LAND BANK OF THE PHILIPPINES, PETITIONER, VS. COURT OF APPEALS AND MARCIA E. RAMOS, RESPONDENTS.

G.R. No. 126332. November 16, 1999

Ponente: BELLOSILLO, J.

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BELLOSILLO, J.:

This petition for review on certiorari under Rule 45 of the Revised Rules of Court seeks the reversal of the Decision[1] of the Court of Appeals in CA-G.R. SP Nos. 38795 and 38885 dated 27 June 1996 which modified the decision[2] of RTC-Br. 23 of Cabanatuan City acting as a Special Agrarian Court in Agrarian Case No. 90 (AF) dated 25 September 1995. The petition also prays for the reversal of the Resolution[3] of the Court of Appeals dated 29 August 1996 denying petitioner's motion for reconsideration.

Private respondent Marcia E. Ramos inherited from her father two (2) parcels of land in Barangay Macatbong, Cabanatuan City, some twelve (12) kilometers away from the center of the city, covered by TCT Nos. T-8774 and T-36576 containing 36.6125 and 32.1675 hectares, respectively. Both were classified as ricelands in their tax declarations for 1985.

On 15 June 1988 RA 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL) of 1988,[4] took effect. Section 19 thereof provides for an additional five percent (5%) cash payment for landowners who would voluntarily offer their lands for sale to the government for distribution to farmer-beneficiaries.[5] On 3 April 1989, induced by the incentive, private respondent and her husband wrote then Department of Agrarian Reform (DAR) Secretary Philip Ella Juico offering for sale her lands covered by TCT Nos. T-8774 and T-36576, which were her own paraphernal property. Private respondent however manifested her intention to retain twenty-nine (29) hectares for herself, her husband and their eight (8) children. Photocopies of two (2) land titles, latest tax declarations, Listasaka and voluntary offer to sell forms and other documents accompanied the letter. The Listasaka form and letter of intent indicated a price of only P40,000.00 per hectare because private respondent was allegedly in a tight financial bind with six (6) of her eight (8) children taking long courses in college. She thought that a low valuation for the lands would facilitate payment of just compensation to her by the government.

On 24 July 1991, after a two (2)-year hiatus, DAR Regional Director Antonio M. Nuesa sent a notice of acquisition to private respondent informing her that the DAR had decided to acquire 21.1675 hectares of the 32.1675 hectares covered by TCT No. T-36576. The land, classified as idle and abandoned, was placed under the Voluntary Offer to Sell (VOS) program. On 28 August 1991 Nuesa sent private respondent another notice of acquisition where she was informed that the DAR had decided to acquire under its Compulsory Acquisition (CA) scheme 18.6125 hectares of the 36.6125 hectares covered by TCT No. T-8774. The land was also classified as idle and abandoned.

Meanwhile, Lolita C. Cruz, Head of the Land Bank of the Philippines Land Valuation and Landowners Compensation Office, wrote private respondent on 24 July 1991 requiring her to submit a Sworn Statement of

Average Production and Net Income. In compliance, Ramos sent an affidavit stating inter alia the lowest average yield of eighty (80) cavans per hectare.

On 18 November 1991 Nuesa notified private respondent of the DAR valuation of P395,591.44 or P9,944.48 per hectare covering 39.78 hectares, subject to price adjustments to conform with the actual area covered as determined by a final land survey. The valuation was based on the ocular inspection report dated 13 May 1991 of which private respondent denied having been notified.

On 23 December 1991 private respondent wrote Nuesa rejecting the P9,944.48 per hectare valuation offer of the DAR as it was not the just compensation she expected for her lands. Thus, the case was elevated to the Department of Agrarian Reform Adjudication Board (DARAB) which ordered two (2) ocular inspections of subject two (2) parcels of land.[6]

On 2 January 1992 Nuesa sent a memorandum-letter to the Regional Agrarian Reform Adjudicator instructing the latter to conduct summary administrative proceedings for the final valuation of the lands of private respondent. LBP Valuation Manager Cruz was also requested to open a trust account in the name of private respondent for the cash portion of the value of the property as determined by the DAR.

Private respondent was then required by the DARAB to file her memorandum in order to counter the initial findings of the DAR. The LBP also submitted its memorandum. Another ocular inspection was thereafter ordered and finally conducted on 22 May 1992.

On 1 July 1992 the government through the Department of Environment and Natural Resources (DENR) - Bureau of Lands, together with private respondent and her husband, identified, surveyed and segregated subject lands. On 24 August 1992 the complete survey returns on the lands were submitted by the DENR through its Community Environment and Natural Resources officer of Cabanatuan City Romeo Buenaventura.

On 12 October 1992 Nuesa ordered the Register of Deeds of Cabanatuan City to transfer ownership of subject lands from private respondent to the Republic of the Philippines. However, before the transfer of ownership could be effected, the DARAB issued an order of revaluation dated 30 October 1992 based on its findings that five (5) to nine (9) hectares of subject lands were actually being cultivated on a rotation basis and not idle as earlier classified.

The foregoing, more particularly Nuesa's order to transfer ownership over subject lands without waiting for their revaluation, prompted Ramos to file a complaint for just compensation before the Regional Trial Court (RTC) of Cabanatuan City, acting as a Special Agrarian Court (SAC), on 23 November 1992. The complaint was filed against Jesli Lapus, in his capacity as President of LBP, Ernesto D. Garilao, in his capacity as Acting Secretary of DAR, Lolita C. Cruz, in her capacity as Head of LBP Land Valuation and Landowners Compensation Office, and Antonio M. Nuesa, in his capacity as Regional Director of DAR.

LBP officials Lapus and Cruz filed a joint answer dated 8 February 1993 claiming that agrarian reform did not partake of an eminent domain proceeding so that the doctrine of just compensation would not apply. They prayed for the dismissal of the complaint because of private respondent's failure to exhaust all administrative remedies available to her before filing the case with the SAC.

DAR officials Garilao and Nuesa, for their part, filed a motion to dismiss the complaint contending that the SAC was not the proper forum to hear and decide the case because of private respondent's failure to exhaust administrative remedies. On 13 April 1993 the SAC denied the motion to dismiss.

At the pre-trial conference on 15 November 1993 the parties ruled out the possibility of amicably settling the case.

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They however agreed -

> (a) That the land in question as per ocular inspection on October 1, 1993 is planted with rice and not idle which the defendant LBP admitted with the qualification that a portion is still idle;
>
> (b) That the government from time to time changes the valuation formula for the purchase of privately-owned land subjected to CARP to the advantage of the government which was likewise admitted by the defendant LBP;
>
> (c) That the formula for the correct valuation of the property is that provided for under Admin. Order No. 6, Series of 1992, of the DAR which was also admitted by the defendant LBP; and
>
> (d) That the DARAB thru the Provincial Adjudicator Jose Reyes issued an Order dated October 30, 1992 which was admitted by both defendants.

On 29 November 1993 the case before the DARAB was dismissed "to pave way for the disposition of the case in the regular court."[7]

In the meantime, DAR Secretary Garilao issued Admin. Order No. 11, Series of 1994, revising the rules and regulations covering the valuation of lands voluntarily offered or compulsorily acquired as embodied in Admin. Order No. 6, Series of 1992.

On 25 September 1995 the SAC rendered its decision ordering the LBP and the DAR to pay private respondent just compensation for her lands in the amount of P2,146,396.90 or P53,956.67 per hectare with legal interest from 3 April 1989 - when the offer was made - until fully paid. The SAC also declared private respondent entitled to the additional five percent (5%) cash payment under Sec. 19 of RA 6657[8] by way of incentive for her voluntarily offering subject lands for sale.[9]

The SAC found the valuation of private respondent to be "cumbersomely high" for the government and the farmer-beneficiaries considering that the factors she adopted in arriving at said valuation were "not adequately substantiated and therefore inconclusive." The valuation by the LBP and the DAR, on the other hand, appeared to be unrealistically low and its bases were "but assumptions of facts unsupported by credible evidence." Thus, the SAC was left with no other recourse but to take the middle ground wherein the needs of the parties would be reasonably accommodated, i.e., the price set by private respondent when she first offered subject lands for voluntary acquisition and the inflation rate recognized and provided for by the LBP and the DAR.[10]

Both parties, private respondent Marcia E. Ramos on one hand, and the DAR through Secretary Garilao and DAR Regional Director for Region III Nuesa on the other, filed their respective petitions for review with the Court of Appeals. The LBP did not appeal but filed its comment on the petitions.

The DAR questioned the jurisdiction of the SAC contending that the latter could not take cognizance of the case pending its resolution before the DARAB as the preliminary determination of just compensation by the DARAB was a condition sine qua non before the filing of the case of this nature with the SAC.[11]

Private respondent, on her part, questioned the valuation given by the SAC for being contrary to the principle of just compensation provided by the law. She insisted that her property must be valued at P150,000.00 per hectare and that even assuming that her evidence could not substantiate it, the formula agreed upon by the parties during the pre-trial conference wherein they stipulated that LAND VALUE = (CAPITALIZED NET INCOME x .9) + (MARKET VALUE x .1)[12] should have been used by the trial court. Private respondent further demanded that she be paid a total of P350,000.00 for the two (2) irrigation canals situated within the areas to be expropriated.

The LBP through Lapus and Cruz submitted its comment on the petitions. The LBP did not contradict the position

of the DAR that private respondent should have waited for the termination of the land valuation case with the DARAB before seeking relief from the courts.[13] The LBP, however, contended that the compensation as determined by the SAC must be upheld as it was not only in accordance with Sec. 17 of RA 6657[14]and applicable DAR administrative orders on land valuation but it was likewise just and fair to private respondent, the government and the farmer-beneficiaries of the lands.

On 27 June 1996 the Court of Appeals granted the petition of private respondent but denied that of the DAR. The appellate court acknowledged the primary jurisdiction of the DARAB in the determination of just compensation but ruled that such jurisdiction was not exclusive as the courts of justice, particularly the RTCs acting as Special Agrarian Courts, could also acquire jurisdiction as provided under Sec. 57 of RA 6657.[15] It further declared that noncompliance with the rule on exhaustion of administrative remedies did not affect the court's jurisdiction but only deprived private respondent of a cause of action. Nevertheless, it noted that the doctrine recognized certain exceptions which could be applied to the instant case, i.e., that ownership over private respondent's property was already transferred in the name of the Republic of the Philippines prior to the final determination of just compensation by the DARAB.

The appellate court agreed with the findings of the SAC that the evidence of Ramos in support of her contention that she must be awarded at least P150,000.00 per hectare as just compensation for her lands fell short of the substantial evidence requirement in administrative cases. It however ruled that the SAC should have used the valuation formula agreed upon by the parties at the pre-trial as "it was sound, the choice of the parties, mutually acceptable and culled from the order of DAR." Thus, the total valuation was set at P5,227,171.10 with legal interest plus a five percent (5%) cash incentive. In addition, the appellate court ordered the payment of P350,000.00 for the two (2) irrigation canals within subject property.

On 19 July 1996 the LBP filed a motion for reconsideration which was denied by the Court of Appeals on 29 August 1996. Hence, this petition.

Petitioner submits that the Court of Appeals erred in: (a) ruling that private respondent could proceed with the filing of the just compensation case before the SAC without awaiting the termination of the land valuation proceedings with the DARAB; (b) increasing the total amount awarded by the SAC to private respondent for her 39.78 hectare-property from P2,146,396.60 or at P53,956.67 per hectare to P5,227,171.10 or at P131,401.99 per hectare; and, (c) including within the coverage of RA 6657 the two (2) irrigation canals of private respondent and pegging the compensation therefor at P350,000.00.

Petitioner contends that the appellate court erred in affirming the jurisdiction of the SAC pursuant to Sec. 57 of RA 6657[16] and as an exception to the doctrine of exhaustion of administrative remedies.

We do not agree. It is clear from Sec. 57 that the RTC, sitting as a Special Agrarian Court, has "original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners." This "original and exclusive" jurisdiction of the RTC would be undermined if the DAR would vest in administrative officials original jurisdiction in compensation cases and make the RTC an appellate court for the review of administrative decisions.[17] Thus, although the new rules speak of directly appealing the decision of adjudicators to the RTCs sitting as Special Agrarian Courts, it is clear from Sec. 57 that the original and exclusive jurisdiction to determine such cases is in the RTCs. Any effort to transfer such jurisdiction to the adjudicators and to convert the original jurisdiction of the RTCs into an appellate jurisdiction would be contrary to Sec. 57 and therefore would be void.[18] Thus, direct resort to the SAC by private respondent is valid.

With the issue of jurisdiction of SAC already settled, this Court finds it unnecessary to determine whether the order to transfer ownership of subject lands from private respondent to the Republic of the Philippines before the

DARAB had settled with finality the matter of their proper valuation qualifies as an exception to the doctrine of exhaustion of administrative remedies. Moreover, the doctrine of exhaustion of administrative remedies is inapplicable when the issue is rendered moot and academic,[19] as in the instant case where the DARAB dismissed the valuation proceedings before it on 29 November 1993.[20]

Petitioner also disputes the increase in the total amount of valuation from P2,146,396.60 or at P53,956.67 per hectare to P5,227,171.10 or at P131,401.99 per hectare. Petitioner agrees with the formula used by the Court of Appeals as it is in conformity with that stipulated by the parties during the pre-trial proceedings before the SAC. But petitioner does not agree with the data used by the appellate court in arriving at the final valuation, alleging that the data are taken from those given by private respondent. On the other hand, it asserts that the valuation as determined by the SAC is more acceptable as it is in substantial compliance with Sec. 17 of RA 6657.[21]

Since the parties have agreed during the pre-trial conference before the SAC that the valuation shall be determined on the basis of the formula provided in DAR Admin. Order No. 6, Series of 1992, that formula must be followed subject to the amendatory provisions of DAR Admin. Order No. 11, Series of 1994. However, the facts required for the computation are unavailable before us. Hence, the matter must be remanded to the SAC for the recomputation of the just compensation in accordance with herein-mentioned formula.

Finally, petitioner questions the coverage under RA 6657 of the two (2) irrigation canals within subject areas and pegging the compensation therefor at P350,000.00. We agree. These irrigation canals should not have been separately valued as what the appellate court did in the instant case. The irrigation canals are considered improvements on the two (2) parcels of land of private respondent, hence relevant only in estimating the total value of her property.[22] No separate valuation is necessary. The SAC should take note of this in recomputing the value of the property involved to determine the just compensation.

WHEREFORE, the Decision of the Court of Appeals in CA-G.R. SP Nos. 38795 and 38885 is MODIFIED. The Regional Trial Court, Br. 23, of Cabanatuan City, acting as a Special Agrarian Court in Agrarian Case No. 90 (AF), is ordered to recompute the final valuation of subject two (2) parcels of land based on Department of Agrarian Reform Administrative Order No. 6, Series of 1992, as amended. The separate valuation of P350,000.00 for the two (2) irrigation canals is disregarded; their value as improvements shall be considered only for the purpose of estimating the total value of subject property.

SO ORDERED.

Mendoza, Quisumbing, Buena, and De Leon, Jr., JJ., concur.

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[1] Penned by Associate Justice Oswaldo D. Agcaoili, concurred in by Associate Justices Jesus M. Elbinias and Eubulo G. Verzola (Twelfth Division).

[2] Penned by Presiding Judge Andres R. Amante Jr.

[3] See Note 1.

[4] Sec. 1 of RA 6657.

[5] Sec. 19. Incentives for Voluntary Offers for Sale. - Landowners, other than banks and other financial institutions, who voluntarily offer their lands for sale shall be entitled to an additional five percent (5%) cash payment.

[6] LVC VOS Case No. 047-NE'92.

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[7] Rollo, p. 50.

[8] See Note 5.

[9] Rollo, pp. 29-49.

[10] Ibid.

[11] Rule II, DARAB New Rules of Procedure. -

Sec. 1. Primary and Exclusive Original and Appellate Jurisdiction. The Board shall have primary and exclusive jurisdiction, both original and appellate, to determine and adjudicate all agrarian disputes involving the implementation of the Comprehensive Agrarian Reform Program (CARP) under RA 6657, Executive Nos. 228, 229 and 129-A. RA 3844, as amended by RA 6389, PD 27 and other agrarian laws and their implementing rules and regulations. Specifically, such jurisdiction shall include but not limited to cases involving the following: x x x x (b) the valuation of land and the preliminary determination and payment of just compensation, fixing and collection of lease rentals, disturbance compensation, amortization payments and similar disputes concerning the functions of the Land Bank of the Philippines x x x x

Sec. 11. Land Valuation and Preliminary Determination and Payment of Just Compensation. -- The decision of the Adjudicator on land valuation and preliminary determination and payment of just compensation shall not be appealable to the Board but shall be brought directly to the Regional Trial Court designated as Special Agrarian Court within fifteen (15) days from receipt of the notice thereof. Any party shall be entitled for only one motion for reconsideration.

[12] DAR Admin. Order No. 6, Series of 1992.

[13] Sec. 16(f) of RA 6657. - Any party who disagrees with the decision (of the DARAB) may bring the matter to the court of proper jurisdiction for the final determination of just compensation.

[14] Sec. 17. Determination of Just Compensation. - In determining just compensation, the cost of acquisition of the land, the current values of like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by the government assessors shall be considered. The social and economic benefits contributed by the farmers and farmworkers and by the Government to the property as well as the nonpayment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

[15] Sec. 57. Special Jurisdiction. - The Special Agrarian Courts shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners x x x x

[16] Ibid.

[17] Republic v. Court of Appeals, G.R. No. 122256, 30 October 1996, 263 SCRA 758.

[18] Ibid.

[19] Medalla Jr. v. Sayo, G.R. No. 54554, 30 March 1981, 103 SCRA 587, 594.

[20] See Note 7.

[21] See Note 14.

[22] Garcia v. Court of Appeals, No. L-47553, 31 January 1981, 102 SCRA 597.

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