

### Title: The Allocation of Construction Costs and Ownership Shares in St. Francis Square Realty Corporation vs. Malayan Insurance Company, Inc.

#### Facts:

This case revolves around a dispute between Malayan Insurance Company, Inc. (Malayan) and St. Francis Square Realty Corporation (St. Francis) concerning the Actual Remaining Construction Cost (ARCC) and the consequent ownership shares over certain reserved units in a project completed on June 7, 2006.

The root of the contention traced back to a Memorandum of Agreement (MOA) executed on April 30, 2002, where St. Francis warranted to Malayan that the remaining construction cost would not exceed P452,424,849.00. The ARCC became a disputed figure leading to litigation before the Construction Industry Arbitration Commission (CIAC), which later moved through the Court of Appeals (CA) and finally ascended to the Supreme Court upon the motions filed by both parties.

Throughout the procedure, Malayan argued for the inclusion of various expenses in the ARCC, including interest expenses and Input Value-Added Tax (VAT), which St. Francis contested. The Supreme Court, on January 11, 2016, rendered a decision affirming with modifications the CA ruling and subsequently received motions for reconsideration from both parties.

#### Issues:

1. Whether the Input VAT should be included in the ARCC.
2. The correct interpretation and application of the ARCC in accordance with the MOA and its effect on the ownership distribution of the reserved units.
3. The propriety of including certain expenses (like interest expenses, change orders not due to reconfiguration, costs incurred after June 2006, etc.) in the calculation of the ARCC.

#### Court's Decision:

After careful review, the Supreme Court found partial merit in both motions for reconsideration. The Court held that:

- The Input VAT cannot be considered a part of the ARCC due to its nature as a creditable input tax against the output tax liabilities of Malayan, directly contradicting the earlier stance where it was included.
- The ARCC is strictly the actual expenditures necessary to complete the project, contrasting Malayan's broader interpretation entailing various financial costs.

- Certain contended costs by Malayan were correctly excluded in the determination of the ARCC as they were not directly related to the construction costs.

Consequently, the Court modified its January 11, 2016, decision to recalibrate the net ARCC and the proportional shares in the reserved units between Malayan and St. Francis based on the corrected ARCC calculation. Malayan's share was adjusted to 34%, and St. Francis's share to 66%.

#### #### Doctrine:

- The principle of unjust enrichment under Philippine law and its inapplicability in the presence of a legal basis for claiming expenses.
- The interpretation of ambiguities in a contract is construed against the party responsible for the ambiguity.
- Expenses to be included in the ARCC should strictly be actual expenditures related to the construction of the project.

#### #### Class Notes:

- **ARCC Interpretation**: Emphasizes the importance of contract interpretation according to the plain meaning of its provisions unless expressly defined otherwise within the contract itself.
- **Input VAT and Construction Costs**: Teaches that Input VAT, although an outlaid cost in construction-related transactions, is not directly a construction cost when it is creditable against output VAT liabilities.
- **Doctrine of Unjust Enrichment**: Explains its application is limited to instances without a legal or just basis for the enrichment, highlighting its non-applicability in complex contractual and statutory interpretations.
- **Construction Arbitration**: Outlines that arbitration awards, particularly in construction disputes, are afforded finality and respect, especially when affirmed by the appellate courts, unless strongly warranted otherwise.

#### #### Historical Background:

The case represents a significant discourse on the computation of actual construction costs and the ensuing rights to property arising from construction agreements. It underscores the complex interplay between contract law provisions, statutory tax implications, and principles of equity under Philippine law.