

AURORA RODRIGUEZ, ET AL., PLAINTIFFS AND APPELLEES, VS. CITY OF CABANATUAN, DEFENDANT AND APPELLANT.

G.R. No. 14389. February 29, 1960

Ponente: BAUTISTA ANGELO, J.

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BAUTISTA ANGELO, J.:

Plaintiffs brought this action against defendant before the Court of First Instance of Nueva Ecija seeking to declare Ordinance No. 12, series of 1956, null and void on the ground that it impairs the contract of lease entered into between them covering portions of land facing the public market belonging to the City of Cabanatuan.

Defendant set up the defense that said ordinance does not have the effect of impairing any contractual obligation because the contract of lease mentioned in the complaint is null and void for having been executed by the mayor in excess of his authority.

After trial, the court held that Ordinance No. 12, insofar as it raises the rental of the portions of land covered by the contract of lease entered into between the parties, has no binding; effect upon said contract for it will be a violation of a contractual obligation. It dismissed defendant's counterclaim without pronouncement as to costs. Defendant took the case to the Court of Appeals, but the appellate court certified, the case to us on the ground that only questions of law are involved.

Prior to January 4, 1950, Lot 1511 of the Cadastral Survey of Cabanatuan belonging to the City of Cabanatuan was leased to several persons. On said date, Aurora Rodriguez, et al., plaintiffs herein, wrote a letter to the Municipal Council of Cabanatuan requesting that the mayor be authorized to enter into a contract of lease with them regarding portions of said lot which were already occupied by them for a period of not exceeding 10 years with an option to renew for a like period at the same rate per square meter they were then paying which was ₱0.30 per square meter considering that the present month to month lease they have leaves them no security of tenure, and "acting on this request the municipal council approved Resolution No. 2 granting the municipal mayor the requisite authority to enter into the contract in accordance with the conditions stated in the petition provided that the municipal council may, by ordinance, increase or decrease the rental should conditions warrant said increase or decrease.

Pursuant to said resolution, the City of Cabanatuan entered into separate contracts of lease with the plaintiffs covering different portions of the lot wherein the lessees agreed to pay a rental at the rate of ₱0.30 per square meter, per month. This was the rate which plaintiffs paid until April, 1956, when the Municipal Board of Cabanatuan City approved Ordinance No. 12 raising the rental from ₱0.01 per square meter a day to ₱0.03 per square meter a day. And considering this ordinance violative of their contracts of lease, plaintiffs instituted the present action.

In the contract of lease entered into between plaintiffs and defendant, one of the stipulations agreed upon is as follows: "That the rate of rental stipulated under paragraph 2 may be increased or decreased should the Municipal Council find it advisable to effect such increase or decrease and the party of the second part is willing to pay such

new rental as fixed by the Municipal Council on condition that any decrease or increase in the rate of rental shall be within fifty (50%) per cent of the present rate agreed upon." It is appellee's contention that, in view of this limitation in the rate of rental that may be decreased or increased, appellant cannot now impose a rate beyond the limit fixed, otherwise it will be violative of the contract. Appellant, on the other hand, contends that that limitation is ineffective because it is in excess of the authority conferred upon the mayor by Resolution No. 2 which provides that only the municipal council may by ordinance increase or decrease such rental if conditions should warrant, which conditions cannot be limited by the mayor. .

The trial court, however, did not find it necessary to pass upon the question of whether the limitation which was acceded to by the former mayor who signed the lease contract is or is not beyond his authority because it entertained the opinion that regardless of such limitation the important question to determine was whether the increase in the rental in accordance with Ordinance No. 12 was warranted by the conditions then prevailing at the time it was adopted by the Municipal Board of Cabanatuan City. In this respect, the trial court made the following interesting observation:

"Under Resolution No. 2 of Cabanatuan City, the Municipal Board may by ordinance increase or decrease the rental should "conditions warrant such increase or decrease." Under the terms of the resolution which had been accepted by the lessees, the Municipal Council may increase or decrease the rental only when the conditions warrant such increase or decrease. The resolution does not reserve to the Municipal Board the absolute power to raise or decrease the rental at its whim and caprice. The conditions must warrant the increase. And it is but fair and reasonable that the Municipal Council should not have the absolute power and authority to increase the rental, for if it had, such reservation will be void for it leaves the fulfillment of the contract to one party; and secondly, to give that authority to the Municipal Board, assuming it to be valid would subject the lessees to the mercies of the Municipal Board. ***

"To repeat, the Municipal Council under Resolution 2 could increase or decrease the rental during the period of the lease only when the conditions warrant. The authority is dependent upon the fulfillment of this condition. "What these conditions which would warrant the increase or decrease of the rental are, do not appear from Resolution No. 2. But it may be presumed that the conditions which should warrant the increase of the rental would be the rise in the value of real property, increased volume of business, and such other circumstances which, would show that the lease has been profitable to the lessee. In raising the rental to three times the rental agreed upon in the contract of lease in Section 2 of Ordinance No. 12, Municipal Board had acted arbitrarily. Nothing in Ordinance No. 12 appears to show that the conditions warrant the raising of the rental as authorized in Resolution No. 2, and no evidence had been presented by the defendant that the condition warranted such increase of the rental from P0.01 per square meter a day to P0.03 per square meter a day, or three times the rental agreed upon. On the contrary, it is admitted that the lot of Samahang Magsasaka which is adjacent to Lot 1511 of the defendant City of Cabanatuan charges the same rate of P0.01 per square meter a day as is now charged to the present lessees by the defendant City of Cabanatuan. It is true that the City of Cabanatuan. charges a rental of P0.05 per square meter a day on the market lots which 'is on the opposite side of the street. But this alone does not prove that the conditions warrant the raising of the rental on Lot 1511. Conditions in the market site are different from conditions existing on the lot in question even if they are on the same street. A market is a place where people converge especially during market hours. People who go to the market would not take the trouble of crossing the street and making their purchases on the other side. What they can purchase in the market site they would purchase there. And moreover, the right or authority of the defendant to charge a rental on the market site is different from its authority to raise the rental under the contract of lease entered into "by the plaintiffs. The authority of the defendant to raise the rental is subject to the limitation that the condition should warrant the raise. The burden is upon the defendant to prove that the conditions warrant such a raise. This it had not done. On the contrary, if one is to judge from the rental charged by the Samahang Magsasaka, the conditions did not warrant the raising of the rental."

We have nothing to add to the foregoing observation of the trial court which we find warranted by the circumstances surrounding the contract of lease entered into between the parties. Indeed, even if we give emphasis to Resolution No. 2 which served as the basis of the authority exercised by the Mayor of Cabanatuan in entering into said contract as appellant wants to have it, we would find that the increase in the rental embodied in Ordinance No. 12 would still appear arbitrary for, as the trial court said, defendant has not adduced any proof justifying the increase of the rental by 300%. Note that said resolution expressly provides that the municipal council may authorize the increase only when existing conditions would warrant. The exercise of such authority is therefore predicated upon a condition which in this case was not complied with. This being a matter which is evidentiary in character, we are not now justified in disturbing the appreciation of the situation made by the trial court for failure of appellant to adduce the necessary evidence. We are therefore persuaded to affirm, as we hereby, do, the decision of the trial court.

Wherefore, the decision is hereby affirmed, without pronouncement as to costs.

Paras, C. J., Bengzon, Montemayor, Labrador, Concepcion, Reyes, J. B. L., Endencia, Barrera, and Gutierrez David, JJ., concur.

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