

FIRST DIVISION

[G.R. No. 197743, March 12, 2018]

**HEIRS OF JOSE MARIANO AND HELEN S. MARIANO,
REPRESENTED BY DANILO DAVID S. MARIANO, MARY THERESE
IRENE S. MARIANO, MA. CATALINA SOPHIA S. MARIANO, JOSE
MARIO S. MARIANO, MA. LENOR S. MARIANO, MACARIO S.
MARIANO AND HEIRS OF ERLINDA MARIANO-VILLANUEVA,
REPRESENTED IN THIS ACT BY IRENE LOURDES M. VILLANUEVA
THROUGH HER ATTORNEY-IN-FACT EDITHA S. SANTUYO AND
BENJAMIN B. SANTUYO, PETITIONERS, VS. CITY OF NAGA,
RESPONDENT.**

DECISION

TIJAM, J.:

This is a Petition for Review on *Certiorari*, filed under Rule 45 of the Rules of Court, assailing the July 20, 2011 Amended Decision^[1] rendered by the Court of Appeals (CA) in CA-G.R. SP No. 90547 which reconsidered its March 7, 2011 Decision,^[2] annulling the June 20, 2005 Decision^[3] of the Regional Trial Court (RTC), Branch 26 of Naga City in Civil Case No. RTC 2005-0030, and reinstating the February 14, 2005 Decision^[4] of the Municipal Trial Court (MTC), Branch 1 of Naga City in Civil Case No. 12334 dismissing the ejectment case instituted by petitioners.

The Facts

As culled by the CA from the records, the facts of the case are as follows:

On July 3, 1954, Eusebio M. Lopez, Sr., Soledad L. Dolor, Jose A. Gimenez and Eusebio Lopez, Jr. (Lopez Jr.), as the President, Secretary, Treasurer and General Manager of the City Heights Subdivision (Subdivision), respectively, wrote to the mayor of the City of Naga (City), offering to construct the Naga City Hall within the premises of the Subdivision. Their letter indicated that the City Hall would be built on an area of not less than two hectares within the Subdivision, which would be designated as the open space reserved for a public purpose. The letter, which also indicated the terms of the construction contract, provided that the City would be free to accept another party's offer to construct the City Hall if it found the same to be more favorable.^[5]

The City's Municipal Board subsequently passed Resolution No. 75, dated July 12, 1954, asking the Subdivision for a bigger area on which the City Hall would stand. Consequently, on July 30, 1954, the Subdivision amended its offer and agreed to donate five hectares to the City. The area is a portion of the land registered in the names of Macario Mariano (Macario) and Jose A. Gimenez (Gimenez) under Transfer Certificate of Title (TCT) No. 671 of the Registry of Deeds for Naga City, measuring a

total of 22.9301 hectares. Along with its amended offer to construct the City Hall, the Subdivision specified the terms of its proposal to finance the construction.^[6]

The amended offer was signed by Macario and Gimenez to indicate their "(c)onforme," and by their respective spouses, Irene P. Mariano (Irene) and Rose Fitzgerald De Gimenez (through one Josie A. Gimenez), to indicate their marital consent.^[7]

On August 11, 1954, the Municipal Board adopted Resolution No. 89 accepting the Subdivision's offer of donation and its proposed contract. The Resolution also authorized the City Mayor to execute the deed of donation on the City's behalf.^[8]

The parties submitted divergent accounts on what happened after Resolution No. 89 was passed.

According to the City, the City Mayor of Naga, Monico Imperial (Mayor Imperial), and the registered landowners, Macario and Gimenez, executed a Deed of Donation^[9] on August 16, 1954, whereby the latter donated five hectares of land (subject property), two hectares of which to be used as the City Hall site, another two hectares for the public plaza, and the remaining hectare for the public market. By virtue of said Deed, the City entered the property and began construction of the government center. It also declared the five-hectare property in its name for tax purposes.^[10] Thereafter, the Land Transportation Office (LTO), the National Bureau of Investigation (NBI), the Department of Labor and Employment (DOLE), the Philippine Postal Corporation (PPC), the Fire Department and other government agencies and instrumentalities entered the same property and built their offices thereon.^[11]

In contrast, petitioners averred that the landowners' plan to donate five hectares to the City did not materialize as the contract to build the City Hall was not awarded to the Subdivision. As early as August 23, 1954, Lopez Jr., the Subdivision's General Manager, supposedly wrote to Macario telling him to suspend the signing of the deed of donation as the Municipal Board could not agree on the specific site where the City Hall would be built. Petitioners alleged that the construction contract was eventually awarded by the Bureau of Public Works (BPW) to a local contractor, Francisco O. Sabaria (Sabaria), who won in a public bidding. Mayor Imperial opposed the award, arguing that he and not the BPW had the authority to initiate the public bidding for the project. The BPW, however, asserted its authority to bid out and award the contract on the ground that national funds would be used for the project. Mayor Imperial and Sabaria litigated the issue, with the former losing before the trial court and subsequently withdrawing his appeal before the CA. Afterwards, the Municipal Board adopted Resolution No. 11 dated January 20, 1959 authorizing the City Mayor to enter into a contract with Sabaria for the construction of the City Hall.^[12]

Petitioners claimed that on February 5, 1959, Macario and officers of the Subdivision met with Mayor Imperial to demand the return of the five-hectare lot as the condition for the donation was not complied with. Mayor Imperial purportedly assured them that the City would buy the property from them. The purchase, however, did not materialize. Petitioners alleged that ten years later, or on May 14,

1968, Macario wrote to Lopez Jr., instructing him to make a follow-up on the City's payment for the subject lot. On December 2, 1971, Macario died without receiving payment from the City.^[13]

In 1976, a certain Tirso Mariano filed an action for partition of Macario's estate. The action was opposed by Macario's widow, Irene, and their adopted children, Jose (Jose) and Erlinda (Erlinda) Mariano. As an offshoot of this action, a petition to annul Jose and Erlinda's adoption was instituted.^[14]

Irene died in 1988. Jose died the following year which was also when his and Erlinda's adoption was declared valid and legal by the appellate court. In 1994, Irene's marriage to one Rolando Reluccio (Reluccio) was declared bigamous and void *ab initio*. And after a protracted litigation, Jose, then represented by his heirs, and Erlinda were declared as Irene's heirs to the exclusion of Reluccio who was also declared to be without right to represent Irene in Macario's estate.^[15]

On March 11, 1997, the probate court issued letters of administration to one of the petitioners herein, Danilo David S. Mariano (Danilo), for the administration of Irene's estate. In September 2003, Danilo demanded upon then City Mayor of Naga, Jesse M. Robredo, to vacate and return the subject property. When the City did not comply, petitioners, as heirs of Jose and Erlinda, filed a Complaint^[16] for unlawful detainer against the City, docketed as Civil Case No. 12334.^[17]

The Unlawful Detainer Case

In their Complaint, filed on February 12, 2004,^[18] petitioners asked the MTC to order the City and all agencies, instrumentalities or offices claiming rights under it, including the LTO, NBI, DOLE, PPC and the Fire. Department, to vacate the subject property, shown in the Sketch Plan as Blocks 25 and 26 (LRC) Psd-9674, and to return possession thereof to them. In addition to attorney's fees, they asked the City to pay them a monthly rental of P2.5 million from the date it received the demand to vacate until it surrendered possession, as reasonable compensation for the use of the property.^[19]

Arguing that the issue involved is one of ownership, the City moved to dismiss the complaint for lack of jurisdiction.^[20] After the MTC denied the motion on March 22, 2004,^[21] the City filed its Answer.^[22] The parties subsequently submitted their respective Position Papers^[23] and evidence.^[24]

Petitioners averred that there was no donation of the subject property to the City as the obligation to donate on the part of Macario and Gimenez, conditioned on the Subdivision undertaking the construction of the City Hall therein, was abrogated when the City eventually awarded the construction contract to Sabaria. Petitioners further alleged that Macario thereafter demanded the return of the property but was assured by Mayor Imperial that the City would buy the same. The purchase, however, never materialized despite Macario's supposed reminder to Mayor Imperial of his assurance. Petitioners, thus, argued that the City's possession of the subject property was by mere tolerance which ceased when they required its return.^[25]

The City countered that the donation actually took place, as evidenced by a Deed of

Donation dated August 16, 1954, making the City the owner and lawful possessor of the subject property. This was supposedly why the subject property had long been declared in the City's name for tax purposes. Granting there was no donation, the City stressed that ownership of the premises automatically vested in it when they were designated as open spaces of the subdivision-project, donation thereof being a mere formality. The City also argued that since the property was already occupied by several government offices for about 50 years, recovery thereof was no longer feasible and the landowners may simply demand just compensation from the City. The City further contended that the complaint was dismissible on the grounds of laches and prescription. In any case, the City averred that it could not be ejected from the premises as it possessed the rights of a builder in good faith.^[26]

Petitioners in turn denied that laches had set in because Macario supposedly made a demand for the City to return the property, and subsequently, to abide by Mayor Imperial's commitment to purchase the same. Furthermore, as heirs of Macario and Irene, they themselves sought to recover the subject property after learning of their rights thereto through Danilo who collated Irene's properties following his appointment as administrator of her estate.^[27]

Petitioners also argued that title to the property, which remained registered in the names of Macario and Gimenez, was indefeasible and could not be lost by prescription or be defeated by tax declarations. They further asserted that the requirement of open space in the subdivision for public use was already satisfied with the landowners' donation of road lots, measuring 120,280 square meters, to the City as annotated on TCT No. 671. They posited that Presidential Decree (PD) No. 957^[28], enacted in 1976, as amended by PD No. 1216^[29], which defined "open space," should not be applied because it was not yet in effect when the subdivision plan was approved in 1962.^[30]

Petitioners contended that the City was a builder in bad faith because it continued to construct the City Hall and allowed other government agencies to build their offices on the subject property, knowing that the donation had been aborted when the condition therefor was not fulfilled and that its avowed purchase of the property was not forthcoming.^[31]

The MTC's Ruling

In its February 15, 2005 Decision, the MTC gave weight to the Deed of Donation.^[32] Nonetheless, it dismissed the complaint on the ground of lack of jurisdiction. It reasoned that the City's defense, which involved a claim of ownership, removed the issue from the case of unlawful detainer.^[33]

The RTC's Ruling

On the City's appeal, the RTC set aside the MTC's dismissal. The dispositive portion of the RTC's June 20, 2005 Decision reads as follows:

WHEREFORE, premises considered [petitioners] having proved and convinced this Court by preponderance of evidence that the lower court committed a serious and reversible error in rendering the herein assailed decision, accordingly, the DECISION dated February 14, 2005 of the

Court a quo is hereby REVERSED and SET ASIDE. Consequently, decision is hereby rendered in favor of [petitioners] and against [respondent] ORDERING the latter of the following:

(1) For the [respondent] City Government of Naga, including all other government instrumentalities, agencies and offices claiming right of possession through and under it which are but not limited to Land Transportation Office, National Bureau of Investigation, Department of Labor and Employment, Philippine Postal Corporation, Fire Department and all other offices and buildings which are all claiming rights under [respondent] to immediately vacate the subject properties, Blocks 25 and 26 (LRC) Psd-9674 forming part of TCT No. 671 in the name of Macario A. Mariano and Jose A. Gimenez, and to peacefully surrender and deliver its physical possession to the [petitioners], including all the improvements and structures erected thereon which were built in bad faith as they are now forfeited in favor of plaintiffs-appellants;

(2) For the [respondent] to pay [petitioners] the amount of P2,500,000.00 per month by way of reasonable compensation for the use and occupancy of the property in question reckoned from November 30, 2003 until such time that the [respondent] shall have actually vacated the subject property;

(3) For the [respondent] to pay [petitioners] Attorney's fees in the amount of P587,159.60; and

(4) For the [respondent] to pay the cost of the suit.

SO ORDERED.^[34]

The RTC held that the MTC could have resolved the issue of ownership if only to resolve the issue of possession. It ruled against the existence of the Deed of Donation, purportedly acknowledged before a notary public for Manila, finding that the award of the construction contract to Sabaria released Macario and Gimenez from the obligation to execute said deed. Furthermore, the fact that the subject property remained registered in Macario and Gimenez's names and no annotation of the purported donation was ever inscribed on the title proved that the City recognized that its possession was by mere tolerance of the landowners. This finding, said the RTC, was bolstered by the Certification^[35] issued on August 27, 2003 by the Records Management Archive Office of the National Archives that it had no record of such Deed, and a similar Certification^[36] from the Office of the Clerk of Court of the Manila RTC as repository of notarial reports of notaries public for Manila. The RTC also noted that the purported Deed of Donation was unsigned by the donors and indicated merely the letters "SGD" opposite their names.^[37]

The RTC explained that since the subject land was titled under the Torrens system in the name of Macario and Gimenez, the tax declaration in the City's name could not prevail, and the property could not be subject of acquisitive prescription. It also held that petitioners were not guilty of laches, noting the several cases they had to file to establish their right to inherit from, and to recover or preserve the estate of, Macario and Irene, as well as Danilo's discovery of the subject property as part of