

EDILBERTO ALCANTARA, FLORENCIO VILLARMIA, POLICARPIO OBREGON,+ RICARDO ROBLE, ESCOLASTICA ONDONG, ESTEBAN RALLOS, HENRY SESBINO, SERGIO SESBINO, MANUEL CENTENO,+ RENATO CRUZ, MA...

G.R. No. 136996. December 14, 2001

Ponente: PARDO, J.

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PARDO, J. :

The Case

In this petition for review,[1] petitioners seek to review the decision[2] of the Court of Appeals affirming the decision[3] of the Regional Trial Court, Davao City, Branch 14, dismissing petitioners' complaint for the exercise of the right of first refusal under Presidential Decree No. 1517, injunction with preliminary injunction, attorney's fees and nullity of amicable settlement.

The Facts

Edilberto Alcantara, Florencio Villarmia, Policarpio Obregon, Ricardo Roble, Escolastica Ondong, Esteban Rallos, Henry Sesbino, Sergio Sesbino, Manuel Centeno, Renato Cruz, Marcelo Ceneza, Buenaventura Ondong and Benjamin Halasan, filed with the Regional Trial Court, Davao City, Branch 14, a complaint[4] against Cornelio B. Reta, Jr. for the exercise of the right of right of first refusal under Presidential Decree No. 1517, injunction with preliminary injunction, attorney's fees and nullity of amicable settlement.

The plaintiffs claimed that they were tenants or lessees of the land located in Barangay Sasa, Davao City, covered by Transfer Certificate of Title No. T-72594, owned by Reta; that the land has been converted by Reta into a commercial center; and that Reta is threatening to eject them from the land. They assert that they have the right of first refusal to purchase the land in accordance with Section 3(g) of Presidential Decree No. 1517 since they are legitimate tenants or lessees thereof.

They also claimed that the amicable settlement executed between Reta and Ricardo Roble was void ab initio for being violative of Presidential Decree No. 1517.

On the other hand, Reta claimed that the land is beyond the ambit of Presidential Decree No. 1517 since it has not been proclaimed as an Urban Land Reform Zone; that the applicable law is Batas Pambansa Blg. 25 for failure of the plaintiffs to pay the rentals for the use of the land; and that the amicable settlement between him and Ricardo Roble was translated to the latter and fully explained in his own dialect.

On March 8, 1994, the trial court rendered a decision dismissing the complaint and ordering the plaintiffs to pay Reta certain sums representing rentals that had remained unpaid.[5]

On April 6, 1994, plaintiffs appealed the decision to the Court of Appeals.[6]

On December 9, 1998, the Court of Appeals promulgated a decision[7] affirming in toto the decision of the trial court.

Hence, this appeal.[8]

The Issue

The issue is whether petitioners have the right of first refusal under Presidential Decree No. 1517.

The Court's Ruling

The petition is without merit.

The area involved has not been proclaimed an Urban Land Reform Zone (ULRZ). In fact, petitioners filed a petition with the National Housing Authority requesting that the land they were occupying be declared as an ULRZ. On May 27, 1986, the request was referred to Mr. Jose L. Atienza, General Manager, National Housing Authority, for appropriate action.[9] The request was further referred to acting mayor Zafiro Respicio, Davao City, as per 2nd Indorsement dated July 1, 1986.[10] Clearly, the request to have the land proclaimed as an ULRZ would not be necessary if the property was an ULRZ.

Presidential Decree No. 1517, otherwise known as "The Urban Land Reform Act," pertains to areas proclaimed as Urban Land Reform Zones.[11] Consequently, petitioners cannot claim any right under the said law since the land involved is not an ULRZ.

To be able to qualify and avail oneself of the rights and privileges granted by the said decree, one must be: (1) a legitimate tenant of the land for ten (10) years or more; (2) must have built his home on the land by contract; and, (3) has resided continuously for the last ten (10) years. Obviously, those who do not fall within the said category cannot be considered "legitimate tenants" and, therefore, not entitled to the right of first refusal to purchase the property should the owner of the land decide to sell the same at a reasonable price within a reasonable time.[12]

Respondent Reta denies that he has lease agreements with petitioners Edilberto Alcantara and Ricardo Roble.[13] Edilberto Alcantara, on the other hand, failed to present proof of a lease agreement other than his testimony in court that he bought the house that he is occupying from his father-in-law.[14]

Respondent Reta allowed petitioner Ricardo Roble to use sixty-two (62) coconut trees for P186 from where he gathered tuba. This arrangement would show that it is a usufruct and not a lease. Usufruct gives a right to enjoy the property of another with the obligation of preserving its form and substance, unless the title constituting it or the law otherwise provides.[15]

Petitioner Roble was allowed to construct his house on the land because it would facilitate his gathering of tuba. This would be in the nature of a personal easement under Article 614 of the Civil Code.[16]

Whether the amicable settlement[17] is valid or not, the conclusion would still be the same since the agreement was one of usufruct and not of lease. Thus, petitioner Roble is not a legitimate tenant as defined by Presidential Decree No. 1517.

As to the other petitioners, respondent Reta admitted that he had verbal agreements with them. This notwithstanding, they are still not the legitimate tenants contemplated by Presidential Decree No. 1517, who can exercise the right of first refusal.

A contract has been defined as "a meeting of the minds between two persons whereby one binds himself, with respect to the other, to give something or to render some service." [18]

Clearly, from the moment respondent Reta demanded that the petitioners vacate the premises, the verbal lease agreements, which were on a monthly basis since rentals were paid monthly,[19] ceased to exist as there was termination of the lease.

Indeed, none of the petitioners is qualified to exercise the right of first refusal under P. D. No. 1517.

Another factor which militates against petitioners' claim is the fact that there is no intention on the part of respondent Reta to sell the property. Hence, even if the petitioners had the right of first refusal, the situation which would allow the exercise of that right, that is, the sale or intended sale of the land, has not happened. P. D. No. 1517 applies where the owner of the property intends to sell it to a third party.[20]

The Fallo

WHEREFORE, the Court DENIES the petition. The Court AFFIRMS the decision of the Court of Appeals[21] and the resolution denying reconsideration thereof.

No costs.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Kapunan, and Ynares-Santiago, JJ., concur.
Puno, J., on official leave.

[+]Deceased.

[+]+ Deceased.

[1] Under Rule 45 of the Revised Rules of Court.

[2] In CA-G. R. CV No. 53624 promulgated on December 9 1998, Petition, Annex "A", Rollo, pp. 23-27, Artemio G. Tuquero, J., ponente, Eubulo G. Verzola and Renato C. Dacudao, JJ., concurring.

[3] In Civil Case No. 17,495 rendered on March 8, 1994, Decision, Original Record, Civil Case No. 17,495, pp. 234-249, Judge William M. Layague, presiding.

[4] Docketed as Civil Case No. 17,495, Petition, Annex "B", Rollo, pp. 29-36.

[5] Decision, Original Record, Civil Case No. 17,495, pp. 234-249.

[6] Notice of Appeal, Original Record, Civil Case No. 17,495, p. 250. Docketed as CA-G. R. CV No. 53624

[7] Petition, Annex "A", Rollo, pp. 23-27.

[8] Petition, Rollo, pp. 10-22. On June 23, 1999, we resolved to give due course to the petition (Rollo, pp. 79-80).

[9] Exhibit "A-4", Original Record, Civil Case No. 17,495, pp. 100-E to 100-G.

[10] Exhibits "A-1" and "A-2", Original Record, Civil Case No. 17,495, pp. 100-C to 100-D.

[11] *Sen Po Ek Marketing Corporation v. Martinez*, 325 SCRA 210, 224 (2000).

[12] *Carreon v. Court of Appeals*, 353 Phil. 271, 280 (1998).

[13] Comment on the Petition for Review on Certiorari, Rollo, pp. 52-62, at p. 53.

[14] T.S.N., August 27, 1986, p. 20.

[15] Art. 562, Civil Code of the Philippines.

[16] Arturo M. Tolentino, "Commentaries and Jurisprudence on the Civil Code of the Philippines", Volume 2, 1992 ed., p. 318.

[17] Complaint, Annex "A", Original Record, Civil Case No. 17,495, p. 9.

[18] Art. 1305, Civil Code.

[19] The first part of Art. 1687, Civil Code of the Philippines, provides: "If the period for the lease has not been fixed, it is understood to be from year to year, if the rent agreed upon is annual; from month to month, if it is monthly; from week to week, if the rent is weekly; and from day to day, if the rent is to be paid daily." [Emphasis supplied]

[20] Bermudez v. Intermediate Appellate Court, 227 SCRA 327, 331 (1986).

[21] In CA-G. R. CV No. 53624.

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