

EN BANC

[G.R. No. 230651, September 18, 2018]

**ALLIANCE OF QUEZON CITY HOMEOWNERS' ASSOCIATION, INC.,
PETITIONER, VS. THE QUEZON CITY GOVERNMENT,
REPRESENTED BY HON. MAYOR HERBERT BAUTISTA, QUEZON
CITY ASSESSOR'S OFFICE, AND QUEZON CITY TREASURER'S
OFFICE, RESPONDENTS.**

D E C I S I O N

PERLAS-BERNABE, J.:

This petition for *certiorari*, prohibition, and *mandamus*^[1] with a prayer for the issuance of a temporary restraining order (TRO) and/or writ of preliminary injunction assails the constitutionality and legality of Quezon City (QC) Ordinance No. SP-2556, Series of 2016,^[2] otherwise known as "An Ordinance Approving the Schedule of Fair Market Value of Lands and Basic Unit Construction Cost for Buildings, and Other Structures for the Revision of Real Property Assessments in Quezon City, Pursuant to the Provisions of the Local Government Code of 1991 [(LGC)] [Republic Act No. (RA) 7160],^[3] and its Implementing Rules and Regulations, and For Other Purposes" (2016 Ordinance). The petition was filed against respondents the QC Government, represented by Mayor Herbert Bautista, the QC Assessor's Office, and the QC Treasurer's Office (respondents).

The Facts

In 2010, the Department of Interior and Local Government and the Department of Finance (DOF) issued Joint Memorandum Circular No. 2010-01,^[4] directing all local government units to implement Section 219^[5] of the LGC, which requires assessors to revise the real property assessments in their respective jurisdictions every three (3) years. In the said Memorandum, the assessors were also ordered to: (a) require all owners or administrators of real properties, prior to the preparation of the revised schedule of Fair Market Values (FMV), to file sworn statements declaring the true value of their properties and the improvements thereon; and (b) comply with the DOF issuances relating to the appraisal and assessment of real properties, particularly, DOF Local Assessment Regulation No. 1-92, DOF Department Order No. 37-09 (Philippine Valuation Standards), and DOF Department Order No. 2010-10 (Mass Appraisal Guidebook).^[6] Hence, given that the last reevaluation of real property assessment values in QC was made way back in 1995 under Ordinance No. SP-357, Series of 1995 (1995 Ordinance), which thus rendered the values therein outdated,^[7] the QC Assessor prepared a revised schedule of FMVs and submitted it to the *Sangguniang Panlungsod* of QC for approval pursuant to Section 212 of the LGC.^[8]

On December 5, 2016, the *Sangguniang Panlungsod* of QC enacted the assailed 2016 Ordinance, which: (a) approved the revised schedule of FMVs of all lands and Basic Unit Construction Cost for buildings and other structures, whether for residential, commercial, and industrial uses;^[9] and (b) set the new assessment levels at five percent (5%) for residential and fourteen percent (14%) for commercial and industrial classifications.^[10] The revised schedule increased the FMVs indicated in the 1995 Ordinance to supposedly reflect the prevailing market price of real properties in QC.^[11] The 2016 Ordinance was approved on December 14, 2016, and pursuant to Section 6 thereof, the General Revision of Real Property Assessment for lands shall become demandable beginning January 1, 2017, while that for Buildings and other Structures shall take effect beginning 2018.^[12]

On April 7, 2017, petitioner Alliance of Quezon City Homeowners' Association, Inc. (Alliance), allegedly a non-stock, non-profit corporation,^[13] filed the present petition, praying that: (a) a TRO be issued to restrain the implementation of the 2016 Ordinance; (b) the said Ordinance be declared unconstitutional for violating substantive due process, and invalid for violating Section 130 of the LGC; and (c) the tax payments made by the QC residents or individuals based on the 2016 Ordinance's revised schedule of FMVs be refunded.^[14]

In the petition, Alliance argued that the 2016 Ordinance should be declared unconstitutional for violating substantive due process, considering that the increase in FMVs, which resulted in an increase in the taxpayer's base, and ultimately, the taxes to be paid, was unjust, excessive, oppressive, arbitrary, and confiscatory as proscribed under Section 130 of the LGC.^[15]

Moreover, it averred that the hike in the FMVs up to 500% of the previous values was arbitrary and has no factual basis because the 2016 Ordinance contains no standard or explanation on how the QC Assessor arrived at the new amounts in the Schedule of FMVs.^[16]

Alliance further pointed out that there was no real consultation prior to the enactment of the 2016 Ordinance as required by law, noting that only a brief one (1)-day consultation hearing was held in November 2016 before the approval of the 2016 Ordinance on December 14, 2016. The short timeframe from the consultation to the approval reveals that the proceedings were fast-tracked.^[17]

It likewise argued that the abrupt effectivity of the 2016 Ordinance merely a month after its enactment, *i.e.*, from December 2016 to January 2017, is unreasonable as it compelled the QC residents to pay exorbitant real property taxes for the year 2017 without giving them sufficient time to prepare for the payment of the increased taxes.^[18] Thus, the 2016 Ordinance is confiscatory because their inability to pay the real property taxes will result in their property being declared as delinquent, and thereafter, auctioned to the public.^[19] This scenario also amounts to restraint of trade as applied to those properties used in businesses.^[20]

On April 18, 2017, the Court issued a TRO ^[21] against the implementation of the 2016 Ordinance and required respondents to file their comment.

In their Comment, [22] respondents countered that the petition is procedurally infirm because Alliance: (a) failed to exhaust its administrative remedies under the LGC, which were to question the assessments on the taxpayers' properties by filing a protest before the City Treasurer, as well as to assail the constitutionality of the 2016 Ordinance before the Secretary of Justice; [23] (b) violated the hierarchy of courts when it directly filed its petition before this Court; [24] (c) has no legal capacity to sue since its Certificate of Registration as a corporation was revoked by the Securities and Exchange Commission (SEC) in an Order dated February 10, 2004, [25] and it has no separate juridical personality as a homeowners' association due to its non-registration with the Housing and Land Use Regulatory Board (HLURB); [26] and (d) is not a real party-in-interest because it does not own any real property in QC to be affected by the 2016 Ordinance. [27]

On the substantive aspect, respondents posited that the 2016 Ordinance complied with all the formal and substantive requisites for its validity. [28] In particular, they claimed that twenty-nine (29) public consultations were conducted in barangay assemblies throughout the six (6) districts of QC; in fact, Alliance's President, Gloria Soriano, was present and had actively participated in two (2) of those assemblies. [29]

Further, respondents maintained that the resulting increase in tax due was reasonable because the increase in FMVs was tempered by the decrease in the assessment levels to minimize impact on the taxpayers. [30] They claimed that the assessment levels were reduced from eighteen percent (18%) to five percent (5%) for residential classification, and from forty-five (45%) to fourteen (14%) for commercial and industrial classifications. [31]

They also stressed that the QC Assessor arrived at the new FMVs in the 2016 Ordinance using the approaches specified in DOF Local Assessment Regulation No. 1-92, which prescribes guidelines in assessing real properties. [32] Respondents likewise averred that the assessment was not fast-tracked as it underwent an immense study for three (3) years from 2013 and was subjected to numerous public consultations. [33] They emphasized that the last adjustment in the schedule of FMVs was in 1995 and no revisions were made since then until the 2016 Ordinance was enacted. [34] They pointed out that the huge leap in FMVs of lands after twenty-one (21) years was inevitable due to the interplay of economic and market forces, highlighted by significant infrastructure and real estate development projects, as well as the population growth in QC. [35] They further noted that the FMVs in the 2016 Ordinance are fair and equitable, considering that those values are even lower than the FMVs of QC's neighboring cities in Metro Manila, i.e., Pasay, Caloocan, Manila, and Mandaluyong. [36]

On July 14, 2017, the Office of the Solicitor General (OSG) likewise filed its Comment, [37] arguing that the petition should be dismissed on the grounds of non-exhaustion of administrative remedies, non-observance of the hierarchy of courts, and lack of *locus standi*. [38] It further alleged that the 2016 Ordinance was valid because Alliance failed to: (a) overcome the presumption of constitutionality; (b) show that the substantial increase in the assessed values of real properties violates the fundamental principles of taxation; (c) prove that the public hearing required

before passing an ordinance was not complied with; and (d) submit evidence that the 2016 Ordinance was abruptly implemented. The OSG added that Alliance failed to demonstrate its clear legal right to enjoin the implementation of the subject ordinance.^[39]

In the Reply, ^[40] Alliance argued, as regards its failure to exhaust administrative remedies, that: *first*, the remedy of payment under protest as provided for in Sections 229 and 252 of the LGC is inapplicable in this case because such remedy requires prior payment of taxes, which would be unfair and unreasonable on the part of its members who cannot afford to pay the increased taxes;^[41] and *second*, the remedy of appeal to the Secretary of Justice would not have the effect of suspending the effectivity of the 2016 Ordinance.^[42]

Alliance also contended that its petition raised only a question of law (*i.e.*, whether respondents gravely abused its discretion in increasing the FMVs up to 500% as contained in the 2016 Ordinance) which is cognizable by the Court. ^[43] In any event, it maintained that the petition is of transcendental importance warranting the relaxation of the doctrine on hierarchy of courts.^[44]

Alliance further claimed that it has legal capacity to sue because it is merely representing its trustees and members who filed the petition in their own personal capacities as taxpayers and residents of QC. In fact, these trustees and members are the ones who will suffer personal and substantial injury by the implementation of the 2016 Ordinance.^[45]

On the merits, Alliance posited that the 2016 Ordinance failed to comply with both the procedural and substantive requirements for a valid ordinance, considering that: (a) the alleged twenty-nine (29) public consultation/hearings were conducted without the required written notices as prescribed under Article 276 (b) of the LGC's Implementing Rules and Regulations;^[46] (b) the 2016 Ordinance is unjust, excessive, oppressive, and confiscatory, and is not based on the taxpayer's ability to pay;^[47] (c) it failed to comply with the assessment calendar prescribed under Section 2 of DOF Local Assessment Regulation No. 1-92;^[48] and (d) there is no legal basis to increase the FMVs based on the latest market developments.^[49]

The Issues Before the Court

The main issues before the Court are: (1) on the procedural aspects, whether or not the petition is infirm for violations of the doctrines of exhaustion of administrative remedies and hierarchy of courts, as well as Alliance's lack of legal capacity to sue; and (2) on the substantive aspect, whether or not the 2016 Ordinance is valid and constitutional.

The Court's Ruling

I. Doctrines of Administrative Exhaustion and Hierarchy of Courts.

The exhaustion of administrative remedies doctrine requires that before a party may

seek intervention from the court, he or she should have already exhausted all the remedies in the administrative level.^[50] The LGC provides two (2) remedies in relation to real property tax assessments or tax ordinances. These are: (1) Sections 226 and 252^[51] thereof which allow a taxpayer to question the reasonableness of the amount assessed before the city treasurer then appeal to the Local Board of Assessment Appeals;^[52] and (2) Section 187^[53] thereof which allows an aggrieved taxpayer to question the validity or legality of a tax ordinance by duly filing an appeal before the Secretary of Justice before seeking judicial intervention. In the present case, Alliance admitted that these administrative remedies were not complied with, and that the petition was immediately filed before the Court.^[54]

However, the rule on administrative exhaustion admits of exceptions,^[55] one of which is **when strong public interest is involved**.

Although a petitioner's failure to exhaust the required administrative remedies has been held to bar a petition in court,^[56] the Court has relaxed the application of this rule "in view of the more substantive matters,"^[57] as in this case. In particular, a local government unit's authority to increase the FMVs of properties for purposes of local taxation is a question that indisputably affects the public at large. As for QC, the widespread effect of the 2016 Ordinance to its constituents is glaringly apparent, considering that QC has a land area of 16,112.8 hectares, which is almost one-fourth of the entire Metro Manila. Moreover, QC holds 23.3% of Metro Manila's total population.^[58] While taxation is an inherent power of the State, the exercise of this power should not be unjust, excessive, oppressive, or confiscatory as explicitly prohibited under the LGC. As Alliance proffers, the alleged exorbitant increase in real property taxes to be paid based on the assailed Ordinance triggers a strong public interest against the imposition of excessive or confiscatory taxes.^[59] Courts must therefore guard the public's interest against such government action. Accordingly, the Court exempts this case from the rule on administrative exhaustion.

Meanwhile, the hierarchy of courts doctrine prohibits parties from directly resorting to this Court when relief may be obtained before the lower courts.^[60] Nevertheless, this doctrine is not an iron-clad rule; it also admits of exceptions,^[61] such as when the case involves matters of transcendental importance. In this case, Alliance argues that the implementation of the 2016 Ordinance will directly and adversely affect the property interests of around "3,085,786 million" residents of QC.^[62]

In *Ferrer, Jr. v. Bautista (Ferrer, Jr.)*,^[63] the Court allowed the direct resort to it, noting that the challenged ordinances would "adversely affect the property interests of all paying constituents of (QC),"^[64] and that it would serve as a test case for the guidance of other local government units in crafting ordinances. It added that these circumstances allow the Court to set aside the technical defects and take primary jurisdiction over the petition, stressing that "[t]his is in accordance with the well-entrenched principle that rules of procedure are not inflexible tools designed to hinder or delay, but to facilitate and promote the administration of justice. Their strict and rigid application, which would result in technicalities that tend to frustrate, rather than promote substantial justice, must always be eschewed."^[65] Considering the circumstances of this case and the pronouncement in *Ferrer, Jr.*, the Court also deems it proper to relax the doctrine of hierarchy of courts.