Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

LAND BANK OF THE PHILIPPINES, Petitioner,	**G.R. No. 215234** **Present:**
- versus -	PERALTA, *C.J.*, *Chairperson,* CAGUIOA, *Working Chairperson,* REYES, J. JR., LAZARO-JAVIER, and LOPEZ, *JJ.*
SPOUSES JUANCHO and MYRNA NASSER, Respondents.	**Promulgated:** JUN 23 2020

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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

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1 *Rollo*, pp.12-40.
2 Penned by Associate Justice Edward B. Contreras, with Associate Justices Edgardo T. Lloren and Marie Christine Azcarraga-Jacob, concurring; id. at 47-56.
3 Id. at 59-60.

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 ₱181,177.04, using the formula LV = **(MV x 0.1) + (CNI x 0.9) + CDC**, broken down as follows:

LV= (₱28,000/has x 0.9) + (₱21,526.85 x 0.1) + ₱19,240.36

Unit Land Value = ₱46,593.04/hectare
= ₱46,593.04 x 3.8885 hectares

Total Land Value = ₱181,177.04[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

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4 Id. at 48.
5 Id.
6 Claims Valuation and Processing Form No. LEP-XI-V5-79-13073; id at 177.
7 Id.
8 Id. at 49.
9 Penned by Regional Adjudicator Norberto P. Sinsona; id. at 212-213.

> Seven Pesos and 4/100 (₱81,177.04) 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 ₱1,645,586.89 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 (₱1,645,586.89).
>
> 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 (₱1,645,586.89) which is hereby declared as the JUST COMPENSATION.
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> No pronouncement as to cost.
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> IT IS DECIDED.[15]

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10 Id. at 213.
11 Id. at 214.
12 Id. at 215-219.
13 Id. at 219.
14 Id. at 139-147.
15 Id. at 146-147.

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]

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16 Id. at 148.
17 Id. at 148-150.
18 Id. at 50.
19 Supra note 2.
20 Id. at 56.
21 Supra note 3.
22 *Republic v. Spouses Legaspi*, G.R. No. 221995, October 3, 2018.

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:
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> LV = (CNI x 0.6) +(CS x 0.3) + (MV x 0.1)
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> Where:
>
> LV =Land Value
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> CNI =Capitalized Net Income
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> CS = Comparable Sales
>
> MV = Market Value per Tax Declaration
>
> The above formula shall be used if all three factors are present, relevant, and applicable.
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> Al. When the CS factor is not present and CNI and MV are applicable, the formula shall be:
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> LV = (CNI x 0.9) + (MV x 0.1)
>
> A2. When the CNI factor is not present, and CS and MV are applicable, the formula shall be:
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> LV = (CS x 0.9)+ (MV x 0.1)
>
> A3. When both the CS and CNI are not present and only MV is applicable, the formula shall be:
>
> LV= MVx 2
>
> In no case shall the value of idle land using the formula MV x 2 exceed the lowest value of land within the same estate under consideration or within the same barangay or municipality (in that order) approved by LBP within one (1) year from receipt of claim folder.
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> A.4. When the land planted to permanent crops is not yet productive or not yet fruit-bearing at the time of Field Investigation (FI), the land value shall be equivalent to the value of the land plus the cumulative development cost (CDC) of the crop from land preparation up to the time of FI. In equation form:

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23 *Department of Agrarian Reform v. Spouses Sta. Romana*, 738 Phil. 590, 600 (2014).

24 Administrative Order No. 05, Series of 1998, entitled "Revised Rules and Regulations Governing the Valuation of Lands Voluntarily or Compulsory Acquired Pursuant to Republic Act No. 6657."

LV = (MV x 2) + CDC

where:

1. MV to be used shall be the applicable UMV classification of idle land.

2.CDC shall be grossed-up from the date of FI up to the date of LBP Claim Folder (CF) receipt for processing but in no case shall the grossed-up CDC exceed the current CDC data based on industry.

In case the CDC data provided by the landowner could not be verified, DAR and LBP shall secure the said data from concerned agency/ies or, in the absence thereof, shall establish the same.

In no case, however, shall the resulting land value exceed the value of productive land similar in terms of crop and plant density within the estate under consideration or within the same barangay or municipality (in that order) approved by LBP within one (1) year from receipt of CF.

In case where CS is relevant or applicable, the land value shall be computed in accordance with Item II.A.2 where MV shall be based on the lowest productivity classification of the land.

A.5 When the land is planted to permanent crops introduced by the farmer-beneficiaries (FBs) which are not yet productive or not yet fruit-bearing, the land value shall be computed by using the applicable UMV classification of idle land. In equation form:

LV = MV x 2

In no case, however, shall the resulting land value exceed the value of productive land similar in terms of crop and plant density within the estate under consideration or within the same barangay or municipality (in that order) approved by LBP within one (1) year from receipt of CF.

In case where CS is relevant or applicable, the land value shall be computed in accordance with Item II.A.2 where MV shall be based on the applicable classification of idle land.

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At bar, petitioner insists that the use of the LV = (CNI x 0.90) + (MV x 0.10) + CDC, the CDC variable referring to the valuation of mahogany trees, is more appropriate considering the non-harvestability of the latter. On the other hand, respondents aver that the LV = (CNI x 0.90) + (MV x 0.10) for coconut land ***plus*** LV = (CNI x 0.90) + (MV x 0.10) for the property with standing mahogany trees is the proper formula because the CDC variable squarely applies only to permanent crops, which is not the case in mahogany trees.

Foremost, petitioner's valuation is not sanctioned by law as DAR A.O. No. 5 (1998), does not provide for such formula. Also, factoring in the CDC variable as representative of the valuation of mahogany trees is insufficient to determine just compensation. In doing so, the value of the land on which such mahogany trees were planted was totally disregarded, which is against the guidelines set forth by law. To recall, the valuation of lands necessarily

considers not only the crops and trees therein planted, but also the value of the land.

Furthermore, petitioner's insistence of the application of Joint Memorandum Circular No. 11, series of 2003 (JMC No. 11) (2003) does not hold water.

The coverage of JMC No. 11 (2003), includes all land transfer claims involving lands planted to commercial trees whose Memorandum of Valuation have not yet been forwarded to DAR as of the date of effectivity thereof.

In this case, it is clear that a Memorandum of Valuation[25] was accomplished in 1999 and subsequently forwarded to the DAR as the DARAB ruling on August 26, 2000 upholding petitioner's valuation based on such Memorandum is evident from the records. As such, it is clear that it was forwarded prior to the effectivity of JMC No. 11 (2003); thus, the Circular is inapplicable.

As aptly ruled by the RTC-SAC and the CA, the appropriate formulae are LV = (CNI x 0.90) + (MV x 0.10) **in addition to** LV = (CNI x 0.90) + (MV x 0.10), in the absence of Comparable Sales. This is in line with DAR A.O. No. 5 (1998) which outlines the basic formula in determining just compensation.

Lastly, the just compensation as determined by the RTC-SAC and CA shall earn legal interest computed from the time of taking at the rate of 12% per annum until June 30, 2013 and 6% per annum until full payment in accordance with *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*,[26] citing *Nacar v. Gallery Frames*.[27]

WHEREFORE, the petition is **DENIED**. The Decision dated March 27, 2014 and Resolution dated October 20, 2014 of the Court of Appeals-Cagayan de Oro City in CA-G.R. SP No. 03800-MIN are **AFFIRMED**. The just compensation as determined by the Regional Trial Court of Mati City, Davao Oriental, Branch 5 sitting as Special Agrarian Court shall earn legal interest from the time of taking at the rate of 12% per annum until June 30, 2013 and 6% per annum until full payment.

SO ORDERED.

JOSE C. REYES, JR.
Associate Justice

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25 *Rollo*, p. 174.
26 G.R. No. 225433, August 28, 2019.
27 716 Phil. 267 (2013).

WE CONCUR:

DIOSDADO M. PERALTA
Chief Justice
Chairperson

To maintain my position in Lara's Gifts vs. Midtown (GL # 225433) re. interest.

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

AMY C. LAZARO-JAVIER
Associate Justice

MARIO V. LOPEZ
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

DIOSDADO M. PERALTA
Chief Justice