

FIRST DIVISION

[G.R. No. 192345, March 29, 2017]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. SPOUSES ESTEBAN AND CRESENCIA CHU, RESPONDENTS.

DECISION

DEL CASTILLO, J.:

Petitioner Land Bank of the Philippines (LBP) is assailing the January 18, 2010 Decision^[1] of the Court of Appeals (CA) in CA G.R. SP No. 93518 over the amount of just compensation awarded to respondents Esteban and Cresencia Chu, as well as its May 24, 2010 Resolution^[2] which denied LBP's Motion for Reconsideration of the said Decision.

Factual Antecedents

Respondents were the registered owners of two parcels of agricultural land located in San Antonio, Pilar, Sorsogon which were acquired by the government pursuant to its agrarian reform program.^[3] The first parcel of land covered by Transfer Certificate of Title (TCT) Nos. T-27060 and 27062 and with an area of 14.9493 hectares (14.9493 has.) was acquired under Presidential Decree No. 27^[4] (PD 27-acquired land) and initially valued by the LBP at P177,657.98.^[5] The second parcel of land covered by TCT No. T-27060 (pt.) was acquired under Republic Act No. 6657^[6] (RA 6657-acquired property) and has an area of 7.7118 hectares (7.7118 has.). LBP valued the same at P263,928.57.^[7]

Respondents rejected LBP's valuation; hence summary administrative proceedings were conducted before the Provincial Agrarian Reform Adjudication Board (PARAD) to determine the just compensation. The administrative proceedings were docketed as Land Valuation Case No. LV-30-'03 for the RA 6657-acquired property and Land Valuation Case No. LV-48-'03 for the PD 27- acquired land.

Ruling of the Provincial Agrarian Reform Adjudicator

On April 11, 2003, the PARAD issued two separate Decisions^[8] recomputing the valuations arrived at by the LBP. The PARAD recomputed the value of the RA 6657-acquired property at P1,542,360.00 (or P200,000.00/ha.) based on the comparable sales transaction of similar nearby lots as well as Municipal Resolution No. 79, series of 2002, declaring Hacienda Chu as industrial area. In addition, it considered the subject property's good production, topography, and accessibility. As regards the PD 27-acquired land, the PARAD valued the subject property at P983,663.94 using the formula: Land Value= AGP x ASP x 2.5 (or Average Gross Production of 75.2 x Actual Support Price of P350.00 x 2.5).

LBP's Motion for Reconsideration was denied by the DARAB in its June 19, 2003 Order.^[9]

Ruling of the Regional Trial Court (RTC) as Special Agrarian Court (SAC)

Dissatisfied, LBP filed a Petition for Determination of Just Compensation before the RTC of Sorsogon City, Branch 52, docketed as Civil Case No. 2003- 7205.^[10]

In its September 21, 2005 Decision,^[11] the RTC fixed the just compensation at P2,313,478.00 for the RA 6657-acquired property and P1,155,173.00 for the PD 27-acquired land.^[12]

In arriving at these amounts, the RTC took cognizance of the factors considered by the LBP and the PARAD. In addition, it considered the "potentials" of the subject properties, to wit:

The Court considers the decision of the Provincial Adjudicator of Sorsogon, the testimony of the witnesses presented by the Private Respondent namely the Secretary of the Sangguniang Bayan and the Municipal Assessor of the Municipality of Pilar, Sorsogon who testified on the Municipal Ordinance/Resolution specifically declaring x x x the land of the private respondents including the subject landholding x x x is the subject [of] Municipal Expansion for Agri-Economic Cum Industrial Area. The Court also consider[ed] the applicable law and jurisprudence on the matter in arriving [at] the just compensation of the subject property. The Court further consider[ed] the present economic condition of the country as well as the present assessed value of the acquired property. The subject property is very near the industrial center that was planned by the local government thus transforming the area adjacent to the acquired property into an economic hub of the province of Sorsogon partly thru industrial program, eco-tourism development and agricultural productivity into an Agri-Economic Zone to serve as the backbone of a comprehensive and sustainable program of community[;] thus it will provide enormous livelihood opportunities and tremendous economic multiplier effect not only for residents of barangay San Antonio (Sapa) but also for the entire citizenry of Pilar, Sorsogon.

According to the answer filed by the private respondents, the property is fully planted to coconut (TCT-T-27060) and only more or less 20 meters away from the provincial road and is more or less half [a] kilometer away from the barangay poblacion. These characteristics are likewise true [for] TCT No. T-27062. That the area covered under P.D. 27 yields an average of 73 sacks of clean palay per harvest while that covered under R.A. 6657 x x x yields an average of 10 nuts per tree every 45 days at 110 fruit[-]bearing trees per hectare. For all the foregoing potentials of the property, the Court not only took into consideration the amount of just compensation fixed by the Provincial Adjudicator of Sorsogon but further took into account such potentials of the acquired property which can command a price of not less than P100,000.00 per hectare. The Provincial Adjudicator valued the 7.7118 hectares acquired under TCT No. T-27060 [at] P1,542,360.00 under R.A. 6657 while that portion acquired inside the property titled under TCT No. T-27062 [at] P983,663.94 under P.D. 27 and considering the potentials of the land in terms of the

enormous livelihood opportunities and tremendous economic multiplier effect not only for the residents of [B]arangay San Antonio but also the entire municipality of Pilar, Sorsogon, the Court further valued the acquired property in the amount of P100,000.00 per hectare. Adding the value of the land in terms of the fair market value as determined by the Provincial Adjudicator of Sorsogon, which includes the value of the actual production of the coconut trees and the palay produced, to wit: P1,542,360.00 and P983,663.94 respectively and the potentials of the property [at] P100,000.00 per hectare or the value of P771,118.00 for the 7.7118 hectares and P171,510.00 for the 1.7151 hectares, we get the total of P2,313,478.00 as just compensation for the 7.7118 hectares and the just compensation in the amount of P1,155,173.94 for the 1.7151 hectares.^[13]

The dispositive portion of the RTC Decision reads:

WHEREFORE, premises considered, judgment is hereby rendered:

1) Fixing the amount of TWO MILLION THREE HUNDRED THIRTEEN THOUSAND FOUR HUNDRED SEVENTY EIGHT (P2,313,478.00)^[14] Pesos, Philippine Currency for the 7.7118^[15] hectares and the amount of ONE MILLION ONE HUNDRED FIFTY FIVE THOUSAND AND ONE HUNDRED SEVENTY THREE (P1,155,173.00) Pesos, Philippine currency for the 1.7151 hectares,^[16] to be the just compensation of said acquired portions which agricultural land are situated [in] San Antonio (Sapa) Pilar, Sorsogon, covered by TCT No. T-27060 and TCT No. T-27062 in the name of the Sps. Esteban and Cresencia Chu, which property was taken by the government pursuant to the Agrarian Reform Program provided by R.A. 6657.

2) Ordering the Petitioner Land Bank of the Philippines to pay the Private Respondents the total amount of just compensation in the sum of THREE MILLION FOUR HUNDRED SIXTY EIGHT THOUSAND AND SIX HUNDRED FIFTY ONE (P3,468,651.00) Pesos, Philippine currency, in the manner provided by R.A. No. 6657 by way of full payment of the said just compensation after deducting whatever amount previously received by the Private Respondents from the Petitioner Land Bank as part of the just compensation.

3) Ordering the Private Respondents to pay whatever deficiency in the docket fees to the Clerk of Court based on the valuation fixed by the Court.

4) Without pronouncement as to cost.

SO ORDERED.^[17]

LBP's motion for reconsideration^[18] was denied by the RTC in its Order^[19] dated February 13, 2006.

Ruling of the Court of Appeals

On appeal, the CA modified the RTC's ruling. The CA noted that the formula used by the PARAD (*i.e.*, $LV = AGP \times ASP \times 2.5$) in computing the valuation for the PD 27-acquired land is correct. However, the amount used for the ASP, which is P350, is erroneous. According to the CA, the mandated ASP in Executive Order No. 228^[20] (EO 228) is only P35, not P350, pursuant to our ruling in *Gabatin v. Land Bank of the Philippines*.^[21] Moreover, the CA opined that this formula remains applicable to PD 27-acquired lands notwithstanding the passage of RA 6657, citing as basis EO 229.^[22] In addition, interest at the rate of 12% *per annum* must be imposed to compensate for the delay. Accordingly, it upheld LBP's valuation for the PD 27-acquired land at P177,657.98 but awarded legal interest at the rate of 12% *per annum*.^[23]

On the other hand, for the property acquired under RA 6657, the CA opined that Section 17 thereof, as well as Department of Agrarian Reform Administrative Order No. 5,^[24] series of 1998 (DAR A.O. 05-98), must be considered in fixing just determination. As such, the formula to be used is $LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$ where LV is land value; CNI is capitalized net income; CS is comparable sales; and, MV is market value per tax declaration. The alternative formula of $LV = (CNI \times 0.9) + (MV \times 0.1)$ may be used if the CS factor is not present. The CA found that although the LBP used this formula, it, however, failed to consider the rising values of the lands in Pilar, Sorsogon which resulted from the economic developments mentioned in the municipal resolution and the current assessment of industrial lands in the area – this, despite the fact that evidence was presented to show that comparable sales (the CS in the formula) have gone up to at least P200,000.00 per hectare. Thus, it affirmed the estimate that the RA 6657-acquired property may be priced at P200,000.00 per hectare as fixed by the PARAD.^[25]

The CA disposed of the case, thus:

IN VIEW OF THE FOREGOING, the RTC decision dated September 21, 2005 is modified in that:

- 1) Just compensation for the PD 27-acquired property of 14.93 hectares shall be P177,657.98 with interest of 12 percent *per annum* from November 1994 until paid, and
- 2) Just compensation for the RA 6657-acquired property of 7.7118 hectares shall be computed at P200,000 per hectare, or P1,542,360.

The petitioner is ordered to pay the respondents the amounts as set forth herein. All other aspects of the decision stand.

SO ORDERED.^[26]

The LBP filed a Motion for Reconsideration^[27] which was denied by the appellate court in its Resolution dated May 24, 2010.

Thus, the present Petition for Review on *Certiorari*.

Issues

The HONORABLE COURT OF APPEALS COMMITTED A SERIOUS ERROR OF LAW WHEN:

A.

INSOFAR AS THE RA 6657-ACQUIRED LAND, IT DISREGARDED THE VALUATION FACTORS UNDER SECTION 17 OF RA 6657 AND THE PERTINENT DAR ADMINISTRATIVE ORDERS IN FIXING ITS VALUE AT P1,542,360.00.

B.

INSOFAR AS THE PD 27-ACQUIRED LAND, IT REFUSED TO REMAND THE INSTANT CASE TO THE TRIAL COURT FOR A RECOMPUTATION OF ITS VALUE PURSUANT TO SECTION 17 OF RA 6657, AS AMENDED.

C.

IT IMPOSED THE PAYMENT OF INTEREST AT 12% PER ANNUM ON THE VALUE OF THE PD 27-ACQUIRED LAND.^[28]

LBP's Argument

The LBP posits that the appellate court improperly relied on extraneous factors, such as the rising value of the lands in Pilar, Sorsogon, potentials of the subject property considering its strategic location, livelihood opportunities and economic multiplier effect to the community, in determining the just compensation for the subject properties. The LBP insists on the mandatory application of RA 6657 *vis-à-vis* the formula provided in DAR A.O. No. 05-98.

Likewise, the LBP avers that the computation of the just compensation for the PD 27-acquired land must be revised in view of the enactment of RA 9700.^[29] In particular, Section 5 thereof provides that *all* previously acquired lands, the valuation of which is subject to challenge by the landowners, shall be completed and finally resolved pursuant to Section 17 of RA 6657, as amended. LBP posits that the contested valuation of the PD 27-acquired land, should now be computed in accordance with Section 17 of RA 6657, as amended; hence, the need to remand the case to the RTC for a re-computation of its value.

Lastly, the LBP contends that the CA's award of 12% interest per annum is without basis. It posits that with the enactment of RA 9700 *vis-à-vis* RA 6657, interest should no longer be imposed since the valuation of the PD 27-acquired land would no longer be pegged at 1972 prices but would be brought to current values pursuant to Section 5 of RA 9700 in relation to Section 17 of RA 6657, as amended, *vis-à-vis* DAR A.O. Nos. 02-09^[30] and 01-10.^[31]

Respondents did not file a comment to the Petition and were deemed to have waived the filing thereof.^[32]

Our Ruling

We grant the Petition in part.

Only questions of law may be raised in a Petition for Review Under Rule 45, exceptions thereto