

**NATIONAL HOUSING AUTHORITY, PETITIONER, VS. THE
DEPARTMENT OF AGRARIAN REFORM ADJUDICATION BOARD AND
MATEO VILLARUZ, SUBSTITUTED BY HIS HEIRS, NAMELY, SONIA
VILLARUZ, MARGARITA ...**

G.R. No. 175200. May 04, 2010

Ponente: ABAD, J.

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ABAD, J.:

Are all lands acquired by the National Housing Authority (NHA) for its resettlement and housing efforts beyond the scope of agrarian laws? This is the question before the Court in this case.

The Facts and the Case

Sometime in 1960, the administrator of the estate of the late C.N. Hodges (the Estate) asked respondent Mateo Villaruz, Sr. (Villaruz)[1] to work as tenant of the Estate's seven-hectare rice field in Barangay Alijis, Bacolod, designated as Lot 916. The Estate wanted to prevent the land from falling into the hands of squatters. It had a house constructed on the lot for Villaruz and engaged his daughter and son-in-law to serve as co-tenants. In 1976, however, squatters settled into Lot 916, occupying four of its seven hectares. Villaruz was thus left with only three hectares for planting rice and corn.

As it later turned out, the Estate mortgaged Lot 916 to a bank, resulting in its foreclosure when the loan could not be paid. Petitioner NHA bought the lot on September 11, 1985. Later that year, the Department of Public Works and Highways constructed roads and bridges that passed through a portion of the lot. As a result, some plants and crops had to be cut down, prompting respondent Villaruz to demand payment of their value.

When the demand was not heeded, respondent Villaruz filed an action for damages and disturbance compensation against petitioner NHA and the Estate before the Regional Trial Court (RTC) of Bacolod City in CAR Case 287. But the RTC dismissed the complaint on the ground that the NHA was not liable for disturbance compensation as provided in Section 1 of Presidential Decree (P.D.) 1472. Villaruz did not appeal from the court order.

Later on, respondent Villaruz filed a complaint with the Provincial Agrarian Reform Adjudicator (PARAD),[2] seeking recognition as tenant beneficiary of the lot he tenanted under P.D. 27 and praying that his possession of its three-hectare portion be maintained. After hearing, the PARAD ruled[3] in Villaruz's favor with respect to such portion provided he paid 25% of his net harvest to petitioner NHA until a fixed rental could be set. But he could not be declared owner of the lot since it had ceased to be private agricultural land, having been bought by the government. It was already outside the coverage of P.D. 27.

Petitioner NHA appealed the PARAD decision to the Department of Agrarian Reform Adjudication Board (DARAB),[4] which affirmed the same. Undaunted, the NHA appealed to the Court of Appeals (CA).[5] On September 21, 2006 the CA rendered a decision,[6] affirming the questioned decisions of the PARAD and the DARAB. This prompted the NHA to file the present petition for review.

The Issue Presented

The core issue in this case is whether or not Lot 916 is exempt from the coverage of the agrarian reform laws, the same having been acquired by petitioner NHA for its housing program.

The Court's Ruling

Petitioner NHA does not dispute the fact that respondent Villaruz worked on Lot 916 as a tenant while the Estate still owned it, with the latter as his landlord. Villaruz's theory is that, since the NHA stepped into the shoes of the Estate, the NHA assumed responsibility for maintaining his tenancy over the lot. In effect, the NHA became Villaruz's new landowner by operation of Section 10 of Republic Act (R.A.) 3844, which provides:

SECTION 10. Agricultural Leasehold Relation Not Extinguished by Expiration of Period, etc. - The agricultural leasehold relation under this Code shall not be extinguished by mere expiration of the term or period in a leasehold contract nor by the sale, alienation or transfer of the legal possession of the landholding. In case the agricultural lessor sells, alienates or transfers the legal possession of the landholding, the purchaser or transferee thereof shall be subrogated to the rights and substituted to the obligations of the agricultural lessor.

Petitioner NHA contends, on the other hand, that it is not subject to subrogation since Lot 916, which it acquired for its housing and resettlement projects, is exempt from the operation of agrarian laws. Section 1 of P.D. 1472 provides:

SECTION 1. The government resettlement projects in Sapang Palay, San Jose Del Monte, Bulacan; Carmona, Cavite; San Pedro, Laguna; Dasmariñas, Cavite; and such other lands or property acquired by the National Housing Authority or its predecessors-in-interest or to be acquired by it for resettlement purposes and/or housing development, are hereby declared as outside the scope of the Land Reform Program under the Agricultural Land Reform Code, as amended, and as such, the National Housing Authority or its predecessors-in-interest shall not be held liable for disturbance compensation as the case may be.

Both the PARAD and the DARAB ruled, however, that the above exemption applied only to lands already acquired by petitioner NHA when P.D. 1472 took effect on June 11, 1978. Their view was that, based on the "whereas" clause of that presidential decree, the intent was to preserve properties that the NHA already acquired on or before June 11, 1978. The exemption did not apply to Lot 916 since the NHA bought it in 1985.

The CA disagreed and ruled that the exemption under P.D. 1472 also applied to properties that petitioner NHA acquired after the decree took effect. Still, the CA upheld the PARAD and DARAB decisions.

Looking at that "whereas" clause, the CA held that the exemption applied only after petitioner NHA shall have acquired a lot for its housing program. When a lot has already been earmarked for such program, the same can no longer be placed under agrarian reform. The CA of course found that the situation in this case differed from what P.D. 1472 contemplated. Since Villaruz was already a tenant of Lot 916 when NHA acquired it, the exemption did not apply.

This Court disagrees. P.D. 1472 exempts from land reform those lands that petitioner NHA acquired for its housing and resettlement programs whether it acquired those lands when the law took effect or afterwards. The language of the exemption is clear: the exemption covers "lands or property acquired x x x or to be acquired" by NHA. Its Section 1 does not make any distinction whether the land petitioner NHA acquired is tenanted or not. When the law does not distinguish, no distinction should be made.

In addition, Section 1 of P.D. 1472 provides that petitioner NHA shall not be liable for disturbance compensation. Since only tenants working on agricultural lands can claim disturbance compensation, the exemption assumes that

NHA may have to acquire such kinds of land for its housing program. If the exemption from payment of disturbance compensation applied only to untenanted lands, then such exemption would be meaningless or a superfluity.

Thus, petitioner NHA is not bound to pay disturbance compensation to respondent Villaruz even if he was the tenant of Lot 916. The NHA's purchase of Lot 916 for development and resettlement transformed the property by operation of law from agricultural to residential.

If the ruling of the CA were to be upheld, petitioner NHA would have to allow Villaruz and his successors-in-interest to work on Lot 916 as agricultural tenants for as long as they liked without any chance of getting an emancipation patent over it under P.D. 27. This would be antithetical to the objectives of the agrarian reform program. As for the NHA, it would become an agricultural lessor with no right to use the land for the purpose for which it bought the same. This, in turn, would become prejudicial to the government's housing projects.

The Court is mindful of the plight of tenant-farmers like respondent Villaruz. But it is also incumbent upon it to weigh their rights against the government's interest in meeting the housing needs of the greater majority. It is in this light that P.D. 1472 has to be interpreted.

With the above discussion, it is unnecessary to delve into the other issues raised by the parties.

WHEREFORE, the Court GRANTS the petition, REVERSES and SETS ASIDE the decision of the Court of Appeals in CA-G.R. SP 86396 dated September 21, 2006, and DISMISSES the action of respondent Mateo Villaruz, Sr. for possession of the subject three-hectare portion of Lot 916.

SO ORDERED.

Carpio, Brion, Del Castillo, and Perez, JJ., concur.

[1] During the pendency of the petition before this Court, respondent Mateo Villaruz, Sr. passed away and was substituted by his children, Sonia, Margarita and Carlos, all surnamed Villaruz.

[2] DARAB Case VI-210-NO-92.

[3] In its Decision dated June 20, 1994.

[4] Docketed as DARAB Case 3544.

[5] Docketed as CA-G.R. SP 86396.

[6] Penned by Associate Justice Priscilla Baltazar-Padilla and concurred in by Associate Justices Isaias P. Dicedican and Romeo F. Barza.

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