

**\*\*Title:\*\* Polytechnic University of the Philippines vs. Golden Horizon Realty Corporation**

**\*\*Facts:\*\*** This case involves a series of contracts and legal actions concerning a ten-hectare property in Sta. Mesa, Manila, owned by National Development Company (NDC), a government-owned corporation. The property was initially leased to Golden Horizon Realty Corporation (GHRC) through two lease contracts, with GHRC granted the option to purchase the area leased. Despite GHRC's expressed interest in renewing the lease and purchasing the property, NDC did not respond but continued to accept rental payments. When GHRC learned of NDC's intent to sell the property to a third party, it filed a complaint for specific performance and damages in the RTC in October 1988. Subsequent to this, President Corazon C. Aquino issued Memorandum Order No. 214, ordering the transfer of the property to the National Government for conveyance to Polytechnic University of the Philippines (PUP), which was then allowed to intervene in the legal proceedings. Despite these developments, GHRC amended its complaint to challenge the memorandum order and to assert its right to purchase the property. The RTC, after a long legal battle, ruled in GHRC's favor, a decision affirmed by the CA, leading to the consolidated petitions to the Supreme Court by NDC and PUP.

**\*\*Issues:\*\***

1. Whether GHRC's right of first refusal was violated by the sale of the property to PUP.
2. Whether GHRC's right of first refusal subsisted after the expiration of the original lease period and under the implied new lease.
3. Whether GHRC's right of first refusal applies to both the first and second lease contracts.

**\*\*Court's Decision:\*\***

The Supreme Court ruled that GHRC's right of first refusal was indeed violated when NDC initiated negotiations to sell the property to PUP without first offering it to GHRC, as required by the lease agreements. The Court affirmed that GHRC's right of first refusal continued to subsist despite the expiration of the original lease period and through the implied new lease designated on a month-to-month basis. Additionally, the Court clarified that GHRC's right of first refusal applied to both the first and second lease contracts, treating the leased premises as an integrated industrial complex. Ultimately, the Court affirmed the CA's decision in favor of GHRC but modified the purchase price of the leased premises to P1,500.00 per square meter.

**\*\*Doctrine:\*\***

The Supreme Court reiterated the doctrine that a lessee's right of first refusal is integral

and indivisible from the lease contract and must be respected by the property owner before the property is sold to third parties. Additionally, an implied renewal of a lease does not automatically exclude the right of first refusal unless explicitly stated.

**\*\*Class Notes:\*\***

- **\*\*Right of First Refusal:\*\*** A lessee's privilege to match the terms of any offer the lessor receives from a third party to purchase the leased property, underscoring the contractual duty of the lessor to offer the property first to the lessee under the same conditions.
- **\*\*Implied Lease Renewal:\*\*** Can happen upon the expiration of a lease when the lessee remains in possession with the lessor's acquiescence, typically observed on a month-to-month basis unless specified otherwise.
- **\*\*Specific Performance:\*\*** A legal remedy whereby a party is ordered to perform a specific act, most commonly to complete the terms of a contract.
- **Relevant Statutes:** Article 1670 of the Civil Code (pertaining to the continued enjoyment of the leased property under an implied new lease), and Commonwealth Act No. 182 (creating NDC).

**\*\*Historical Context:\*\***

This case is set against the backdrop of the Philippine government's efforts to utilize public assets for broader social purposes, such as the expansion of educational facilities for PUP, known as the "Poor Man's University." The issuance of Memorandum Order No. 214 by President Corazon C. Aquino, directing the transfer of the NDC Compound to PUP, exemplifies state intervention in property disputes for deemed public welfare. However, this judicial decision highlights the sanctity of pre-existing contractual agreements, such as the right of first refusal, over the government's intention to reallocate property resources for educational expansion.