



CentroMigrante, Inc.

## Team Information and Eligibility

Team Members:

Neil Ruiz  
Illac Diaz  
Tina Laforteza

We do hereby certify that:

We have 1 current full time MIT student as an integral part of the team.  
Our company has not received significant funding or customers.  
I have read and accept the terms outlined in the entry kit.

Word count for this Executive summary: 1768

## Company/Business Plan Information

**Primary Industry:**

Developmental / Social

**Public Summary:**

Impoverished people in developing countries leave their rural hometowns and flock to urban areas to seek employment but are usually unable to afford decent lodging while searching and waiting for jobs. In the Philippines, as many as 1 million Filipinos a year spend up to 3 months away from their home provinces and in Manila's port areas looking for jobs as seafarers, most of them living in shanties under depressed and undignified living conditions. CentroMigrante Inc. combines developmental architecture with a self-help business model to offer a sustainable solution that provides clean, safe and affordable urban housing for such indigent, transient job seekers.

**Business Concept:**

CentroMigrate Inc. will create communities where housing is safe, attractive, and affordable, to which it will then augment support services, like access to job training and job placement. It will do this by using durable, cost-efficient, and scalable architecture, paired with a self-help program that mobilizes the target group in maintaining and improving their own living conditions. In this way the model leverages the inherent resourcefulness of the target group and their aspirations to improve their lot in life.

The pioneer model for this business concept is Pier One Seafarers, which was founded in Manila, Philippines in 2001 by CentroMigrante team lead Illac Diaz as a thesis for his MBA at the Asian Institute of Management. Without the help of outside funding, this transient housing has grown in three years from a small enterprise of forty beds to its current capacity of two centers with a 1,500 beds and a 95% percent occupancy rate. It has successfully sheltered and given jobs to eighty thousand customers.

The following are the key features of the CentroMigrante business concept:

- **Single Occupancy Units.** A new center will expand the two existing Pier One centers on two thousand square meters of open land area, with 190 MIT-designed prefabricated single occupancy units (SOUs). Each SOU will be a 3'3" x 7'

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module that will be composed of parts that can be built using simple tools but is architecturally sound to building codes. The main material will be recycled wood from crates (available cheaply from the port area) and polycarbonate panels. The modules, pre-cut and pre-drilled, can be carried onto the building and assembled within a day using only a screwdriver. Variations on panels, including ventilation and window panel allow for flexibility in laying out the spaces. Each SOU will contain one closet / storage space, desk, and chair as part of the design and cost not more than \$ 300.00 – 350.00.

- **Build-for-Stay System.** Tenants will be given the option to provide their own physical labor to construct the SOUs in exchange for two weeks of free occupancy. This focuses the center's engine of growth on the involvement of the residents themselves in the task of "community building". After the free period has passed, the tenant may either pay by the day or vacate the space to paying tenants.

- **Employment Bridge and Assistance Program.** While waiting to secure contracts, skilled laborers find small jobs to pay for their living expenses for the average gap of three months it takes to find a seafarer job and secure a visa. CentroMigrante will use a work-for-stay system where individuals without money or better paying jobs may sign up for several temporary jobs onsite. The center will also provide skills seminars and job assistance. An example of an onsite job implemented in the Pier One pioneer model is manning distilled water bottling stations on the premises, through which tenants earn, at current labor rates, credit towards their rent. Hours at the store can also be exchanged for a seminar on entrepreneurship and cash flow management which teaches laborers to learn to invest their future income. Finally, after two months, the management will offer to build the worker a resume and provide a referral letter for his use in seeking other job opportunities, as well as post the job seeker's resume online on existing job search sites used by potential employers.

- **Consumer Charity.** As a second source of income, the center will maintain a filtered water bottling store on premises, to be manned by its own tenants. Water bottling is simple to manage and perform and individuals and institutions in the surrounding communities always have a need for bottled water and refills.. The concept of consumer charity, invented by the founder of Pier One, involves soliciting business instead of donations from institutions and individuals. Thus, CentroMigrante management will ask establishments such as stores and offices to purchase their distilled water requirement exclusively from the center; the profit earmarked for expansion and maintenance purposes. Pier One currently has twenty-two institutions purchasing its distilled water needs on a daily basis. The center enjoys an average of \$12,308.00/month in net income from its current distilled water operations.

CentroMigrante Inc.'s vision is to be a leading solutions provider for the urban settlements problem. We believe that transitioning out of homelessness among transients necessitates more than just a home, more than just a job and more than just a supportive community - the entire package is necessary in a comprehensive support system designed to help people regain lives of stability and security.

This business model is profitable and easily franchisable and can be exported to port areas in other countries with seafaring population. It can also be applied in any transient communities as an alternative to shanty housing.

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### **Sales and Marketing:**

For more than 30 years, the export of labor has been an explicit response to double-digit unemployment rates in the Philippines. The Philippine government has a sophisticated policy regime promoting and regulating labor emigration, that lures thousands of skilled applicants from the rural areas and into the capital city of Manila, where most labor emigration processes begin. Yet while the country continues to rely heavily on migrant labor for its economic vitality (official recorded remittances over the last 10 years averaged 22.8 percent of the country's export earnings and 8.7 percent of GNP), no one has substantially addressed the accelerating urban crisis brought about by the rapid influx of migrant laborers.



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The port areas of Manila are filled with thousands of these would-be migrant workers who feed the world supply of seafarer labor, of which Filipinos make up 25%. In between contracts and while undergoing training, they remain in the Manila area, but unable to pay rent for proper lodging, they live in whatever cheap shelters they can find or improvise, usually shanties.

The target market consists of about 750,000 Filipinos. Official statistics indicate that there are at least 300,000 seafarers and 700,000 Filipinos trying to become a seafarer who go through the Manila ports. About 75% of them travel from outside of Manila and need to find housing for at least 3 months. Based on these numbers, there are at least 2.25 million rentable months per year needed.

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### Competitive Advantage:

CentroMigrante's competitive advantages over traditional models of housing are along five areas:

- **Self-Sustaining Model.** Most charity models use a cash burn system for providing housing. They can build as much as their funds will permit, and this leads to a long process of construction if not exclusion of many who are in the poorest sectors as they may be unable to afford any repayment scheme. Governments of developing countries are even more cash-strapped and have limited funds for housing.
- **Low Cost.** The concept of self-help allows construction of new units at low cost through the labor contributed by the tenants themselves and through 'smart design' and operations of the center as well as the water bottling stores in exchange for rent, which keeps operating costs low (in the Pier One experience, at thirty percent of gross income before tax).
- **Income.** Instead of focusing on permanent residences this model focuses on repeat customers and a higher usage of assets such as bed/room space of the transient niche, such that net income over time is higher.
- **Scalability.** New SOU units can be built via a franchise scheme to expand in open spaces (with a roofing implement) or inside unused buildings. The franchisee provides the space/building.
- **Employment Program.** The center provides sources of income to tenants while they are unemployed and waiting for jobs. This is nonexistent in other urban housing schemes.
- **Job Placement.** The establishment puts tenants' resumes online for free to facilitate the matching of tenants with prospective employers. The critical mass of people at the center makes it an especially attractive area for head hunters to look for contract laborers.

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### Financial Plan:

The revenue model is based on the income of the prototype model done in Manila ([http://www.inq7.net/globalnation/sec\\_fea/2003/feb/06-02.htm](http://www.inq7.net/globalnation/sec_fea/2003/feb/06-02.htm)) that was established in 2001 with a forty bed concern and in 2006 it increased to 1500 beds without outside capital. The initial capital used for the establishment was \$ 29,411.76. The positive cash flow was achieved in three months from the start as it was payment based on a cash and no credit.

The land lease for the future model will be at \$1.20 per square meter for a 2000 meter lot.

The Current income is based on the following averages :

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970 beds x \$ 1.00 x 97% x 30 days = \$ 28,227 month (\$ 324,756.00/year)

530 beds x \$ 1.80 x 85% x 30 days = \$ 24,327 month (\$ 291,924.00/year)

The future cash model for 2000 meter lot expansion is :

850 SOU x \$ 5.88 x 83% x 30 days = \$ 124,450 month ( \$ 1,493,402/year)

Operational expenses are an average of thirty-two percent of gross, with tax of thirty-five percent plus bad debts of two percent.

Future Expansion will be through a franchise model to empty lots and buildings in the 50 port areas around the Philippines.

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### Management Team:

Illac Diaz is a Research Fellow at the Massachusetts Institute of Technology in the Special Program on Urban and Regional Planning. He received a Masters of Entrepreneurship at the Asian Institute of Management and received the Ten Outstanding Young Man of the Philippines for Social Entrepreneurship in 2005. He has been featured in CNN Asia, Readers Digest and Time Magazine for his work in his foundations.

Neil Ruiz is a PhD Candidate in the MIT Department of Political Science. He specializes on the phenomenon of Philippine migrant workers and their effect on economic development. He was also a consultant for the Asian Development Bank for a study on overseas workers' remittances.

Tina Laforteza is a Master of Business Administration (2004) from the MIT Sloan School of Management  
Reinhard Goethert a professor at MIT and head of the Special Interest Group in Urban Settlements (SIGUS) has 35 years of experience in urban development

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### Miscellaneous Free Text

Mr. Goether is currently in New Orleans and could not log on before the deadline.

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