FIRST DIVISION

[G.R. No. 215234, June 23, 2020]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. SPOUSES JUANCHO AND MYRNA NASSER, RESPONDENTS.

RESOLUTION

REYES, J. JR., J.:

Before us is a petition for review on *certiorari*[1] under Rule 45 of the Rules of Court, assailing the Decision[2] dated March 27, 2014 and Resolution[3] dated October 20, 2014 of the Court of Appeals-Cagayan de Oro City (CA) in CA-G.R. SP No. 03800-MIN.

Relevant Antecedents

Spouses Juancho and Myrna Nasser (respondents) were the owners of a parcel of land located in San Jose, Lupon, Davao Oriental covered by Original Certificate of Title (OCT) No. P-7096 (subject property) with an area of 3.8885 hectares, which was planted with coconut trees and 7-year old mahogany trees as confirmed by the Field Investigation Report.[4]

On May 10, 1999, respondents' property was placed under the coverage of the Comprehensive Agrarian Reform Program (CARP). Accordingly, respondents voluntarily offered to sell their parcel of land.[5]

Vested with the authority to determine valuation and compensation of all lands placed under CARP coverage under Executive Order (E.O.) No. 405, Republic Act (R.A.) No. 6657, and Department of Agrarian Reform Administrative Order (A.O.) No. 5, series of 1998 (DAR A.O. No. 5) (1998), petitioner valued the subject property in the amount of P181,177.04, using the formula **LV = (MV x 0.1) + (CNI x 0.9) + CDC**, broken down as follows:

LV= (P28,000/has x 0.9) + (P21,526.85 x 0.1) + P19,240.36

Unit Land Value = P46,593.04/hectare
            = P46,593.04 x 3.8885 hectares

Total Land Value = P181,177.04[6]

Unsatisfied, respondents rejected the valuation of petitioner. Consequently, summary proceedings for the valuation of the subject property were conducted before the Department of Agrarian Reform Adjudication Board (DARAB) Office of the

Provincial Adjudicator in Davao City.[7]

Pursuant to a letter-request from Myrna Nasser, Tree Markers of the Department of Environment and Natural Resources (DENR) Region XI of Lupon, Davao Oriental, issued a Memorandum to the Officer-in-Charge of the Community Environment and Natural Resources Office (CENRO), Region XI-2D, Lupon, Davao Oriental, stating that the subject property is planted with about 4,000 standing mahogany trees of varying diameter classes that can generate an aggregate volume of 57.544 cubic meters of sawn lumber.[8]

In a Decision[9] dated August 26, 2000, the Regional Adjudicator of the DARAB adopted petitioner's valuation, citing compliance with existing guidelines as the sole reason therefor. Thus:

> WHEREFORE, premises considered, the Land Bank of the Philippines' computation/valuation for payment of just compensation in the amount of One Hundred Eighty One Thousand One Hundred Seventy Seven Pesos and 4/100 (P81,177.04) as the total amount due to the landowner is sustain (sic) as appropriate JUST COMPENSATION for the land.
>
> SO ORDERED.[10]

Said ruling was reinforced in an Order[11] dated October 30, 2000 following respondents' Motion for Reconsideration.

However, the valuation of just compensation of the subject property was later on adjusted in a Decision[12] dated October 15, 2001. In determining the amount of just compensation as to both the coconut land and mahogany trees, the Regional Adjudicator used the formula LV = (CNI x 0.9) + (MV x 0.1) for each, in the absence of Comparable Sales based on DAR A.O. No. 5 (1998). Thus: LV = (CNI x 0.9) + (MV x 0.1) for coconut land *and* LV = (CNI x 0.9) + (MV x 0.1) for mahogany land. Clearly, the sum for both in the amount of P1,645,586.89 was determined as just compensation. The *fallo* thereof reads:

> WHEREFORE, judgment is hereby rendered fixing the total value or just compensation of petitioners land (sic) at the aggregate amount of One Million Six Hundred Forty Five Thousand Five Hundred Eighty Six Pesos and Eighty Nine Centavos (P1,645,586.89).
>
> SO ORDERED.[13]

The matter was subsequently referred to the Regional Trial Court of Mati City, Davao Oriental, Branch 5 sitting as Special Agrarian Court (RTC-SAC) for judicial determination of just compensation. In a Decision[14] dated March 25, 2010, the RTC-SAC upheld the formulae adopted by the Regional Adjudicator and consequently

affirmed his valuation. Clearly, the RTC-SAC failed to give credence to petitioner's valuation for lack of legal basis. Thus:

> WHEREFORE, in view of all the foregoing, this Court hereby adopts the DARAB's valuation of the subject land at the aggregate amount of ONE MILLION SIX HUNDRED FORTY FIVE THOUSAND FIVE HUNDRED EIGHTY SIX PESOS AND EIGHTY NINE CENTAVOS (P1,645,586.89) which is hereby declared as the JUST COMPENSATION.
>
> No pronouncement as to cost.
>
> IT IS DECIDED.[15]

Petitioner filed a Motion for Reconsideration while respondents filed a motion for the issuance of an order directing petitioner to deposit the just compensation.[16]

Both motions were denied in a Resolution[17] dated August 12, 2010. In resolving both, the RTC-SAC upheld its earlier determination of just compensation; and maintained that petitioner cannot be ordered to deposit the amount of just compensation in view of its deposit of the initial valuation of the subject property.

On appeal, petitioner reiterated the erroneous valuation of the RTC-SAC of just compensation by using the Capitalized Net Income (CNI) variable instead of the Cumulative Development Cost (CDC) variable.[18]

In a Decision[19] dated March 27, 2014, the CA affirmed the ruling of the RTC-SAC. As to the applicable variable between CNI and CDC, the CA affirmed the proper usage of the former in this case considering that mahogany trees were intercropped with coconut trees; and that the CDC factor may only be used when what is involved is a permanent or fruit-bearing crop as stated in DAR A.O. No. 5 (1998). The dispositive portion thereof provides:

> **WHEREFORE,** premises considered, the instant petition is hereby **DENIED** for lack of merit.
>
> **SO ORDERED.**[20]

Petitioner's motion for reconsideration was denied in a Resolution[21] dated October 20, 2014.

Hence, this instant petition.

Issue

Is the valuation of just compensation by the CA proper?

The Court's Ruling

Just compensation in expropriation cases is defined as the full and fair equivalent of the property taken from its owner by the expropriator. The Court repeatedly stressed that the true measure is not the taker's gain but the owner's loss. The word "just" is used to modify the meaning of the word "compensation" to convey the idea that the equivalent to be given for the property to be taken shall be real, substantial, full and ample.[22]

The determination of just compensation is principally a judicial function.[23] The parameters thereof are set by Section 17 of Republic Act No. 6657, *viz*.:

> SEC. 17. *Determination of Just Compensation.* – In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

Embodied in formulae, DAR A.O. No. 5 (1998) provides for valuation of lands covered by voluntary offer to sell or compulsory acquisition:[24]

> A. There shall be one basic formula for the valuation of lands covered by VOS or CA:
>
> LV = (CNI x 0.6) +(CS x 0.3) + (MV x 0.1)
>
> Where:
>
> LV =Land Value
>
> CNI =Capitalized Net Income
>
> CS = Comparable Sales
>
> MV = Market Value per Tax Declaration
>
> The above formula shall be used if all three factors are present, relevant, and applicable.
>
> A1. When the CS factor is not present and CNI and MV are applicable, the formula shall be: