

**PUBLIC ESTATES AUTHORITY NOW PHILIPPINE RECLAMATION  
AUTHORITY, PETITIONER, VS. ESTATE OF JESUS S. YUJUICO,  
REPRESENTED BY BENEDICTO V. YUJUICO AND EDILBERTO V.  
YUJUICO; AND AUGUS...**

*G.R. No. 181847. May 05, 2010*

Ponente: CARPIO MORALES, J.

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**CARPIO MORALES, J.:**

The present petition for review on certiorari is an offshoot of this Court's final and executory decision in *Public Estates Authority (PEA) v. Jesus S. Yujuico and Augusto Y. Carpio* (2001 PEA Case)[1] which settled the issue on overlapping parcels of land between petitioner on one hand, and Jesus S. Yujuico (Yujuico) and Augusto Y. Carpio (Carpio) on the other, by upholding the Compromise Agreement executed by the parties.

In the 2001 PEA Case, the Court affirmed the dismissal of PEA's petition for relief from judgment questioning the Compromise Agreement approved by Branch 258 of the Regional Trial Court of Parañaque City, ruling that the petition was filed beyond the 60-day period allowed by Sec. 3, Rule 38 of the Rules of Court; and that it would not be right to allow a mere change of PEA's management to defeat the operation of the rules on reglementary period. The crux of the present controversy is the implementation of the Compromise Agreement which provides that, among other things:

c. The SECOND PARTY is also given the OPTION TO PURCHASE an additional 7.6 hectares of land and CBP 1-A. The land subject of the OPTION shall be located and identified in the area to be agreed upon by the parties under a separate arrangement.

- The OPTION must be exercised within a period of three (3) years from the date this Compromise Agreement has been approved by the Court and the Compromise Judgment has been issued and become final.

- The value of the land subject of the OPTION shall be based on the fair market value as determined by PEA on the date of the exercise of the OPTION.

- The OPTION shall be exercisable in increments of 5,000 square meters.

- In the event that the SECOND PARTY would develop the property at CBP-1A subject of their option, through a joint venture agreement or other business arrangements, the FIRST PARTY shall have the right of first refusal to develop the same.

- Within the option period, if the FIRST PARTY will have an offer to purchase or develop the property, the SECOND PARTY shall be notified by PEA and shall be required to match the offer. If the SECOND PARTY cannot match the offer, the PEA shall be free to sell or award the development to the offeror.[2] (emphasis and underscoring supplied)

On January 26, 1999, respondents informed petitioner of their intention to exercise the option to purchase.[3]

By Omnibus Motion of June 6, 2002,[4] Yujuico and Carpio, assisted by Benedicto V. Yujuico (Benedicto) acting as their attorney-in-fact, moved that the trial court issue an Order for, among other things, the appointment of three licensed real estate appraisers who shall submit a report on the fair market value of the subject property on the date of the exercise of the option to purchase stipulated in the Compromise Agreement; and the suspension of the three-year option period until the trial court's approval of the appraisers' report.

By letter of March 26, 2004,[5] however, petitioner set the terms and conditions for respondents' exercise of the option to purchase, thus:

- Area: 7.6 hectares of land identified in the Subdivision Plan attached to the Compromise Agreement which are part and parcels of the undivided portions of Superblocks A, B and C of the CBP-IA Subdivision Plan covered by TCT Nos. 141653, 142194, 143079, 143080, 143081, 143665.

- Period within which to purchase the whole 7.6 hectares: 122 days from the date of receipt of this letter.

x x x x

- Purchase Price: Sixty Thousand Pesos (Php 60,000.00) per square meter or for the total amount of Four Billion Five Hundred Sixty Million Pesos, Philippine Currency (Php4,560,000,000.00).

x x x x

- Mode of Payment: Cash basis only.

- 5. Terms of Payment:

- a. Down payment: Thirty percent (30%) of the entire amount due for the whole 7.6 hectares must be paid within thirty (30) days from receipt of this letter at the principal office address of PEA.

- b. Another thirty percent (30%) of the full amount of P4.56 Billion shall be paid within sixty (60) days from the date of receipt of this letter.

- c. The remaining balance of forty percent (40%) of the entire amount of P4.56 Billion shall be paid within 122 days from the date of receipt of this letter.

x x x x

- Failure to Exercise the Option:

after the lapse of 122 days, your principals shall fail to pay the purchase price for the whole 7.6 hectares or any portion thereof, then the unpaid portions of the 7.6 hectares shall be free from your option to purchase which shall be deemed to have lapsed and with respect to which you shall execute on behalf of your principals a quitclaim deed.

Respondents did not heed petitioner's imposition of a 122-day period to exercise the option to purchase. Instead, they filed with the trial court a Supplemental Omnibus Motion[6] praying for an Order directing, among other things:

(B) PEA and BENEDICTO V. YUJUICO, Attorney-in-Fact of [herein respondents], (aa) to implement the OPTION TO PURCHASE the 7.6 Has. to be taken from PEA-CBP-IA with specific boundaries delineated by the parties as shown in ANNEX "B" hereof; (bb) to consider the actual condition of said 7.6 Has. and the prevailing real estate market on or about January 26, 1999, the date of the exercise of the OPTION, which was reiterated in subsequent letters to PEA in determining the fair, just and bona fide market price of said 7.6 Has. by the PEA; and (cc) which exercise of the OPTION is well within the 3-year period from the date the Court-approved Compromise Agreement became final as provided in Par. (c)(i) of the said Compromise

Agreement.

In its Comment to the Motion,[7] petitioner contended that the determination of the fair market value of the property subject of the option to purchase had been lodged in it by the Compromise Agreement; and that the period for the exercise of the option had expired, respondents not having exercised the same within three years from the date the compromise judgment became final.

By Order of January 11, 2005,[8] the trial court denied respondents' Supplemental Omnibus Motion, holding that, among other things, it is petitioner which has the exclusive right to determine the fair market value of the land that respondents want to purchase pursuant to the Compromise Agreement.

Their motion for reconsideration having been denied by Order dated June 7, 2005,[9] respondents appealed to the Court of Appeals via certiorari.[10]

By Decision of August 31, 2007,[11] the appellate court granted respondents' petition. It held that, among other things, the Compromise Agreement stipulated that the price to be determined by petitioner cannot be any price conceived by whim, but must be the "fair market value," which has acquired a definite meaning in the world of business; and that it must accordingly determine the fair market value of the property instead of remanding the case to the trial court in order to put an end to the litigation.

The appellate court went on to set the fair market value at P13,000 per square meter at the time the option to purchase was sought to be exercised, finding that the property was then still raw land and not a ready-to-build site.

Petitioner's motion for reconsideration having been denied by Resolution dated February 20, 2008,[12] it filed the present Petition for Review on Certiorari.[13]

Petitioner reiterates its position before the trial court, adding that the appellate court has no authority to impose upon the parties a judgment different from the terms of their Compromise Agreement; and that the appellate court erroneously adopted the valuation of the appraiser, Royal Asia Corporation, which was hired and paid by respondents.

Respondents, on the other hand, argue that, among other things, the question of proper valuation raised by petitioner is one of fact, and thus prohibited in a petition for review; that the appellate court correctly applied the Compromise Agreement according to its intent; and that assuming that the Compromise Agreement gives petitioner the sole authority to determine the price of the property, such stipulation is void for being purely potestative and violative of the principle of mutuality of contracts.[14]

The petition must fail.

The present case turns on the pivot of the option to purchase provided in the Compromise Agreement which, having been judicially affirmed, constitutes *res judicata* upon the parties.

A compromise agreement intended to resolve a matter already under litigation is a judicial compromise. Having judicial mandate and entered as its determination of the controversy, such judicial compromise has the force and effect of a judgment. It transcends its identity as a mere contract between the parties, as it becomes a judgment that is subject to execution in accordance with the Rules of Court. Thus, a compromise agreement that has been made and duly approved by the court attains the effect and authority of *res judicata*, although no execution may be issued unless the agreement receives the approval of the court where the litigation is pending and compliance with the terms of the agreement is decreed.[15]

To simply say that, by the earlier-quoted term of the Compromise Agreement respecting petitioner's evaluation of the land subject of the option to purchase on the basis of its fair market value on the date of the exercise of the

option, petitioner has the exclusive prerogative to determine the purchase price of the subject land is a very myopic interpretation.

The proper interpretation of the stipulation is that petitioner is given the right to determine the price of the subject land, provided it can substantiate that the same is its fair market value as of the date of the exercise of the option. The term "fair market value" in the stipulation cannot be ignored without running afoul of the intent of the parties. It not being disputed that respondents exercised the option to purchase on January 26, 1999, the valuation should thus be based on the fair market value of the property on the said date.

Indeed, as the appellate court held, in order to write finis to the case, the fair market value of the property must be determined on the basis of the existing records, instead of still remanding the case to the trial court.[16]

"Fair market value" has acquired a settled meaning in law and jurisprudence. It is the price at which a property may be sold by a seller who is not compelled to sell and bought by a buyer who is not compelled to buy,[17] taking into consideration all uses to which the property is adapted and might in reason be applied. The criterion established by the statute contemplates a hypothetical sale.[18]

Given this yardstick, the Court found no cogent reason to disturb the factual finding of the appellate court that the proper valuation of the property is P13,000 per square meter as of January 26, 1999. As it correctly explained, the value was arrived at through the market data approach, which is based on sales and listings of comparable property registered within the vicinity; and that the property was classified as raw land because there were yet no houses and facilities like electricity, water and others at the time of the exercise of the option.

The rule is well-established that if there is no showing of error in the appreciation of facts by the appellate court as in the present case, the Court treats it as conclusive.[19]

A word on petitioner. Its bad faith is abundantly clear. It did not respond to respondents' notification of their intention to exercise the stipulated option to purchase until after more than four years, or on March 26, 2004, when it surprised respondents with an exorbitant price for the property and gave them only 122 days within which to purchase the same. Undeniably, it is enfeebling the Compromise Agreement under the guise of enforcing it, which the Court will not sanction.

WHEREFORE, the petition is DENIED. The Decision of the Court of Appeals dated August 31, 2007 in CA-G.R. SP No. 90825 is AFFIRMED.

### **SO ORDERED.**

Puno, (Chairperson), Leonardo-De Castro, Bersamin, and Villarama, Jr., JJ., concur.

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[1] G.R. No. 140486, February 6, 2001, 351 SCRA 280.

[2] Vide Compromise Agreement, CA rollo, pp. 40-46; where PEA is the FIRST PARTY, while Benedicto V. Yujuico, attorney-in-fact of Jesus S. Yujuico and Augusto Y. Carpio, is the SECOND PARTY.

[3] Vide rollo, p. 123.

[4] Id. at 114-122

[5] Id. at 123-126.

[6] Id. at 127-144.

[7] Id. at 145-162.

[8] Id. at 196-199.

[9] Id. at 248.

[10] Id. at 2-34.

[11] Penned by Associate Justice Vicente Q. Roxas, with the concurrence of Associate Justices Josefina Guevara-Salonga and Ramon R. Garcia; CA rollo, pp. 647-683.

[12] Rollo, pp. 712-713.

[13] Id. at 11-64.

[14] Vide Comment, id. at 621-660.

[15] Rañola v. Rañola, G.R. No. 185095, July 31, 2009; California Manufacturing Company, Inc. v. The City of Las Piñas, G.R. No. 178461, June 22, 2009.

[16] Vide Traveño v. Bobongon Banana Growers Multi-Purpose Cooperative, G.R. No. 164205, September 3, 2009.

[17] Section 199(l), Republic Act No. 7160 or the Local Government Code of 1991.

[18] Allied Banking Corporation v. The Quezon City Government, G.R. No. 154126 October 11, 2005, 472 SCRA 303, 318.

[19] Associated Bank (Now United Overseas Bank [Phils.]) v. Pronstroller, G.R. No. 148444, September 3, 2009; Heirs of Pael v. Court of Appeals, 423 Phil. 67, 70 (2001).

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