

SPOUSES JESUS AND TERESITA FRILLES, PETITIONERS, VS. SPOUSES ROBERTO AND CLARA YAMBAO AND P. T. LEELIN REALTY & DEVELOPMENT CORPORATION, RESPONDENTS.

G.R. No. 129889. July 11, 2002

Ponente: SANDOVAL-GUTIERREZ, J.

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SANDOVAL-GUTIERREZ, J.:

Clara M. Paterno and her brother, Leonardo M. Paterno, were the registered owners of a 277-square meter lot situated at 7414 Santillan St., Barangay Pio del Pilar, Makati City, under Transfer Certificate of Title (TCT) No. 137813 of the Registry of Deeds, same city.

On October 15, 1974, Leonardo Paterno leased the lot to spouses Teresita and Jesus Frilles. In their lease contract,[1] they agreed that the period of the lease shall be fifteen (15) years, renewable at the will of both parties, at a monthly rental of P200.00; and that the lessees shall construct a building on the premises.

On March 17, 1983, Leonardo Paterno and his sister, Clara Paterno-Yambao,[2] sold the same lot to P. T. Leelin Realty & Development Corporation (Leelin Realty for brevity) for Two Hundred Thousand Pesos (P200,000.00). Subsequently, the title of the property was cancelled and TCT No. 121130 was issued in the name of Leelin Realty. This prompted spouses Frilles to file with the Regional Trial Court, Makati, Branch 61, on June 1, 1989 a complaint for rescission of the deed of sale, reconveyance and damages against spouses Yambao and Leelin Realty.[3] In their complaint, spouses Frilles alleged, among others, that (a) pursuant to the lease contract, which would expire on December 17, 1989, they have been diligently paying the monthly rentals and that they constructed their residential building thereon; and that (b) the sale of the leased property to Leelin Realty deprived them of their opportunity to exercise their preferential right to purchase it under Presidential Decree No. 1517 (otherwise known as the Urban Land Reform Law).

In their answer to the complaint, spouses Yambao[4] countered inter alia that P.D. No. 1517 does not vest upon spouses Frilles any preferential right to buy the lot.

Subsequently, spouses Frilles consigned to the trial court the amount of Three Hundred Thousand Pesos (P300,000.00) as proof of their financial capability to purchase the property even at a higher price.

After the pre-trial conference, on the basis of a motion for summary judgment[5] filed by spouses Frilles, the trial court, on June 8, 1992, rendered judgment, the dispositive portion of which reads:

“WHEREFORE, premises above-considered, a summary judgment is hereby rendered in favor of the plaintiffs and as against defendants by:

1. Declaring plaintiffs as entitled to the preferential right to purchase the property object of this suit under the terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee as provided for in Section 8 of Presidential Decree No. 1517;

2. Declaring the Deed of Sale, dated 17 March 1983, executed by Clara P. Yambao and Leonardo M. Paterno in favor of defendant P. T. Leelin Realty & Development Corporation as null and void;

3. Ordering defendant P. T. Leelin Realty & Development Corporation to convey the subject property in favor of herein plaintiffs upon receipt of the full payment therefor as well as for real property taxes and other legal fees in favor of the government.

“SO ORDERED.”[6]

On July 2, 1992, spouses Yambao and Leelin Realty interposed an appeal to the Court of Appeals, docketed as CA-G.R. CV No. 39152.

On February 28, 1997, the Court of Appeals rendered a Decision, the dispositive portion of which states:

“WHEREFORE, premises considered, the appealed decision is hereby REVERSED and SET ASIDE and a new one entered DISMISSING the complaint. Costs against the appellees.

“SO ORDERED.”

On March 21, 1997, spouses Frilles filed a motion for reconsideration but was denied.[7]

Hence, the instant petition for review on certiorari.

The issue in this case is whether or not the petitioners are entitled to the right of first refusal to purchase the subject lot under P. D. No. 1517.

Petitioners contend that as legitimate tenants for more than ten years under the lease contract, they have the preferential right to purchase the property, pursuant to Section 6, P. D. No. 1517, which reads:

“Section 6. Land Tenancy in Urban Land Reform Areas. Within the Urban Zones, legitimate tenants who have resided on the land for ten years or more, who have built their homes on the land, and residents who have legally occupied the lands by contract, continuously for the last ten years shall not be dispossessed of the land and shall be allowed the right of first refusal to purchase the same within a reasonable time and at reasonable prices, under terms and conditions to be determined by the Urban Zone Expropriation and Land Management Committee created by Section 8 of this Decree.”

On the other hand, respondents claim that P. D. No. 1517 does not apply to this case because the lot involved is not part of the declared Areas for Priority Development and Urban Land Reform Zones.

We agree with the respondents.

P. D. No. 1517, which took effect on June 11, 1978, seeks to protect the rights of bona-fide tenants in urban lands by prohibiting their ejectment therefrom under certain conditions, and by according them preferential right to purchase the land occupied by them.[8] The law covers all urban and urbanizable lands which have been proclaimed as urban land reform zones by the President of the Philippines.[9] If a particular property is within a declared Area for Priority Development and Urban Land Reform Zone, the qualified lessee of the said property in that area can avail of the right of first refusal to purchase the same in accordance with Section 6 of the same law.[10] Only legitimate tenants who have resided for ten years or more on specific parcels of land situated in declared Urban Land Reform Zones or Urban Zones, and who have built their homes thereon, have the right not to be dispossessed therefrom and the right of first refusal to purchase the property under reasonable terms and conditions to be determined by the appropriate government agency.[11]

Pursuant to P. D. No. 1517, then President Ferdinand E. Marcos issued Proclamation No. 1893 on September 11, 1979 declaring the entire Metropolitan Manila area as an Urban Land Reform Zone for purposes of urban land

reform.[12] The pertinent provisions of the said proclamation read:

"x x x x x x x x x"

"NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, pursuant to Section 4 of Presidential Decree No. 1517 entitled 'Proclaiming Urban Land Reform in the Philippines and Providing for the Machinery Thereof,' do hereby declare the entire Metropolitan Manila composed of the Cities of Manila, Quezon, Pasay and Caloocan and the Municipalities of Valenzuela, Malabon, Navotas, Marikina, San Juan, Mandaluyong, Makati, Pasig, Pateros, Taguig, Paranaque, Las Piñas and Muntinlupa as an Urban Land Reform Zone.

"Accordingly, as Section 4 of Presidential Decree No. 1517 provides, 'No urban land can be disposed of or used or constructed on unless its disposition or use conforms with the development and zoning plans of the Ministry (of Human Settlements), and the approved enforcement and implementation guidelines in accordance with the Official Development Registry System and the Development Use Permit System provided for in Sections 13 and 16 of this Decree.'

"In consonance with the above, all landowners in Metro Manila are required under Sections 4, 9, 12 and 15 of said Decree to register their existing rights, development proposals, proposed improvements, and proposals to sell, lease or encumber lands with the Human Settlements Regulatory Commission."

"x x x x x x x x x" (Emphasis ours)

Thereafter, or on May 14, 1980, Proclamation No. 1967 was issued, amending Proclamation No. 1893 and identifying 244 sites in Metropolitan Manila as Areas for Priority Development and Urban Land Reform Zones, thus:

"x x x x x x x x x"

"NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, and in relation to Proclamation No. 1893 declaring the entire Metropolitan Manila area as an Urban Land Reform Zone, and LOI 935, hereby amend Proclamation No. 1893 by declaring 244 sites in Metropolitan Manila as Areas for Priority Development and Urban Land Reform Zones as described in the attached annex.

"The provisions of PD Nos. 1517, 1640 and 1642 and of LOI No. 935 shall apply only to the above-mentioned Areas for Priority Development and Urban Land Reform Zones.

"x x x x x x x x x" (Emphasis ours)

Petitioners argue that Proclamation No. 1967 merely specifies the 244 sites of Areas of Priority Development and Urban Land Reform Zones within the Metropolitan Manila, but does not repeal Proclamation No. 1893 declaring the entire Metropolitan Manila as an Urban Land Reform Zone. Thus, they insist in exercising their right of first refusal because the lot is located within the Urban Land Reform Zone.

It is undisputed that Proclamation No. 1893 declares the entire Metropolitan Manila as an Urban Land Reform Zone. However, Proclamation No. 1967 subsequently issued expresses a clear intent to limit the operation of P. D. No. 1517 to specific areas declared to be both an Area for Priority Development and an Urban Land Reform Zone, insofar as Metropolitan Manila is concerned,[13] thus:

"WHEREAS, it is now necessary and appropriate to identify specific sites covered by urban land reform in Metropolitan Manila, for purposes of making specific the applicability of P. D. Nos. 1517, 1640 and 1642 and of LOI No. 935." (Emphasis ours)

In fact, Proclamation No. 1967 explicitly states that "[t]he provisions of P.D. Nos. 1517, 1640 and 1642 and of LOI No. 935 shall apply only to the above-mentioned Areas for Priority Development and Urban Land Reform Zones."

Let it be stressed that on May 23, 1983, Proclamation No. 2284 was issued specifying an additional site within Metropolitan Manila as part of the Area for Priority Development and Urban Land Reform Zone.[14] Proclamation Nos. 1967 and 2284 which succeeded Proclamation No. 1893 narrowed the coverage of P. D. No. 1517 in the Metropolitan Manila area from the entire metropolis to the specifically declared Areas for Priority Development and Urban Land Reform Zones.

Thus, a legitimate tenant's right of first refusal to purchase the leased property under P. D. No. 1517 depends on whether the disputed property in Metropolitan Manila is situated in an area specifically declared to be both an Area for Priority Development and Urban Land Reform Zone.

In the case at bar, the determination of whether the lot in question is located within an Area for Priority Development and Urban Land Reform Zone will entail a review of factual evidence, proscribed in a petition for review before this Court.[15] However, considering that the trial court and the Court of Appeals have contradictory rulings on this factual issue, we are constrained to review the evidence and resolve this conflict.[16]

The trial court found that the subject lot on Santillan St., Makati City is part of the Urban Land Reform Zones, pursuant to Proclamation No. 1893. On the other hand, the Court of Appeals held that the said property is outside the Areas for Priority Development and Urban Land Reform Zones.

The Court of Appeals is correct. The sites declared as the Areas for Priority Development and Urban Land Reform Zones in Makati City comprise the following:

1. Guadalupe Nuevo - A rectangular shaped area bounded by Dapitan Street on the northwest adjacent to the Fort Bonifacio Boundary on the east, Visayas Street on the southeast and on the southwest.
2. Primo de Rivera-Lapaz Bo. Sta. Cruz - An area bounded on the north by Davila, on the west by Florida Street, on the east by Primo de Rivera Street and on the south by Onyx, Guam and Mola Streets.
3. Tejeros Garden and H. Santos - A triangular shaped area bounded by Aguilar Street on the northeast, J. P. Rizal Street on the south, H. Santos Street on the northwest.
4. Barangay Pitogo - An irregular shaped area consisting of five blocks starting from the corner of EDSA and Honda Street, extending southeast, Harvard Street on the south, Guingua on the southeast, Pinagkaisahan Creek on the northeast and Aguitaya Street on the northwest.
5. Zanzibar & Borneo Sts., Barangay San Isidro - A rectangular shaped area bounded by Uruguay Street on the north, Arthur Street on the east, Harrison Street on the south and Batangas Street on the west.
6. Quirinal St. & Puerto Rico Street - A rectangular shaped area bounded by Arellano Street on the north, Olivares St. on the east, Harrison Street on the south and Batangas Street on the west.
7. Zobel Street, Bgy. Valenzuela - A rectangular shaped area bounded by Pasig River on the northeast, E. Zobel Street on the southeast, S. Osmeña St. on the northwest.
8. Bgy. Olimpia - An area along Pasig Line in front of Manila South Cemetery starting from South Avenue on the northeast up to Pililla Street on the east, covering San Fernando Street, Sacramento Street, Jacinto Street, J. B. Roxas Street, San Bernardino Street, Legaspi Street, D. Oliman Street, Iriga Street and Baler Street.
9. Pasong Tirad - An irregular shaped area bounded by J. P. Rizal Street on the northeast, Pasong Tamo on the north, Imelda St. on the southeast, Pasong Tirad on the southeast, Solchichuga Street on southwest and

Manila-Makati Boundary on the northwest.

10. San Antonio, Lambayao - A rectangular shaped area bounded by Sampaloc Street on the northwest, Lambayao Street on the northeast, St. Paul on the southeast and Mayapis Street on the southwest."^[17]

What is thus clear is that the foregoing list does not include Santillan Street or any part of Barangay Pio del Pilar, Makati City where the property in controversy is located. Consequently, petitioners can not avail of a prior right under P. D. No. 1517 to purchase the same.

WHEREFORE, the petition is DENIED. The assailed Decision of the Court of Appeals dated February 28, 1997 in CA-G.R. CV No. 39152 is AFFIRMED.

SO ORDERED.

Puno, (Chairman), Panganiban, and Carpio, JJ., concur.

[1] Annex "B", Petition, Rollo, p. 63.

[2] Married to Roberto Yambao.

[3] Docketed as Civil Case No. 89-4102, Annex "E", Petition, Rollo, pp. 58-61.

[4] They alleged in their Answer that Leonardo Paterno is already dead.

[5] Rollo, pp. 116-125.

[6] Ibid., pp. 149-150.

[7] Resolution dated July 4, 1997, Rollo, p. 52.

[8] Section 6, P. D. No. 1517.

[9] Section 4, *ibid.*.

[10] Garrido vs. Court of Appeals, G. R. No. 118462, November 22, 2001.

[11] Guzman vs. Court of Appeals, 177 SCRA 604, 611-612 (1989).

[12] Lagmay vs. Court of Appeals, 199 SCRA 501, 506-507 (1991).

[13] Solanda Enterprises, Inc. vs. Court of Appeals, 305 SCRA 645, 655 (1999).

[14] City of Mandaluyong vs. Aguilar, 350 SCRA 487, 492 (2001).

[15] Section 1, Rule 45, 1997 Rules of Civil Procedure, as amended.

[16] Reyes vs. Court of Appeals, 258 SCRA 651, 659 (1996).

[17] Annex "L", Petition, Rollo, pp. 97-99.

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