of the contract, and before full payment is made to the contractor.

3.3.2.2.2 Progress Payment

Basis of Payment – The quantities to be paid for shall be based on the items in place and the contract unit price as shown in the SHFC-approved Detailed Bill of Quantities/project cost and in the LGU approved plans and specifications. Materials delivered on site but not completely put in place or installed shall not be measured or considered for payment.

The first progress payment shall be paid after twenty percent (20%) of the work for both site development and house construction had been accomplished and upon submission of the following documents:

- Disbursement Voucher;
- Budget Utilization Request (BUR)/Request for Payment (RFP);
- Certificate of Completeness of Documents, Compliance, and Loan Review;
- Project Status report indicating at least 20% physical accomplishment for both site development and house/building construction signed by HOA, contractor/Developer & its authorized Engineer/Architect & CPM, supported by photos and color-coded plans;
- SHFC Latest Validation Report indicating at least 20% physical accomplishment for both site development and house/building construction, supported by photos and color-coded plans;
- Site Development/House Construction Work Schedule (Target vs. Actual with Resource Requirements) and Loan drawdown Schedule approved by HOA & SHFC;
- Performance/Surety Bond, Comprehensive All Risk Insurance;
- Certification issued by Contractor and CPM, if any, stating that the work has been done strictly in accordance with the LGU-approved plans, specifications and other applicable local and national laws.
- As-built plan signed by Contractor/Developer's Structural Engineer with LGU approval, if applicable, & HOA Resolution in case of revisions/deviations from the plans, if any; and
- List of project issues, if any, and actions taken by the Contractor supported by Minutes of tool box meeting signed by HOA, Contractor, Mobilizer noted by SHFC



Thereafter, the payments can be made based on the approved drawdown, provided, the Contractor submits a progress billing or request for payment of work accomplished together with the following requirements:

- Disbursement Voucher;
- Budget Utilization Request (BUR)/Request for Payment (RFP);
- Certificate of Completeness of Documents, Compliance, and Loan Review
- Project Status report signed by HOA, contractor/Developer & its authorized Engineer/Architect & CPM, supported by photos and color-coded plans;
- SHFC Validation Report, supported by photos and color-coded plans;
- Site Development/House Construction Work Schedule (Target vs. Actual with Resource Requirements) and Loan drawdown Schedule approved by HOA & SHFC;
- Performance/Surety Bond, Comprehensive All Risk Insurance;
- Certification issued by Contractor or CPM stating that the work has been done strictly in accordance with the LGU-approved plans, specifications and other applicable local and national laws.
- As-built plan signed by Contractor/Developer's Structural Engineer with LGU approval, if applicable, & HOA Resolution approving changes in the items or works and/or additional works and work schedule, if any; and
- List of project issues, if any, and actions taken by the Contractor supported by Minutes of Weekly/monthly tool box meeting signed by HOA, Contractor, Mobilizer noted by SHFC.

The Statement of Work signed by the HOA, the Contractor and its Engineer/Architect, must be validated by Branch Engineer and approved and submits the report to the RED (cc Engineering Group) within twenty (20) working days from the date of receipt of request for payment.



In case of variances on the accomplishment report submitted by the Contractor and the result of the validation by SHFC Branch Engineers approved by Regional Engineer (cc Engineering Group), the report with lower % of accomplishment shall prevail. However, in case of disparity not acceptable to the Contractor, the matter will be elevated to the Engineering Committee for further re-validation and settlement of issues.

The SHFC shall deduct the following from the certified gross amounts to be paid to the Contractor as progress payment:

- Cumulative value of work previously certified and paid for;
- Portion of the mobilization fund to be recouped for the month;
- Retention money in accordance with the condition of contract; and
- Amount to cover uncorrected discovered defects in the work.

For all projects, including turnkey arrangements, full and final payment of the project less the 10% retention money shall be made upon satisfaction of SHFC on the completion of the project and upon issuance and submission of the following:

- Disbursement Voucher;
- Budget Utilization Request (BUR)/Request for Payment (RFP);
- Certificate of Completeness of Documents, Compliance, and Loan Review;
- Notarized Certification of Completion (COC) issued by the Contractor and CPM, if any, stating that the site development and construction of the building/structure conforms to BP 220 guidelines, in accordance with the LGU approved plans and specifications, and other applicable national and local laws and that SHFC shall not be held accountable for any defects that may occur after project completion;

- Physical accomplishment report, photos and color-coded plans signed by HOAI, Contractor/Developer and its Engineer/Architect & CSO Partner;
- All shop drawings /as built plans duly signed and sealed by the Contractor and the required professional and approved by the LGU/Office of Building Official, if applicable;
- HOA resolutions approving changes in the items or works and/or additional works and work schedule, if any, and
- Certificate of Completion and Acceptance (Original Work and Variation Order/Additional Works, if any) issued by the HOA covered by HOA Board Resolution and rectified items in the punch lists signed by all members and officers;
- SHFC Validation Report, supported by photos and color-coded plans signed by the Branch Engineer, Regional Engineer, VP Hub, SVP Operation;
- Certificate of Occupancy issued by the Building Official; and
- Report on closure of all project issues noted and actions taken by the Contractor supported by Minutes of Weekly/monthly tool box meeting signed by HOA, Contractor, Mobilizer noted by SHFC.

There will be a one-year holdout period for the warranty against defects and a maturity date for the holdout of the deposit to the bank if the project is not completed within the prescribed period which will be determined in the tripartite agreement.

However, in case the turnkey arrangement is covered by any agreement with other government financing institutions (GFI), the manner of payment shall be in accordance with that agreement executed by and between SHFC and GFI.

Any kind of payment, including mobilization fee, progress payments and retention money, must be made by SHFC as soon as possible, but in no case later than forty-five (45) days after the submission of written request by



the contractor, accompanied by documents submitted pursuant to the contract and Board approved checklist of requirements for loan releases, and upon fulfillment of other obligations stipulated in the contract.

3.3.2.3 Weekly Tool Box Meeting

As a general rule, all site development and house/building construction projects shall conduct weekly tool box meeting to make everyone aware of the project status and other matters affecting project implementation.

Attendees: Contractor, HOA, Mobilizer, SHFC (at least once a week)

Agenda:

- Matters arising from the previous meeting
- Weekly Progress of the Work and the catch-up plan, if necessary
- Status of corrective/preventive actions taken including punch list works, if any
- Contractor/HOA's compliance with the requirements, if any
- Review of the four-week or monthly schedule
- Review safety issues, including worksite conditions, as required
- Review Quality issues, including non-conformances, as required
- Address new issues and unresolved issues, if any
- Other matters that may affect project implementation

The Contractor shall take minutes of the meeting and distribute copies to all attendees within two (2) days after the meeting.

3.3.2.4 Construction Slippage

All project participants which include among others the Contractor, CA, SHFC, and /or its authorized representatives shall use the weekly/monthly information/reports to maintain



control over the direction of the project by comparing the progress reports with the project plan. In case of slippage due entirely to the Contractor's fault or negligence, HOA in coordination with SHFC shall implement the following (in accordance with the revised IRR of RA No. 9184), to wit:

- Negative slippage of 5% ("Early Warning" Stage) – The contractor shall be given a warning and required to submit a detailed "catch-up" program on a fortnightly (two weeks) basis to eliminate the slippage. The contractor shall commit to accelerate his work and shall identify specific physical targets to be accomplished over a defined time period. Furthermore, the contractor shall be instructed to specify the additional input resources – money, manpower, materials, equipment, and management - which he should mobilize for this action program. The concerned Branch/RED shall exercise closer supervision and meet the contractor every other week to evaluate the progress of work and resolve any problems and bottlenecks.
- Negative slippage of 10% ("ICU" Stage) – The contractor shall be issued a final warning and required to come up with a more detailed program of activities with weekly physical targets, together with the required additional input resources. Onsite supervision shall be intensified and evaluation of project performance shall be done at least once a week. At the same time, the concerned Branch/RED shall prepare contingency plans for the termination of the contract.
- Negative slippage of 15% or more ("Terminal" Stage) – SHFC shall recommend to HOA the termination of the contract and assign the remaining works to another contractor.

3.3.2.5 Termination of Contracts

The termination of Contract shall be in accordance with the tripartite agreement executed by HOA, Contractor & SHFC.

The following provisions shall govern the procedures for the termination of Contract:

Upon SHFC receipt of a written report of acts or causes which may constitute ground(s) for termination as aforementioned, or upon its own initiative, it shall, within a period of seven (7) calendar days, verify the existence of such ground(s) and cause

the execution of a Verified Report, with all relevant evidence attached.

Upon recommendation by the SHFC, the CA shall terminate the Contract by a written notice to the Contractor. The notice shall state:

- that this Contract is being terminated for any of the ground(s) afore-mentioned, and a statement of the acts that constitute the ground(s) constituting the same;
- the extent of termination, whether in whole or in part;
- an instruction to the Contractor to show cause as to why this Contract should not be terminated; and
- special instructions of the SHFC, if any.

The Notice to Terminate shall be accompanied by a copy of the Verified Report.

Within a period of ten (10) calendar days from receipt of the Notice of Termination, the Contractor shall submit to the HOA & SHFC a verified position paper stating why the contract should not be terminated. If the Contractor fails to show cause after the lapse of the ten (10) calendar day period, either by inaction or by default, the HOA shall issue an order terminating the contract.

The HOA with the approval of SHFC may, at any time before receipt of the Contractor's verified position paper withdraw the Notice to Terminate if it is determined that certain items or works subject of the notice had been completed, delivered, or performed before the Contractor's receipt of the notice.

Within a non-extendible period of ten (10) calendar days from receipt of the verified position paper, the SHFC Engineering Committee upon the recommendation of the concerned RED shall endorse their findings to SHFC President through Legal and SVP Operation who will decide whether or not to advise HOA to terminate the Contract. The HOA shall immediately serve a written notice to the Contractor of its decision and, unless otherwise provided in the said notice, the Contract is deemed terminated from receipt of the Contractor of the notice of decision. The termination shall only be based on the ground(s) stated in the Notice to Terminate.

Without prejudice to the imposition of additional administrative sanctions as the internal rules of the SHFC may provide and/or further criminal prosecution as provided by applicable laws, the SHFC shall impose on contractors after the termination of the contract the penalty of suspension for one (1)



year for the first offense, suspension for two (2) years for the second offense from participating in any of the SHFC projects, for violations committed during the contract implementation stage, which include but not limited to the following:

- Failure of the contractor, due solely to his fault or negligence, to mobilize and start work or performance within the specified period in the Notice to Proceed (“NTP”);
- Failure by the contractor to fully and faithfully comply with its contractual obligations without valid cause, or failure by the contractor to comply with any written lawful instruction of HOA and SHFC or its representative(s) pursuant to the implementation of the contract which shall include but are not limited to the following:
- Employment of competent technical personnel, competent engineers and/or work supervisors;
- Provision of warning signs and barricades in accordance with approved plans and specifications and contract provisions;
- Stockpiling in proper places of all materials and removal from the project site of waste and excess materials, including broken pavement and excavated debris in accordance with approved plans and specifications and contract provisions;
- Deployment of committed equipment, facilities, support staff and manpower; and
- Renewal of the effectivity dates of the performance security after its expiration during the course of contract implementation.
- Assignment and subcontracting of the contract or any part thereof or substitution of key personnel named in the proposal without prior written approval by the procuring entity.
- Poor performance by the contractor or unsatisfactory quality and/or progress of work arising from his fault or negligence as reflected in the SHFC RED report. Any of the following acts by the Contractor shall be construed as poor performance:
- Negative slippage of 15% and above due entirely to the



fault or negligence of the contractor;

- Quality of materials and workmanship not complying with the approved specifications arising from the contractor's fault or negligence;
- Willful or deliberate abandonment or non-performance of the project or contract by the contractor for twenty-eight (28) days when no stoppage of work has not been authorized by the HOA and SHFC or its authorized representatives;
- Upon issuance of Notice or Demand by the HOA and SHFC or its authorized representative, neglects or refuses to remove materials or to correct or perform a new work that has been rejected as defective or unsuitable;
- Delayed the completion of the works by the number of days for which the maximum number of liquidated damages can be paid.
- In case it is determined prima facie by the HOA or SHFC that the Contractor has engaged, before or during the implementation of the contract, in unlawful deeds and behaviors relative to contract acquisition and implementation, such as, but not limited to the following:
 - Misrepresentation;
 - Corrupt, fraudulent, collusive, coercive, and obstructive practices;
 - Drawing up or using forged documents; and
 - Any other act analogous to the foregoing.

In addition to the penalty of suspension, the performance security posted by the contractor shall also be forfeited by the HOA.

3.3.2.6 Construction Time Extension

The Contractor shall only be allowed to extend the intended completion date given a fortuitous event or force majeure situation such as exceptionally destructive typhoons, floods and earthquakes, and epidemics as certified by the authorized government agency, region- wide or nationwide shortage of construction materials, as certified by the DTI Secretary, region-wide or nationwide general labor strikes, as certified by the DOLE Secretary and serious peace and order problems as certified by the DILG, or AFP Provincial



Commander and approved by the DND Secretary. In that case, the Contractor must submit its request for time extension, revised work schedule with complete resources and its valid justifications to HOA & SHFC RED for review and endorsement to SHFC Management for approval.

The HOA Construction Committee and RED shall endorse the request for time extension to SHFC Engineering Committee to decide whether and by how much time extension will be granted after the Contractor fully submits all supporting information. If the Contractor failed to give early warning of the delay to HOA & SHFC due to fortuitous event or force majeure situation, the delay by this failure shall not be considered in assessing the new intended completion date.

The HOA & SHFC shall not extend the intended completion date due to delays in construction by Contractor's negligence to monitor the works, failure to deploy the equipment, facilities, support staff/ manpower and lack of necessary materials.

3.3.2.7 Liquidated Damages

The Contractor shall pay the HOA liquidated damages equivalent to one-tenth of one percent (1/10 of 1%) of the value of unfinished scope of work per day of delay until completion. The total amount of liquidated damages shall not exceed ten percent (10%) of the total project cost. The HOA and SHFC may deduct the liquidated damages from payments due to the Contractor. Once the cumulative amount of liquidated reaches ten percent (10%) of the project cost, the HOA may rescind or terminate the Agreement, without prejudice to other courses of action and remedies available under the circumstances.

3.3.2.8 Suspension of Work

The HOA and/or SHFC shall have the authority to suspend the work wholly or partly by written order for such period as may be deemed necessary, due to force majeure or any fortuitous events, to prevent damage to or loss of life or property or for failure on the part of the Contractor to correct bad conditions which are unsafe for workers or for the general public, to carry out valid orders given by the HOA or SHFC or to perform any provisions of the Contract, or due to adjustment of plans to suit field conditions as found necessary during construction.

The contractor or its duly authorized representative has the right to suspend work operation on any or all projects/activities along the critical path of activities due to any of the following:

- There exist right-of-way problems that prohibit the contractor from performing work in accordance with the approved construction schedule;

- Peace and order conditions make it extremely dangerous, if not impossible, to work, such conditions having been certified in writing by the PNP station which has responsibility over the affected area and confirmed by the DILG Regional Director;
- The payment of the contractor's claim for progress billing beyond forty-five (45) calendar days from the time the claim has been certified by the SHFC authorized representative as having been supported by complete documentation, unless there are justifiable reasons thereof which shall be communicated in writing to the contractor. The contractor may suspend work fifteen (15) calendar days after the SHFC has received a written notice of the suspension of work.

Work must be resumed either upon notice from the SHFC of the lifting of the suspension order or upon the expiration of the suspension order.

3.3.2.9 Performance Security & Contractor's All Risk Insurance

A performance security from the contractor shall be required as guarantee for faithful performance of its work and to cover its obligations arising from the Contract to its workers, subcontractors and suppliers.

The performance security shall be in the form of a surety bond callable upon demand by SHFC, issued by a certified surety or insurance company in an amount equivalent to fifteen percent (15%) of the total contract price.

Likewise, the Contractor's All Risk Insurance which shall cover both site development and house/building construction works must be submitted immediately upon release of mobilization fund.

In case of variation order/additional works, the Contractor shall post an additional performance security to cover any cumulative increase of more than ten (10) percent over the original value of the project cost as a result of variation orders approved by SHFC. The Contractor shall cause the extension of the validity of the performance security to cover approved contract time extension, if any.

The HOA, Contractor, and SHFC or its representative shall monitor the effectivity of the performance bond. The bond which must be submitted upon release of mobilization fund and shall continue to be maintained in effect during the entire period of construction until the complete and final acceptance of the works.

In case the Contractor fails to renew the bond equivalent to 15% of the remaining amount of the project cost after its expiration, no additional

releases shall be made unless it complies thereto or in case the Contractor abandons the project, SHFC RED may recommend blacklisting of the Contractor.

A surety bond shall be released within fifteen (15) days from the date of issuance of Certificate of Completion of the project by the Contractor, subject to the satisfactory validation reports submitted by the SHFC.

3.3.2.10 Contractor' Taxes

The Contractor shall be liable on its own taxes due to the BIR and whenever applicable, all dues in accordance with the Philippine Tax Regulations both national and local.

3.3.2.11 Contract Price/Price Escalation

The Contract Price shall be based on the loan amount approved by approving SHFC committee/s or Board depending on the amount of loan. Price escalation is generally not allowed. For the given scope of work in the contract as awarded, the price must be considered as a fixed price except for extraordinary circumstances, inflation and deflation which are in accordance with Section 61 of Republic Act No. 9184, otherwise known as Government Procurement Reform Act and its Implementing Rules and Regulations (IRR).

3.3.2.12 Variation Order /Additional Works

A Variation Order/Additional Works refers to any increase/decrease in quantities within the general scope of the approved project, in any of the following aspects:

- Introduction of new work items that are not included in the original contract but necessary to ensure safety of the project beneficiaries and compliance with the standards set by DSHUD or SHFC Board of Directors;
- Reclassification of work items that are either due to change of plans, design or alignment to suit actual field conditions.

As a general rule, variation order/additional works shall be allowed only if the reasons are due to unforeseen problems with proper records/documentations subject to availability of funds. Subject variation order must be endorsed by HOA (covered by HOA Board Resolution) to SHFC for validation and consideration.

Any changes or alterations in the site development and building plans approved by the LGU/Office of the Building Official that might cause



adverse effects on the structural integrity, stability, and usefulness must be approved by the required approving authority in LGU prior to implementation.

All other changes from the approved plans which will not affect the structural integrity, stability, usefulness, and cost must be supported by detailed shop drawings/as-built plans with specifications duly signed and sealed by the required professional subject to HOA approval through board resolution and consent by affected MB. Under no circumstances can a contractor implement variation order that violates the BP 220 standards and other applicable laws.

In the event of unauthorized changes, the cost shall be borne by the Contractor and there shall be no extension of the time for completion.

3.3.2.13 Price Adjustments due to Variation Order/Additional Work

For variation order/additional work, the unit prices will be based on the SHFC Cost indicator or current prices of construction materials, labor, and equipment rental rate. Indirect Cost shall be based on the mark-up factor used in the original approved cost.

Payments for works satisfactorily accomplished on any Variation Order/Additional Work shall be made only after approval of the same by the HOA & SHFC.

3.3.2.14 Construction Safety & Health

For project undertaken by contractors, monitoring, implementation, and enforcement of construction safety and health shall be in accordance with the provisions of the Labor Code of the Philippines and its Implementing Rules and Regulations, inclusive of the Occupational Safety and Health Standards, DOLE D.O. No. 13, s.1998 and its Procedural Guidelines, other pertinent and applicable DOLE issuances governing employer- employee relationships, contracting, and sub-contracting arrangements.

3.3.2.15 Inspection Before Project Completion

Once the project progress reaches an accomplishment of 95% of the total contract amount, the HOA and the SHFC may create an inspectorate team to make preliminary inspection and submit a punch list to the Contractor to ensure that there are no other tasks left behind and that everything has been completed in accordance with the agreed plan. Such punch list will contain, among others, the remaining works and work deficiencies for necessary corrections, if any, and the duration to fully complete the project on the approved work schedule.

After completion of the Project, the Contractor shall remove all its rubbish

from about the Project and all its tools, scaffoldings, and surplus materials as a condition prior to final acceptance by HOA.

3.3.2.16 Retention Money

Progress payments are subject to retention of 10% referred to as the “retention money”. Such retention shall be based on the total amount due to the contractor prior to any deduction and shall be retained from every progress payment until fifty percent (50%) of the value of works, as approved by SHFC or its authorized representative, are completed. If, after 50% completion, the work is satisfactorily done and on schedule, no additional retention shall be made; otherwise, the 10% retention shall be imposed.

As-built drawings approved by the LGU, Certificate of Final Completion signed by required professional and by the Contractor and Certificate of Occupancy must be submitted prior to release of retention fee

The retention fee shall be released to the Contractor only after six (6) months from the issuance of Certificate of Completion & Acceptance by the HOA and upon submission by the HOA & Contractor of all the requirements listed in the SHFC approved checklist of requirements for release of retention money.

An alternative to the ten percent (10%) final retention, the Contractor can post a guarantee bond equivalent to 10% of the contract price.

Turnkey CMP can be 100% turnkey or phase by phase subject to detailed Memorandum of Agreement. If by phasing, retention money shall be released after six (6) months from date of Contractor’s compliance with the requirements for release of retention money or upon posting of the required bond.

3.3.2.17 Progress Documentation

The SHFC EG/RED shall be responsible for maintaining e-copy and hard copy of progress reports photographs and other technical documents related to project implementation such as but not limited to the following:

- Pre-Construction Phase
- Construction Phase
- Start of Work

- Weekly/Monthly Progress
- Poor Workmanship
- Unusual Construction Methodology
- Working Conditions
- End of Project/Project Completion
- Critical Areas/Unforeseen factors which may result to additional works
- Other important activities
- Post Construction Phase (Project Turn over)

3.3.2.18 Warranty on Defects

The contractor shall assume full responsibility for the contract work from the time project construction commenced up to final acceptance by HOA & SHFC and shall be held responsible for any damage or destruction of the works.

The defects liability period for the project shall be one (1) year period between issuance of the Certificate of Completion & Acceptance by HOA and the issuance of Certificate of Completion and Final Acceptance by the HOA and SHFC.

During the project implementation but before CA's issuance of Certificate of Completion, the contractor shall undertake the repair works, at his own expense, of any damage to the infrastructure projects on account of the use of materials of inferior quality within ninety (90) days from the time the HOA & SHFC have issued an order to undertake repair. In case of contractor's failure or refusal to undertake the repairs, the CA shall forfeit its performance security, subject its property(ies) to attachment or garnishment proceedings and cause the termination of this Agreement. The SHFC may impose sanctions by suspending or discrediting the Contractor HOA and cause its blacklisting in any SHFC projects after affording it due process.

Repairs due to destruction of the works thus far due to floods, storms, fire, earthquake, and other natural calamities or disaster, including civil strife or force majeure shall be immediately undertaken, whenever possible by the Contractor with extension of working days upon presentation of written notice justifying the delay in construction.

Nevertheless, during defects liability period, the Contractor shall undertake the repair works, at his own expense, of any damage to the

works on account of use of inferior quality within 90 days for the time the HOA has issued an order to undertake repair. In case of failure or refusal to comply with by the Contractor, the HOA shall undertake such repair works through a third-party contractor and shall be entitled to full reimbursement of expense from the original Contractor.

In case of structural defects arising during the defect liability period, no retention money shall be released to the Contractor even after the lapse of six (6) months until the contractor correct the defects, the latter upon instruction to SHFC, shall cause the forfeiture of the retention money of the Contractor.

The Contractor shall be held responsible for structural defects until up to the completion of warranty period as provided under the National Building Code of the Philippines and related laws, to wit:

- a. **Permanent Structures: Fifteen (15) years Buildings** of types 4 (steel, iron, concrete, or masonry construction with walls, ceilings, and permanent partitions of incombustible fire resistance)
- b. **Semi-Permanent Structures: Five (5) years** Buildings of types 1 (wooden), 2 (wood with 1-hour fire resistance), and 3 (masonry and wood construction), concrete roads, asphalt roads, concrete drainage, deep wells, and other similar semi-permanent structures.
- c. **Other Structures: Two (2) years** Bailey and wooden bridges, shallow wells, spring developments, and other similar structures

The term “structural defects” shall mean major faults/flaws/deficiencies in one or more key structural elements of the project which may lead to structural failure of the completed elements or structure. The term “Structural Failures” is defined as an occurrence where one or more key structural elements in an infrastructure facility fails or collapses, thereby rendering the facility or part thereof incapable of withstanding the design loads, and/or endangering the safety of the users or the general public. (2016 IRR Section 62.2.3 RA 9184)

Within the first year of the warranty period reckoned for issuance of Certificate of Completion and Final Acceptance of the Works by HOA, the Contractor shall particularly be held liable for structural defects/failures that arise due to faults attributable to improper construction, use of inferior quality/substandard materials, and any violation of the contract plans and specifications, the Contractor shall undertake the repairs and corrections at his own expense upon demand of the HOA.

On the remaining years of the warranty period after the preceding paragraph, the HOA may undertake the necessary restoration or

reconstruction works on any structural defects and shall be entitled to full reimbursement by the original contractor for expenses incurred therein upon demand by HOA.

To guarantee that the contractor shall perform his responsibilities as prescribed in Section 3.3.2.18 of this Manual, it shall be required to post a warranty security prior to release of retention money in accordance with the following schedule:

Form of Warranty Security	Amount of Warranty Security (Equal to Percentage of the Total Contract Price)
Cash or Letter of Credit issued by a Universal or Commercial Bank: provided, however, that the LC shall be confirmed or authenticated by a Universal or Commercial Bank, if issued by a foreign bank.	Five Percent (5%)
Bank Guarantee confirmed by a Universal or Commercial Bank	Ten Percent (10%)
Surety Bond callable upon demand issued by GSIS or a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security.	Thirty Percent (30%)

Source: IRR of RA 9184-Procurement for Infrastructure Project

The warranty security shall be denominated in Philippine Pesos, remain effective for one (1) year from the date of issuance of the Certificate of Completion and Final Acceptance by the HOA, and returned only after the lapse of the said one (1) year period.

3.3.2.19 Prohibition Against Subcontracting or Assignment

The Contractor shall not contract with any entity to perform in whole or in part the work or services covered by the Construction Contract except for specialized works only.

In the event that subcontracting is necessary for specialized works, the Contractor shall identify its subcontractor at the commencement of the project implementation and shall provide the HOA and SHFC or its authorized representative/s the necessary information such as subcontractor's composition, scope of work, schedule of completion.

Neither this Agreement nor, any interest herein may be assigned or

transferred voluntarily or by operation of law, without the prior written approval of SHFC and HOA. Any such prohibited assignment or transfer shall be void. The HOA and SHFC reserve their right to file appropriate cases for any misrepresentation.

In case the contractor violates this provision, SHFC or the HOA shall exercise any or all of the following remedies:

- Forfeiture of the performance security
- Forfeiture of payment receivables due to the Contractor as damages
- Blacklisting of the Contractor from all future projects
- Automatic revocation or rescission of the Agreement upon written notice to the Contractor
- Filing of appropriate cases in court, administrative agencies, or tribunal.

SECTION 4. PROJECT CLOSURE

4.0 POST CONSTRUCTION STAGE

4.1 Project Close Out /Release of Retention Money

Once the retention money has been approved for release, the project is ready for closure. Prior to release of the retention money, all project documentations which are enumerated below must be officially handed over by the Contractor to SHFC & HOA, and the closure of the project must be communicated in writing by the SHFC RED to SHFC Management/Branch/VP Hub/DOE.

The project closure occurs upon issuance/submission of the following:

- Disbursement Voucher;
- Budget Utilization Request (BUR)/Request for Payment (RFP);
- Certificate of Completeness of Documents, Compliance, and Loan Review;
- Notarized Certificate of Final Completion (COFC) by the Contractor stating that the site development and construction of the building/structure conforms to BP 220 guidelines and other applicable national and local laws and that SHFC shall not be held accountable for any defects that may occur after project completion;
- Certificate of Final Completion and Acceptance by the HOA covered by HOA Board Resolution and punch lists signed by all members and officers;

- Certificate of Completion signed by the Branch Engineer, Regional Engineer, VP Engineering, VP Internal Audit, VP Hub, SVP Operation and the President supported by SHFC final validation report, supported by photos;
- Contractor's report on closure of all project issues noted and actions taken supported by Minutes of Weekly/monthly tool box meeting signed by HOA, Contractor, Mobilizer and noted by SHFC RED; and
- Warranty Security

4.2 Transfer of Title in the Name of Project's Member Beneficiaries for High Density Housing and CMP Vertical Housing

It shall be in accordance with the Condominium Act of the Philippines.

The last remaining step is the release of retention money and the conduct of lessons-learned studies by the concerned RED/Branch/Unit to examine what went well and what did not to serve as guide or reference in future projects.

SECTION 5. RESOLUTION OF DISPUTES

If any dispute or difference of any kind or whatsoever shall arise between the parties in connection with the implementation of the Agreement covered, the parties shall make every effort to resolve amicably such dispute or difference by mutual consultation and/or through SHFC Engineering Committee.

In case of dispute and/or litigation arising from this Agreement, the venue of actions shall be filed in the proper courts of Makati City only, to the absolute exclusion of all other courts.

SECTION 6. REPEALING CLAUSE

All corporate circulars, office orders, implementing rules and regulations approved by SHFC Board or parts thereof contrary or inconsistent with the provision of this Manual are hereby repealed, amended, or modified accordingly.

SECTION 7. EFFECTIVITY

This Construction Manual shall take effect:

- After the December 10, 2020 Board approval
- Fifteen (15) days after the publication in a newspaper of general circulation; and
- Upon filing with the Office of the National Administrative Register in the University of the Philippines

SECTION 8. APPLICABILITY

This Manual shall be applied to all projects prospectively.

Approved by the SHFC Board of Directors
on 10 December 2020





Kaagapay ng Komunidad sa Maginhawang Pamumuhay



Republic of the Philippines)
Makati City) S.S.

SECRETARY'S CERTIFICATE

I, **ATTY. MELANIE B. VALENCIANO**, Acting Board Secretary of the Social Housing Finance Corporation, with principal office at 5th Floor, BDO Plaza, 8737 Paseo De Roxas, Makati City, after having been duly sworn to according to law, do hereby certify that in 14-2020 Board Meeting held on 10 December 2020 through forum and videoconference in San Jose del Monte City, Bulacan, wherein a quorum was existent, the following resolution was approved and adopted, to wit:

BOARD RESOLUTION NO. 911, SERIES OF 2020 APPROVAL OF SHFC'S CONSTRUCTION MANUAL

WHEREAS, in a series of meetings of the Governance, Policy and Nomination (GPNCom) Committee held in September, October and November 2020, and the 13-2020 Board Meeting, the Management presented the proposed Construction Manual of SHFC;

WHEREAS, the SHFC Construction Manual aims to provide guidance on technical processes and requirements for the evaluation of properties for socialized housing development, which also includes the proper implementation of the project pursuant to SHFC's mandate to undertake the social housing programs of SHFC particularly the Community Mortgage Program and its modalities, High Density Housing and other social housing programs;

WHEREAS, the Construction Manual contains the process of evaluation of site suitability and implementation of the construction from the pre-construction stage, followed by the construction stage, to the closure of the project, as well as the process to be undertaken in the resolution of disputes and project concerns;

WHEREAS, in the interest of providing all stakeholders with effective public service, the Board recognized the necessity of approving the hereinbefore presented SHFC Construction Manual to guide the Management and stakeholders regarding the processes and project implementation;

NOW THEREFORE, be it resolved as it is hereby resolved, that the Board approves as it has hereby approved, the SHFC Construction Manual;

RESOLVED FURTHER, that to ensure the expedient process of project approvals, the Management shall likewise formulate a policy to be discussed in the GPN Committee, the following matters, to wit:


1. Aside from the Omnibus Certifications of the Operations Heads, the inclusion of the following certifications:
 - a. Certificate of Funding Availability from the Finance and Comptrollership Department;
 - b. Certificate of Technical Eligibility from the Partners Relations Department and the Certificate of Project Performance by Regional Engineers, and;
 - c. Certificate of Legal Compliances from the Legal Department;
2. The presentation of the foregoing Certifications shall apply to All projects for approval;

RESOLVED FURTHER, that the Construction Manual shall be effective immediately upon the Board's approval and after fifteen (15) days publication in a newspaper of general;

RESOLVED FURTHERMORE, that the Construction Manual shall be codified and reduced into a written form as required, and as annexed herein in this Board Resolution;

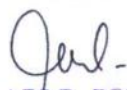
RESOLVED FURTHERMOST, that all other Corporate Circulars, Office Orders or parts thereof inconsistent with any provisions thereof shall be deemed modified or repealed accordingly.

IN WITNESS WHEREOF, I have hereunto set my hand on this 21 DEC 2020 in Makati City.


ATTY. MELANIE B. VALENCIANO
Acting Board Secretary

SUBSCRIBED AND SWORN to before me on this 21 DEC 2020 2020, affiant exhibiting to me her SHFC Employee ID No. A1506264

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ATTY. LEO B. DEOCAMPO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2020
ROLL NO. 43362
IBP LIFETIME NO. 6883411-0101 (PASIGU)
MCLE COMPLIANCE NO. V02018750
PTR NO. R12555211-14-2020 / MAKATI CITY

