Republic of the Philippines  
PROVINCE OF CAVITE  
City of Bacoor  

OFFICE OF THE SANGGUNIANG PANLUNGSOD  

CITY ORDINANCE NO.CO 33-2018  
Series of 2018  

A CITY ORDINANCE PRESCRIBING GUIDELINES AND PROCEDURES FOR ENTERING INTO LEASE AGREEMENTS OVER REAL PROPERTIES OWNED BY THE CITY WITH PRIVATE ENTITIES, CONSISTENT WITH PERTINENT LAWS, RULES AND REGULATIONS.


WHEREAS, Section 2, Article X of the 1987 Philippine Constitution mandates that all local government unit (LGUs) shall enjoy local autonomy and administrative autonomy;

WHEREAS, further Section 5, Article X of the Constitution directs that each LGU shall have the power to create its own sources of revenues and by virtue of this right, LGUs shall enjoy fiscal autonomy;

WHEREAS, Section 2(a) of the Republic Act No. 7160, otherwise known as the Local Government Code of 1991 (LGC), declares it a policy of the State that its territorial and political subdivisions shall enjoy genuine and meaningful local autonomy to enable them to attain their fullest development as self-reliant communities and to make them more effective partners in the attainment of national goals;

WHEREAS, Section 5(a) of the LGC further provides that any provision on the power of a LGU shall be liberally interpreted in its favor. Any fair and reasonable doubt as to the existence of the power shall be interpreted in favor of the local government unit concerned;

WHEREAS, Section 18 of the LGC expressly empowers LGUs to establish an organization that shall be responsible for the efficient and effective implementation of their development plans, program objectives and priorities; to create their own sources of revenue and to allocate their resources in accordance with their own priorities; and to acquire, develop, lease, encumber, alienate, or otherwise dispose of real or personal property held by them in their proprietary

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capacity and to apply their resources and assets for productive, developmental, or welfare purposes, in the exercise or furtherance of their governmental or proprietary powers and functions and thereby ensure their development into self-reliant communities and active participants in the attainment of national goals;

WHEREAS, Section 22 of the LGC vests LGUs with corporate powers and grants them full autonomy in the exercise of their proprietary functions and in the management of their economic enterprises;

WHEREAS, the City owns real properties that remain undeveloped, underdeveloped and underutilized, which the City is very keen on maximizing the potential for development and revenue;

WHEREAS, the City Government believes that entering into lease contracts over real properties of the Province/ City/ Municipality is a viable Public-Private Partnership (PPP) approach worth exploring in view of the simplicity of procedures and approval process, as well as the very reasonable period to negotiate said contracts;

WHEREAS, according to the Governing Procurement Policy Board (NPM 135-2004 dated 14 October 2004), in case the government entity is leasing its existing assets, the activity does not involve expenditure of government funds, inasmuch as the same is not in the nature of procurement. Lease of assets, where the government is the lessor, contemplates income-generating activities and is well beyond the ambit of R.A. 9184;

WHEREAS, when the government, the City in this case, is the lessor in instances where it intends to lease out of government real property, the governing regulation is Executive Order No. 301, Series of 1987. However, E.O. 301 provides for decentralization of government contracts, leases included. Heads of agencies, like the City Government, shall have the authority to determine the reasonableness of the terms of the lease and the rental rates thereof, and to enter into such lease contracts without need of prior approval from higher authorities, subject to compliance with the uniform standards or guidelines established under the E.O. 301 and to the audit jurisdiction of the Commission on Audit;

WHEREAS, having a City framework on leases and aftermage over City real properties, in ordinance form, will simplify, clarify, institutionalize the requirements for a
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lease arrangement and procedures for the selection of the Private Sector Proponent or Lessee that promote consistency, accountability, transparency and efficiency;

NOW THEREFORE, upon motion of Hon. Venus De Castro, duly seconded by Hon. Reynaldo D. Palabrica, BE IT ORDAINED, by the Sangguniang Panlungsod of Bacoor in regular session assembled that:

SECTION 1. Title. – This Ordinance shall be known as the "Ordinance Governing Lease of Real Properties Owned by the City Government of Bacoor" or the "Bacoor Lease Ordinance."

SECTION 2. Statement of Policies. – It is hereby declared the policy of the City to fully utilize and benefit from the City's real properties in order to promote the general welfare, attain sustainable development and augment the resources of the City. A lease or afferamage arrangement is considered a viable option for the efficient and productive use of City's real properties, and to cut costs and/or generate resources, while at the same time promote the participation of private sector proponents/lessees (PSP/Ls) as active partners towards a robust City economy.

SECTION 3. Principles. – All lease or afferamage contracts entered into by the City with PSP/Ls shall ensure that the most advantageous terms and conditions to the City and its constituents.

SECTION 4. Definition of Terms. – For purposes of this Ordinance, the terms:

1. Afferamage – refers to a contractual arrangement providing for use of a real property of the City and/or the operation, maintenance, and management services by the PSP/L, including working capital and/or improvements to an existing infrastructure or development facility leased by the PSP/L from the City for a fixed term. The City and the PSP/L share revenue from customers/locators/sub-lessees wherein the PSP/L pays the City an afferamage fee, which varies according to demand and customer tariffs, and retains the remaining revenue;

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2. Bids and Awards Committee (BAC) refers to the Bids and Awards Committee of the City created under Republic Act No. 9184 or the Government Procurement Reform Act. The City Mayor may expand the composition of the BAC for purposes of this Ordinance which may include representatives of the Sangguniang Panglunsod, civil society organizations, academe, national government offices, regulatory agencies, National Economic and Development Authority, and Commission on Audit;

3. City or City Government refers to the City Government of Bacoor;

4. Competitive Challenge refers to an alternative selection process wherein third parties or challengers shall be invited to submit comparative proposals to an unsolicited proposal submitted by the PSP/L. Accordingly, the PSP/L who submitted the unsolicited proposal, or the original proponent, is accorded the right to match any superior offers given by a comparative PSP/L;

5. Competitive Negotiations refers to a process where the City negotiates with eligible and qualified PSP/Ls and awards the project to that PSP/L which offers the best combination of quality and price;

6. Competitive Selection refers to a method of selection initiated and solicited by the City, based on a transparent criteria, which is open to participation by any interested party;

7. Real Property refers to land, buildings, and/or real property of the City;

8. Lease refers to a contractual arrangement providing for use of a real property of the City and/or the operation, maintenance, and management services by the PSP/L, including working capital and/or improvements to an existing infrastructure or development facility leased by the PSP/L from the City for a fixed term. Under a lease arrangement, the PSP/L, subject to the lease contract, retains revenue collected from customers and makes a specified lease payment to the City;

9. Lessor refers to the City having absolute ownership over the real property to be leased;

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10. **Limited Negotiations** – refers to a process whereby the City negotiates with the PSP/L in instances when there is only one eligible and qualified PSP/L in instances when there is only one eligible and qualified PSP/L in a competitive selection process, under Stage 2 of the competitive challenge process, or when there is a prior completed competitive process;

11. **Private Sector Proponent or Lessee (PSP/L)** – refers to the entity temporarily occupying a real property on the basis of a lease contract executed with the Lessor;

12. **Project Study** – refers to a study, full or pre-feasibility study or business case prepared by the City in a competitive selection or limited or competitive negotiations, or a PSP/L when submitting an unsolicited proposal, containing or indicating, as far as practicable, a needs analysis, affordability assessment, value for money assessment, preliminary risk assessment, stakeholder assessment, human resource assessment, bankability assessment, legal viability assessment, market testing if relevant, indicative transaction implementation plan, and draft lease contract;

13. **Rental Rate and/or Share in Revenues** – refers to the amount paid by the PSP/L for the use, enjoyment or occupancy of the real estate to the lessor, where payment is usually made on a monthly basis and/or a fixed percentage of gross revenues generated by the lessee. The City may also be entitled to a share in the revenues from the activities and businesses on the leased property; and

14. **Sangguniang Panlungsod** – refers to the Sangguniang Panlungsod of Bacoor.

**SECTION 5. General Guidelines.** – The general guidelines in lease or aftermae arrangements are:

1. As a general rule, rental rates are considered reasonable when they represent or approximate the value of what the LSP/L gets in terms of the business, activity, accommodation, facility, amenities, and convenience from the leased real property, and the City gets an equitable share in the revenues, return of capital or investment.
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2. Rental rates may consider the prevailing market rates for lease of real estate or venue with the same or similar condition or classification and located within the vicinity.

3. The contract of lease shall be embodied in a public instrument and shall integrate all the covenants, understanding and agreements of the City and the PSP/L.

4. The lease contracts should be recorded in the Registry of Property.

5. The lessee cannot sublease the real property subject of the lease contract, unless otherwise agreed upon, provided, that such agreement is expressly spelled out in the lease contract that was duly executed by the City and the PSP/L.

6. The PSP/L cannot assign the lease without the consent of the City, unless there is a stipulation to the contrary in the lease contract that was duly executed by the City and the PSP/L.

7. The lease contract shall not contemplate a divestment or disposition of the real property of the City, unless there is a stipulation to the contrary in the lease contract that was duly executed by the City and the PSP/L, provided, that a competitive process or public auction is undertaken by the City.

SECTION 6. Procedures. – (a) Subject to the guiding principle that the lease contract should provide the most advantageous terms and conditions to the City and its constituents, the City Mayor, as duly authorized by the Sangguniang Panlungsod, shall enter into a lease contract through either competitive selection, limited or competitive negotiations with PSP/L; Provided, that the real property involved in the lease contract shall be identified in said authority given by the Sangguniang Panlungsod; Provided further, that the PSP/L should be lawfully authorized to execute said lease contracts; Provided finally, that the minimum terms and conditions contained in this Ordinance shall have been faithfully incorporated in the said lease contract.

(b) Upon favorable endorsement by the BAC and authorization by the Sangguniang Panlungsod, the City Mayor may choose any of the procedures set forth herein.
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(c) Competitive Selection. – (i) The Competitive Selection procedure shall consist of the following steps: advertisement, issuance of instructions and tender documents, conduct of pre-bid conferences, eligibility screening of prospective bidders, receipt and opening of bids, posting of proposal securities, evaluation of bids, post-qualification, and award of contract.

(ii) The City Mayor, acting on the recommendation of the BAC, shall approve the tender documents and the draft lease contract before they are issued to the prospective PSP/Ls/ bidders.

(d) Limited Negotiations. – Where the City:

(i) fails to identify an eligible PSP/L for the lease project when there is only one qualified bidder after subjecting the same to a competitive selection; or

(ii) considers a project or activity on the leased property either through competitive selection or competitive challenge where an indispensable or integral component thereof has already been subjected to a competitive process by the appropriate administrative agency, government instrumentality or government-owned and controlled corporation which gives the PSP/L a vested and exclusive right over that component without which, the lease project cannot be implemented as envisioned,

Limited Negotiations may take place. The negotiations will cover all the aspects of the lease arrangement: provided, that conditions and parameters stated in the Study and tender documents are complied with. The City Mayor shall approve the terms of the Limited Negotiations prior to the award of the contract to the PSP/L. Under the 2nd instance, the City shall publish a notice to the public prior to the start of the negotiations, and if pursued under Competitive Challenge, the 3rd stage as defined below may be dispensed with.

(e) Competitive Negotiations. – The City may invite two or more qualified PSP/Ls to enter into negotiations for a lease project, informing all the qualified PSP/ Ls-offerors that there is more than one offeror, if that is the case, and simultaneous negotiations are being conducted and that the lease contract shall be awarded to the PSP/L which offers the best combination of quality and price based on the study prepared by the City.
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Prior to the start of the negotiations with the identified PSP/Ls, the City shall notify the public of the process.

(f) Competitive Challenge. – The Competitive Challenge process shall be divided into three (3) Stages, described as:

Stage One/ Unsolicited Proposal – The steps are:

a. A PSP/L submits an unsolicited proposal accompanied by a Study and draft lease contract to the City for a projected lease Project.

b. The BAC shall make a determination of the completeness of the unsolicited proposal, the eligibility of the PSP/L, the necessity for the proposed lease project, the consistency of the terms of the draft lease contract with this Ordinance, and the appropriateness of the proposed PPP modality.

c. Upon completion of the initial evaluation, the City Mayor, upon recommendation of the BAC, shall either issue a certificate of acceptance or non-acceptance of the proposal for purposes of detailed negotiations. Upon the issuance of the certificate of acceptance, the PSP/L is ipso facto conferred original proponent status and no other proposal for the same project may be subjected to the competitive challenge process.

d. If there is more than one unsolicited proposal submitted for the same lease project, the City Mayor, upon recommendation of the BAC, may reject all proposals and pursue competitive selection, enter into competitive negotiations if appropriate, or accept the unsolicited proposal that is complete and provides the greater advantage and benefits to the community and revenues to the City.

Stage Two/ Detailed Negotiations – The steps are:

a. The Parties shall negotiate and agree on the terms and conditions of the lease project.

b. Once negotiations are successful, the Parties shall issue a joint certification stating that an agreement has been reached and specifying the
eligibility of the PSP/L and the aspects of the lease project as agreed upon.

c. The issuance of the certification commences the activities for the solicitation for comparative proposals.

d. However, should negotiations not result to an agreement acceptable to both parties, the City shall have the option to reject the proposal by informing the PSP/L in writing stating the grounds for rejection and thereafter may accept a new proposal from other PSP/Ls, decide to pursue the proposed activity through other PPP modalities, subject the lease to a competitive selection or competitive negotiations.

Stage Three/ Competitive or Swiss Challenge Proper – The steps are:

a. The BAC shall prepare the tender documents. The eligibility criteria used in determining the eligibility of the PSP/L shall be the same as those stated in the tender documents. Proprietary information shall, however, be respected and protected, and treated with confidentiality. As such, it shall not form part of the tender and related documents.

b. The City Mayor shall approve all tender documents including the draft lease contract before the publication of the invitation for comparative proposals.

c. The BAC shall publish the invitation for comparative proposals.

d. The PSP/L which is the Original Proponent shall post the proposal security at the date of the first day of the publication of the invitation for comparative proposals in the amount and form stated in the tender documents.

e. In the evaluation of proposals, the best offer shall be determined to include the original proposal of the PSP/L. If the City determines that an offer made by a comparative PSP/L or challenger other than the negotiated terms with original proponent is superior or more advantageous to
the Province/ City/ Municipality than the original proposal, the PSP/L who submitted the original proposal shall be given the right to match such superior or more advantageous offer. Should no matching offer be received within the stated period, the lease project shall be awarded to the comparative PSP/L submitting the most advantageous proposal. If a matching offer is received within the prescribed period, the lease project shall be awarded to the original proponent. If no comparative proposal is received by the Province/ City/ Municipality, the lease project shall be immediately awarded to the original proponent.

f. In the event that the original proponent is not able to match the superior offer of the challenger, the winning challenger shall reimburse, within 30 days from issuance of the notice of award, the original proponent the cost of preparing the study, provided, that this reimbursement arrangement and the cost of preparing of the project study are expressly stated in the terms of reference for the competitive challenge, and that the BAC has determined that the cost is reasonable.

g. The City Mayor, through an executive order, upon the recommendation of the BAC, shall have the authority to adopt and prescribe the appropriate schedules and timelines for each selection procedure, provided, that the periods are reasonable and will not undermine free competition, transparency and accountability.

SECTION 7. Minimum Terms and Conditions. – The contract of lease shall include, but not limited to, the following terms and conditions:

1. Obligations of the City – (a) To allow the PSP/L free and uninterrupted use of the real property, building or facility for the use stipulated under the lease contract; and

(b) To grant an exclusive right to the PSP/L over the property for the use thereof based on the activities and businesses agreed upon.

2. Obligations of the PSP/L – (a) To pay promptly and regularly the rentals and the share of the City as agreed upon in a manner specified in the contract;
(b) To surrender the real property upon expiration of the lease contract and to shoulder damages which the City may suffer for failure to surrender the same;
and

(c) To faithfully comply with the terms and conditions of the agreement.

3. **Rights of the City** – (a) In the event the real property is deserted by the PSP/L before the expiration of the lease without the justifiable cause, the City shall have the right to enter and re-let the same and receive the rentals corresponding to the unexpired period of the lease; and

(b) To terminate the lease contract and eject the PSP/L for failure or refusal of the latter to pay the rentals and share of the City as agreed upon during the period stipulated in the lease contract for violation of contract conditions by the lessee.

4. **Rights of the PSP/L** – (a) To withhold payment of rentals in the event the City fails to make the necessary repairs of damaged leased facilities to any portion of the leased building which is its obligation to repair under the agreement within reasonable time and to undertake such repairs applying the rentals due to cover the cost thereof;

(b) To occupy and use exclusively the real property leased to the exclusion of the City or its representatives; and

(c) To introduce improvements in the real property, subject to prior consent of the lessor under such terms and conditions as may be agreed upon.

5. Project Oversight Committee – A Project Oversight Committee composed of representatives of the City and the PSP/L shall be established that will be responsible for overseeing, monitoring the lease project and ensuring compliance with the terms and conditions of the lease contract.

**SECTION 8. Duration of Lease Contracts.** – Subject to the guiding principle that the lease contract should provide the most advantageous terms and conditions to the government, the City shall exercise discretion in determining the reasonable period for the lease contract.
SECTION 9. Termination of Lease Contracts. — Except for causes expressly stipulated in the lease contract, neither party shall have the authority to unilaterally terminate the contract. Termination that is not due to causes provided in the contract shall be mutually agreed upon.

SECTION 10. Prior Authorization from the Sanggunian. Prior to signing the lease contract by the City Mayor, the lease contract will have to be presented to Sangguniang Panglungsod for review and approval. The Sangguniang Panglungsod shall issue the appropriate resolution authorizing the City Mayor to sign and execute the lease contract on behalf of the City.

SECTION 11. Separability Clause. — If any provision/s of this Ordinance is held unconstitutional or invalid, the other provisions unaffected thereby shall remain in full force and effect.

SECTION 12. Repealing Clause. — All ordinances, executive orders and issuances, or parts thereof, inconsistent with the provisions of this Ordinance are hereby repealed or modified accordingly.

SECTION 13. Effectivity Clause. — This Ordinance shall take effect fifteen (15) days after its posting in two conspicuous places within the City.

ENACTED by the Sangguniang Panglungsod of Bacoor, Province of Cavite this 24th day of September 2018.

I hereby certify to the truth and correctness of the foregoing Appropriation Ordinance.

Certified Correct:

HON. CATHERINE SARINO-EVARISTO
City Vice Mayor/Presiding Officer

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Attested by:

ATTY. KHALID A. ATEGA, JR.
Sangguniang Panlungsod Secretary

Approved by:

HON. LANI MERCADO-REVILLA
City Mayor
Date of Approval: 09 NOV 2018

Attested by:

ATTY. KHALID A. ATEGA, JR.
Sangguniang Panlungsod Secretary

Certified by:

HON. CATHERINE CARITO-EEVARISTO
City Vice Mayor/Presiding Officer

Approved by:

HON. LANI MERCADO-REVILLA
City Mayor

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