HEIRS OF MATEO PIDACAN AND ROMANA EIGO, NAMELY: PACITA PIDACAN VDA. DE ZUBIRI (DECEASED), SURVIVED BY JOSE BELLO BATINA, VICKY BELLO BATINA, ROBERTO BELLO BATINA, VILMA BELLO BA...

G.R. NO. 162779. June 15, 2007

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

For review on certiorari are the Decision[1] dated August 20, 2003 and the Resolution dated March 17, 2004 of the Court of Appeals in CA-G.R. CV No. 72404, which reversed the Decision[2] dated February 1, 2001 of the Regional Trial Court (RTC) of San Jose, Occidental Mindoro, Branch 46 in Civil Case No. R-800.

The facts, summarized by the Court of Appeals and borne by the records, are as follows:

Sometime in 1935, spouses Mateo Pidacan and Romana Eigo acquired under the homestead provision of Act No. 2874[3] a parcel of land consisting of about 22 hectares situated in San Jose, Occidental Mindoro. Patent No. 33883 and Original Certificate of Title (OCT) No. 2204 were issued on the land, in the names of the Pidacan spouses.

In 1948, the Civil Aeronautics Administration (now Air Transportation Office or "ATO") used a portion of the said property as an airport. Upon the death of the Pidacan spouses in 1974, the ATO constructed a perimeter fence and a new terminal building on the property. The ATO also lengthened, widened, and cemented the airport's runway.

The spouses' heirs namely, Pacita Pidacan Vda. de Zubiri and Adela Pidacan Vda. de Robles demanded from ATO the payment of the value of the property as well as rentals for the use of the occupied premises. However, they were told that payment could not be made because the property was still in their parents' name.

With the loss of the owner's copy of OCT No. 2204, Pacita Pidacan Vda. de Zubiri filed a petition for the issuance of another owner's duplicate. The heirs then executed an extrajudicial settlement adjudicating the property among themselves.

On February 23, 1988, OCT No. 2204 was cancelled and Transfer Certificate of Title (TCT) No. T-7160 was issued in favor of the heirs. The heirs presented TCT No. T-7160 and the death certificates of their parents to the ATO, but the latter still refused to pay them.

The heirs claimed that they were entitled to payment of rentals plus the value of the property. The ATO countered that the heirs were not entitled to any payment, either of the value of the land or of the rentals because the property had been sold to its predecessor, the defunct Civil Aeronautics Administration for P0.70 per square meter. The ATO claimed that even if it failed to obtain title in its name, it had been declaring the property for taxation purposes.

The heirs subsequently filed with the RTC a complaint[4] against the ATO for payment of the value of the property as well as rentals for its use and occupation. The ATO, in turn, filed a complaint for expropriation, which was dismissed on the ground that it would be absurd for the ATO to expropriate a parcel of land it considered its own.

Pacita Pidacan Vda. de Zubiri was substituted by her surviving son, Tomas Batina, who in turn was later substituted by his heirs namely, Jose Bello Batina, Vicky Bello Batina, Roberto Bello Batina, and Vilma Bello Batina. Francisco N. Batina, an alleged son of Tomas Batina, intervened in the proceedings.

On September 12, 1994, the trial court promulgated a Decision[5] ordering the ATO to pay rentals and the value of the land at P89 per square meter. The ATO appealed to the Court of Appeals on the ground that the trial court erred in fixing the value of the property on the basis of its present value.

The Court of Appeals rendered a Decision[6] setting aside the RTC Decision and remanded the case to the court a quo for further proceedings. The appellate court also ruled that just compensation should be determined as of the time the property was taken for public use.

After trial upon remand of the case to the court of origin, judgment was rendered anew as follows:

> WHEREFORE, in view of all the foregoing, judgment is hereby rendered:
>
> - Expropriating the actual area occupied by the defendant Air Transportation Office of the plaintiff's property covered by Transfer Certificate of Title No. T-7160, totaling Two Hundred Fifteen Thousand Seven Hundred Thirty Seven (215,737) square meters, in favor of defendant;
>
> - Ordering defendant Air Transportation Office to pay plaintiffs the amount of Three Hundred Four ((P304.00) Pesos per square meter for the area herein expropriated which totals to Sixty Five Million Five Hundred Eight (sic) Four Thousand Forty Eight (P65,584,048.00) Pesos with interest thereon at the rate of 12% per annum from February 1, 2001, until the same is fully paid.
>
> - Ordering defendant Air Transportation Office to pay plaintiffs monthly rentals for the use and occupation of the subject property cited in item No. 1 above, computed as follows:
>
> a) Three Thousand Fifty Eight Pesos and Forty Centavos (P3,058.40) from 1957 to 1977;
>
> b) Four Thousand Twenty Two Pesos and Sixty five Centavos (P4,022.60) from 1978 to 1979;
>
> c) Six Thousand Thirty Four Pesos and Fifty Centavos (P6,034.50) from 1980 to 1984;
>
> d) Nine Thousand Six Hundred Ninety Nine Pesos and Sixty Centavos (P9,699.60) from 1985 to 1991;
>
> e) Seventeen Thousand Nine Hundred thirteen Pesos and Sixty Centavos (P17,913.60) from 1992 to 1994;
>
> f) Thirty Seven Thousand One Hundred Eighty One Pesos and Eighty Centavos (P37,181.80) from 1995 to 1997;
>
> g) Fifty Four Thousand Six Hundred Fifty Eight Pesos and Sixty Centavos (P54,658.60) from 1998 to January 31, 2001;
>
> or a total monthly rentals, from January 1, 1957 to January 31, 2001, of Six Million Two hundred Forty Nine Thousand Six Hundred Forty Five Pesos and Forty Centavos (P6,249,645.40) with interest thereon at the rate of 12% per annum, until the same is fully paid;
>
> - Ordering defendant Air Transportation Office to pay plaintiffs ten (10%) per cent of the amount involved as and for attorney's fees and expenses of litigation; and

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- Ordering defendant Air Transportation Office to pay the costs of suit.

SO ORDERED.[7]

The ATO once again appealed to the Court of Appeals, which in its assailed Decision reversed the trial court's ruling, thus:

WHEREFORE, premises considered, the assailed Decision dated February 1, 2001 of the Regional Trial Court of San Jose, Occidental Mindoro in Civil Case No. R-800 is hereby REVERSED AND SET ASIDE and a new one entered remanding the instant case to the court a quo for the determination of just compensation on the basis of the market value prevailing in 1948. No pronouncement as to costs.

SO ORDERED.[8]

The heirs moved for reconsideration but it was denied. Aggrieved, the heirs filed the instant petition alleging that:

I

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ERROR AND ABUSE OF DISCRETION BY DISREGARDING THE LAW, JURISPRUDENCE AND EVIDENCE IN REVERSING THE TRIAL COURT'S DECISION AND RULING THAT THERE WAS "TAKING" OF THE SUBJECT PROPERTY IN 1948[;]

II

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ERROR AND ABUSE OF DISCRETION BY DISREGARDING THE LAW, JURISPRUDENCE AND EVIDENCE IN RULING THAT THE REMAND OF THE CASE TO THE LOWER COURT WAS ONLY FOR THE PURPOSE OF ASCERTAINING THE TIME OF "TAKING" OF THE SUBJECT PROPERTY[;]

III

THE HONORABLE COURT OF APPEALS COMMITTED GRAVE ERROR AND ABUSE OF DISCRETION BY DISREGARDING THE LAW, JURISPRUDENCE AND EVIDENCE IN REVERSING THE DECISION OF THE LOWER COURT WHICH ORDERED THE PAYMENT OF UNPAID RENTALS FROM 1957 TO 2001[.][9]

Petitioners contend the reckoning point for taking cannot be 1948 as the elements necessary to constitute taking were not present at that time. They also point out that the ATO's complaint for expropriation filed in 1993 is inconsistent with its claim that it had already bought the property in 1959 or that there was already taking in 1948. Petitioners further allege that the ATO is estopped from questioning the valuation of the property at P304 per square meter because it was the ATO that actually recommended the said amount. Finally, petitioners insist that the Pidacan spouses merely leased the property to the ATO.

Respondent ATO, on the other hand, counters that the fact of taking has been definitely established by the Court of Appeals and implicitly admitted by petitioners. The ATO stresses that for the purpose of fixing just compensation, the only issue is the time of taking, which it maintains was in 1948 when an airport was constructed on the property. Lastly, the ATO calls our attention to the alleged absence of any competent evidence proving the existence of a contract of lease between the parties.

Simply put, the issues for resolution are: (1) whether there was taking of the subject property; (2) the time when the taking took place; and (3) the appropriate value of just compensation.

On the first issue, we are unable to consider the parties' bare allegation that there was a contract of lease or a

contract of sale between the ATO and the Pidacan spouses, for lack of competent evidence adduced to prove either claim. On the contrary, preponderance of evidence on record strongly indicates that the ATO's conversion of the property into an airport in 1948 comes within the purview of eminent domain.

Eminent domain or expropriation is the inherent right of the state to condemn private property to public use upon payment of just compensation.[10] A number of circumstances must be present in the taking of property for purposes of eminent domain: (1) the expropriator must enter a private property; (2) the entrance into private property must be for more than a momentary period; (3) the entry into the property should be under warrant or color of legal authority; (4) the property must be devoted to a public use or otherwise informally appropriated or injuriously affected; and (5) the utilization of the property for public use must be in such a way as to oust the owner and deprive him of all beneficial enjoyment of the property.[11]

When private property is rendered uninhabitable by an entity with the power to exercise eminent domain, the taking is deemed complete.[12] Taking occurs not only when the government actually deprives or dispossesses the property owner of his property or of its ordinary use, but also when there is a practical destruction or material impairment of the value of his property.[13]

In this case, it is undisputed that petitioners' private property was converted into an airport by respondent ATO. As a consequence, petitioners were completely deprived of beneficial use and enjoyment of their property. Clearly, there was taking in the concept of expropriation as early as 1948 when the airport was constructed on petitioners' private land.

As a rule, the determination of just compensation in eminent domain cases is reckoned from the time of taking.[14] In this case, however, application of the said rule would lead to grave injustice. Note that the ATO had been using petitioners' property as airport since 1948 without having instituted the proper expropriation proceedings. To peg the value of the property at the time of taking in 1948, despite the exponential increase in its value considering the lapse of over half a century, would be iniquitous. We cannot allow the ATO to conveniently invoke the right of eminent domain to take advantage of the ridiculously low value of the property at the time of taking that it arbitrarily chooses to the prejudice of petitioners.

In this particular case, justice and fairness dictate that the appropriate reckoning point for the valuation of petitioners' property is when the trial court made its order of expropriation in 2001. As for the fair value of the subject property, we believe that the amount arrived at by the commissioners appointed by the trial court, P304.39 per square meter, constitutes just compensation to petitioners.[15]

However, the trial court's award of rental payments to petitioners is not supported by evidence on record and must be deleted. To justify such award, the purported contract of lease must first be proven by competent evidence. The letter[16] of one Director Nabor C. Gaviola of the Department of Transportation and Communications endorsing the appeal of a certain Herminia R. Parales for the immediate payment of rentals is plain hearsay and does little to prove the existence of a contract of lease between the parties.

Lastly, the interest accruing fixed by the trial court at the rate of 12% per annum is not consistent with law and should be reduced to the legal interest rate of 6% per annum.[17]

WHEREFORE, the petition is GRANTED. The assailed Decision dated August 20, 2003 and the Resolution dated March 17, 2004 of the Court of Appeals in CA-G.R. CV No. 72404 are SET ASIDE. The Decision dated February 1, 2001 of the Regional Trial Court of San Jose, Occidental Mindoro, Branch 46 in Civil Case No. R-800 is AFFIRMED with MODIFICATION, as follows:

- The actual area occupied by respondent ATO covered by Transfer Certificate of Title No. T-7160, totaling

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215,737 square meters is declared expropriated in favor of the ATO.

- The ATO is ordered to pay petitioners the amount of P304.39 per square meter for the area expropriated, or a total of P65,668,185.43 with interest at the rate of 6% per annum from February 1, 2001, until the same is fully paid.

No pronouncement as to costs.

SO ORDERED.
Carpio, Tinga, and Velasco, Jr., JJ., concur.
Carpio-Morales, J., on official leave.

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[*]"Bigo" in some parts of the records.
[1] Rollo, pp. 36-52. Penned by Associate Justice Mercedes Gozo-Dadole, with Associate Justices Delilah Vidallon-Magtolis and Rosmari D. Carandang concurring.

[2] CA rollo, pp. 67-80. Penned by Executive Judge Ernesto P. Pagayatan.

[3] Otherwise known as "The Public Land Act."

[4] Records, Vol. I, pp. 1-7.

[5] Records, Vol. II, pp. 368-374.

[6] Id. at 455-463.

[7] CA rollo, pp. 79-80.

[8] Rollo, pp. 51-52.

[9] Id. at 176.

[10] Robern Development Corporation v. Quitain, G.R. No. 135042, September 23, 1999, 315 SCRA 150, 165.

[11] National Power Corporation v. Court of Appeals, G.R. No. 113194, March 11, 1996, 254 SCRA 577, 590.

[12] National Power Corporation v. Court of Appeals, G.R. No. 106804, August 12, 2004, 436 SCRA 195, 209, citing United States v. Causby, 328 U.S. 256 (1946).

[13] Republic v. Court of Appeals, G.R. No. 147245, March 31, 2005, 454 SCRA 516, 536.

[14] Gabatin v. Land Bank of the Philippines, G.R. No. 148223, November 25, 2004, 444 SCRA 176, 190.

[15] Records, Vol. II, p. 608.

[16] Records, Vol. I, p. 335.

[17] CIVIL CODE. ART. 2209. If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six per cent per annum.

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