

SPS. EDMOND LEE and HELEN HUANG, Petitioners, vs. LAND BANK OF THE PHILIPPINES, Respondent.*G.R. No. 170422. March 07, 2008*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-170422/>

TINGA, J.:

For our consideration is a Petition[1] assailing the 18 August 2005 Decision[2] of the Court of Appeals in CA-G.R. SP No. 84249, entitled *Land Bank of the Philippines v. Sps. Edmond Lee and Helen Huang*.

The antecedents follow.

On 7 August 2001, petitioners received a notice of coverage informing them that their landholding[3] is covered by the government's compulsory acquisition scheme pursuant to the Comprehensive Agrarian Reform Law (R.A. No. 6657). On 1 June 2001, they received from the Department of Agrarian Reform (DAR) a copy of the notice of land valuation and acquisition which contains an offer of P315,307.87[4] as compensation for 3.195 hectares of the property. Petitioners rejected the offer.

Subsequently, a summary administrative proceeding was conducted by the Department of Agrarian Reform Adjudication Board (DARAB) to determine the valuation and compensation of the subject property. On 27 September 2001, the DARAB issued a decision[5] declaring that the Land Bank of the Philippines (LBP) fully complied with the criteria set forth in R.A. No. 6657 in determining the value of the land, and ordered the LBP to pay petitioners the original amount offered by DAR. Petitioners sought reconsideration of the decision, but their motion was denied by the Provincial Adjudicator on 6 December 2001.[6]

Aggrieved, petitioners filed an original petition[7] for the determination of just compensation before the Regional Trial Court of Balanga City, Bataan.[8] They offered the same exhibits and transcript of the oral testimonies and the appraisal report presented in Civil Case No. 7171,[9] a prior just compensation case involving a parcel of land adjacent to the property subject of this case, where the special agrarian court (SAC) pegged the value of the property at P250.00 per square meter. LBP, for its part, presented the testimony of one Theresie P. Garcia, an agrarian affairs specialist. The SAC, citing the appraisal report and its decision in Civil Case No. 7171, decided in favor of petitioners and ordered LBP to pay them P7,978,750.00 as just compensation.[10]

LBP filed a Petition for Review[11] before the Court of Appeals and argued that the SAC erred in giving considerable weight on the appraisal report of the private appraisal firm thereby disregarding the provisions of R.A. No. 6657 and its implementing regulations. The Court of Appeals ruled that the SAC should have refrained from taking judicial notice of its own decision in Civil Case No. 7171 in resolving just compensation in the present case, especially because the values rendered in the previous decision had not yet attained a final and executory character at the time.[12] It found that the SAC made a wholesale adoption of the valuation of the appraisal company and did not consider the other factors set forth in R.A. No. 6657 even though the appraisal company admitted that it did not consider as applicable the CARP valuation of the property.[13]

The Court of Appeals likewise found the value proposed by LBP to be extremely low considering the disparity between the said amount and that suggested by the appraisal company. According to the Court of Appeals, the

SAC should have judiciously made an independent finding of fact and explained the legal basis thereof.[14]

The Court of Appeals held that since the taking of private lands under the agrarian reform program partakes of the nature of an expropriation proceeding, the SAC should have appointed competent and disinterested commissioners to assist it in valuating the property in question, following Section 5, Rule 67 of the 1997 Rules of Civil Procedure.[15] It remanded the case to the trial court “for proper and judicious determination of just compensation, appointing for that purpose a set of commissioners.”[16]

Before us, petitioners allege that it is no longer necessary to remand the case to the lower court because the parties already had the chance before the SAC to present evidence on the valuation of the subject landholding. Petitioners believe that the remand of the case would give LBP undue opportunity which it already had during the proceedings a quo, and which opportunity it failed to take advantage of.[17]

Petitioners also argue that the SAC may validly take judicial notice of its decision in the other just compensation cases. They point out that they had offered in the present case both testimonial and documentary evidence adduced in the previous case. Thus, the SAC’s decision in this case was based on the evidence presented during trial.[18]

Finally, relying on the presumption of regularity, petitioners claim that the SAC had considered the criteria set forth in the law for the determination of just compensation in computing the value of the subject landholding. In any case, according to them, R.A. No. 6657 does not at all require the SAC to consider all the seven factors enumerated therein in its determination of just compensation.[19]

In its Comment,[20] LBP argues that the Supreme Court is not a trier of facts, and is not duty-bound to determine the veracity of the factual allegations of petitioners.[21] Anent the issue of judicial notice, LBP posits that the reliance by the SAC and petitioners on the valuation in Civil Case No. 7171 is misplaced because the said case is still on appeal and has not yet attained finality.[22] Even if the evidence in the aforesaid case is presented in this case, the fact remains that the valuation reached by the SAC is not in accord with R.A. No. 6657 as translated into a basic formula in DAR Administrative Order No. 5, series of 1998 (AO No. 5).[23] In addition, LBP posits that the factors in determining just compensation, as spelled out in *Land Bank of the Philippines v. Spouses Banal*[24] were not observed by the SAC in the instant case since it relied merely on the alleged selling price of the adjoining lands in fixing the just compensation of the subject property instead of following the formula under AO No. 5.[25] LBP adds that the subject property is being acquired by the government pursuant to its land reform program, and

thus its potential for commercial, industrial or residential uses will not affect the compensation to be paid by the State as its value is determined at the time of the taking.[26]

There is no merit in the petition.

Judicial cognizance is based on considerations of expediency and convenience. It displaces evidence since, being equivalent to proof, it fulfills the object which the evidence is intended to achieve.[27]

The SAC may take judicial notice of its own decision in Civil Case No. 7171. It has been said that courts may take judicial notice of a decision or the facts involved in another case tried by the same court if the parties introduce the same in evidence or the court, as a matter of convenience, decides to do so.[28] Petitioners presented the same appraisal report offered in Civil Case No. 7171, and there seems to be no objection on the part of LBP when they did so.

We note, however, that the SAC’s cognizance of its findings in Civil Case No. 7171 was not the sole reason for

its decision. A reading of its decision shows that the SAC considered the evidence presented by both petitioners and LBP, i.e., the testimonies and report used in Civil Case No. 7171 proffered by petitioners, and the testimony of LBP's agrarian affairs specialist. The SAC evidently found the testimony of the LBP officer unsatisfactory and LBP's valuation improper, and thus relied on the evidence presented by petitioners. As the Court sees it, the decision in Civil Case No. 7171 merely strengthened the case for petitioners.

Be that as it may, the SAC's reliance on the valuation made by the appraisal company is misplaced, since the valuation was not arrived at using the factors required by the law and prescribed by the AO No. 5.

Section 17 of R.A. No. 6657 which enumerates the factors to be considered in determining just compensation reads:

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

These factors have already been incorporated in a basic formula by the DAR pursuant to its rule-making power under Section 49 of R.A. No. 6657. AO No. 5 precisely filled in the details of Section 17, R. A. No. 6657 by providing a basic formula by which the factors mentioned therein may be taken into account.[29] This formula has to be considered by the SAC in tandem with all the factors referred to in Section 17 of the law. The administrative order provides:

A. There shall be one basic formula for the valuation of lands covered by VOS or CA:

$$LV = (CNI \times 0.6) + (CS \times 0.3) + (MV \times 0.1)$$

Where:

LV = Land Value

CNI = Capitalized Net Income

CS = Comparable Sales

MV = Market Value per Tax Declaration

The above formula shall be used if all three factors are present, relevant, and applicable.

A1. When the CS factor is not present and CNI and MV are applicable, the formula shall be:

$$LV = (CNI \times 0.9) + (MV \times 0.1)$$

A2. When the CNI factor is not present, and CS and MV are applicable, the formula shall be:

$$LV = (CS \times 0.9) + (MV \times 0.1)$$

A3. When both the CS and CNI are not present and only MV is applicable, the formula shall be:

$$LV = MV \times 2$$

In no case shall the value of idle land using the formula $MV \times 2$ exceed the lowest value of land within the same estate under consideration or within the same barangay or municipality (in that order) approved by LBP within one (1) year from receipt of claimfolder.

Where:

$$CNI = (AGP \times SP) - CO$$

.12

AGP= Average Gross Production corresponding to the latest available 12 months' gross production immediately preceding the date of FI (field investigation)

SP= Selling Price (the average of the latest available 12 months selling prices prior to the date of receipt of the CF (claim folder) by LBP for processing, such prices to be secured from the Department of Agriculture (DA) and other appropriate regulatory bodies or, in their absence, from the Bureau of Agricultural Statistics. If possible, SP data shall be gathered for the barangay or municipality where the property is located. In the absence thereof, SP may be secured within the province or region.

CO = Cost of Operations

Whenever the cost of operations could not be obtained or verified, an assumed net income rate (NIR) of 20% shall be used. Landholdings planted to coconut which are productive at the time of FI shall continue to use the assumed NIR of 70 %. DAR and LBP shall continue to conduct joint industry studies to establish the applicable NIR for each crop covered under CARP.

0.12 = Capitalization rate

We find that the factors required by the law and enforced by the DAR Administrative Order were not observed by the SAC when it adopted wholeheartedly the valuation arrived at in the appraisal report. According to the appraisal company, it "personally inspected the property, investigated local market conditions, and have given consideration to the extent, character and utility of the property; sales and holding prices of similar land; and highest and best use of the property." [30] The value of the land was arrived at using the market data approach, which bases the value of the land on sales and listings of comparable property registered within the vicinity. [31] In fact, as noted by the Court of Appeals, a representative of the company admitted that it did not consider the CARP valuation to be applicable. [32]

This is not to say that the Court favors the valuation given by LBP. While it presented a land valuation worksheet [33] and a claims valuation and processing form, [34] which both value the land at P315, 307.87, we find that LBP's valuation is too low vis-à-vis the value suggested by the appraisal company. Moreover, we observe that the valuation was not arrived at based on all the factors provided in the law. As admitted by its agrarian affairs specialist, she had not gone over the property before she made the valuation, nor was she aware of adjacent properties/structures. [35] The LBP was not thorough in its valuation of the subject property.

All told, we find that the remand of the case is in order to better determine the proper valuation of the subject property.

We clarify, however, that we are not in accord with the declaration of the Court of Appeals on the appointment of commissioners in the instant case. According to the appellate court:

x x x Consequently, when the Regional Trial Court acting as a Special Agrarian Court determines just compensation, it is mandated to apply the Rules of Court. [36] The rules on expropriation, on the other hand, specifically under Section 5 of Rule 67 of the 1997 Rules on Civil Procedure provides to wit:

SEC.5. Ascertainment of compensation.— Upon the rendition of the order of expropriation, the court shall appoint not more than three (3) competent and disinterested persons as commissioners to ascertain and report to the court the just compensation for the property sought to be taken. The order of appointment shall designate the time and place of the first session of the hearing to be held by the commissioners and specify the time within which their report is to be filed with the court.

x x x

Under the afore-quoted provision, it is clear that the SAC should have appointed competent and disinterested commissioners to assist it in valuating the property in question. (Emphasis supplied) x x x.[37]

The Court of Appeals seems to imply that the appointment of commissioners is mandatory in agrarian reform cases. We do not agree. While the Rules of Court provisions apply to proceedings in special agrarian courts,[38] it is clear that unlike in expropriation proceedings under the Rules of Court the appointment of a commissioner or commissioners is discretionary on the part of the court or upon the instance of one of the parties. And when the court does resort to the commissioners-type of appraisal, it is not circumscribed to appoint three commissioners, unlike the modality under Rule 67. Section 58 of R.A. No. 6657 provides:

Sec. 58. Appointment of Commissioners.—The Special Agrarian Courts, upon their own initiative or at the instance of any of the parties, may appoint one or more commissioners to examine, investigate and ascertain facts relevant to the dispute, including the valuation of properties, and to file a written report thereof with the court.

With the remand of the case, it is now up to the SAC, or to the parties, to determine if there is a need to avail of commissioners to arrive at the proper valuation of the subject land.

WHEREFORE, the petition is DENIED. The decision of the Court of Appeals is AFFIRMED with MODIFICATION as above indicated. The case is REMANDED to the Regional Trial Court of Balanga, Bataan acting as a Special Agrarian Court for the determination of just compensation in accordance with Section 17 of Republic Act No. 6657.

SO ORDERED.

Quisumbing, (Chairperson), Carpio Morales, and Velasco, Jr., JJ., concur.

[1] Rollo, pp. 3-22.

[2]Id. at 25-38.

[3] The property, covered by Transfer Certificate of Title (TCT) No. T-26258, is located in Mandama, Hermosa, Bataan and has an area of approximately 6.7540 hectares.

[4] The valuation was made by the Land Bank of the Philippines pursuant to Executive Order No. 405, dated 14 June 1990.

[5] Rollo, pp. 41-44.

[6] CA rollo, p. 96.

[7]CA rollo, pp. 81-87.

[8] The case was raffled to Branch 1, acting as a Special Agrarian Court.

[9]Entitled Sps. Edmond Lee and Helen Huang v. Department of Agrarian Reform, et al.

[10] Decision, rollo, pp. 46-50.

[11] CA rollo, pp. 10-41.

[12] The Court of Appeals cited T'boli Agro – Industrial Dev't., Inc. v. Solipapsi, 442 Phil. 499 (2002) and

Consolidated Cases of Land Bank of the Phils. v. Wycoco, 464 Phil. 83 (2004).

[13] Rollo, p. 34.

[14]Id. at 36.

[15] Id.

[16] Id. at 37-38.

[17] Id. at 14.

[18] Id. at 17-19.

[19]Id. at 19-21.

[20] Id. at 88-97. In a pleading dated 05 October 2006, the Office of the Government Corporate Counsel (OGCC) entered its appearance as counsel for LBP, and manifested that it adopts the Comment filed by LBP, and that it has authorized Attorneys Ramon K. Cervantes and Rafael Berbano of the LBP Legal Department to handle this case.

[21]Id. at 89-90.

[22]Id. at 130. A Notice of Appeal was filed by LBP in Civil Case No. 7171 on 19 June 2002.

[23] Id. at 90.

[24] 478 Phil. 701 (2004).

[25] Id. at 90-94.

[26] Id. at 94-95.

[27] Alzua and Arnalot. v. Johnson, 21 Phil. 308 (1912).

[28] T'Boli Agro –Industrial Development, Inc. v. Solipapsi, *supra* note 7 at 513.

[29] Land Bank of the Philippines v. Banal, *supra* note 19 at 710.

[30] Rollo, p. 53.

[31]Id. at 59.

[32]Id. at 10.

[33] CA rollo, pp. 78-80.

[34]Id. at 123-126.

[35] Rollo, pp. 48-49.

[36] Citing Land Bank of the Philippines v. Banal, *supra* note 19.

[37] Rollo, pp. 36-37.

[38] Sec. 57 of R.A. No. 6657 provides:

SECTION 57. Special Jurisdiction.— The Special Agrarian Courts shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal

offenses under this Act. The Rules of Court shall apply to all proceedings before the Special Agrarian Courts, unless modified by this Act.

The Special Agrarian Courts shall decide all appropriate cases under their special jurisdiction within thirty (30) days from submission of the case for decision.

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