

Title: Francisco I. Chavez vs. Public Estates Authority and Amari Coastal Bay Development Corporation: A Reflection on the Constitutionality of Government Contracts on Reclaimed Lands

Facts:

Francisco I. Chavez, the petitioner, questioned the legality of a government contract that transferred 157.84 hectares of reclaimed public lands along Roxas Boulevard in Metro Manila to Amari Coastal Bay Development Corporation (Amari), a private entity, for PHP 1.894 billion or PHP 1,200 per square meter. This valuation was significantly below the market price, which reports estimated at a high of PHP 90,000 per square meter, raising concerns about a potential loss to the Filipino people amounting to tens of billions of pesos. Allegations of graft were compounded by the fact that the sale was negotiated without public bidding, a violation of the Government Auditing Code.

The concerns came to light during extensive public hearings conducted by two Senate Committees, which found that the sale was grossly undervalued. Amari had also agreed to pay substantial commissions and bonuses to various individuals, totaling over PHP 1.5 billion, which were seen as indicative of the actual value of the land being much higher than the sale price. Amid these revelations, the case was brought before the Supreme Court to assess the constitutionality of the contract and the extent to which such practices deviate from established legal norms on the disposition of public lands.

Issues:

1. Whether the negotiated contract between the Public Estates Authority (PEA) and Amari for the sale of reclaimed lands violated the Government Auditing Code for not conducting a public bidding.
2. Whether the contract, by its terms and the circumstances surrounding its negotiation and conclusion, constituted a gross undervaluation of public assets, thereby causing undue harm to the government and the Filipino people.
3. Whether the contract and its resultant transactions violated constitutional provisions specifically related to the alienable nature of lands of the public domain and their disposition.

Court's Decision:

The Supreme Court resolved that the contract between PEA and Amari was in blatant violation of the Constitution, specifically the provisions that prohibit the sale of alienable lands of the public domain to private corporations. The Court highlighted that submerged

lands and reclaimed lands are owned by the state and are inalienable unless expressly classified as alienable and disposable lands suitable for agriculture. Moreover, even when reclaimed lands are classified as alienable, the Constitution expressly prohibits their acquisition by private corporations. The Court further noted the absence of public bidding in the sale as a direct violation of settled statutory requirements aimed at protecting public interest.

#### Doctrine:

The case reiterates the doctrine that all lands of the public domain are owned by the State and that their disposition is subject to the provisions of the Constitution. It underscores the prohibition against private corporations from acquiring any kind of alienable land of the public domain, emphasizing the need for strict compliance with statutory requirements for their classification as disposable and the necessity of public bidding in their disposition.

#### Class Notes:

1. Alienation of Public Lands: Only those classified as agricultural lands of the public domain can be alienated, according to the Constitution and public land laws.
2. Inalienability of Natural Resources: Submerged lands are part of the State's inalienable natural resources and cannot be subject to private ownership.
3. Constitutional Prohibition on Corporation Ownership: The 1987 Constitution bars private corporations from acquiring any kind of alienable land of the public domain, highlighting the emphasis on equitable land distribution and the protection of national wealth.
4. Importance of Public Bidding: Disposition of government assets, including land, must adhere to the principles of transparency and competitiveness as enunciated in relevant laws like the Government Auditing Code.

#### Historical Background:

The case emerges in the broader context of efforts to modernize and commercially develop portions of Metro Manila through land reclamation projects. While such projects are often seen as opportunities for economic growth and urban development, the case underscores the paramount importance of adhering to constitutional and legal mandates that safeguard public interest, especially in the disposition of reclaimed lands. It reveals the tensions between development objectives and the imperative to protect public assets and ensure their equitable and lawful use.