

SECOND DIVISION

[G.R. No. 176410, September 01, 2010]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. CONRADO O. COLARINA, RESPONDENT.

D E C I S I O N

NACHURA, J.:

Before us is a petition for review on *certiorari* assailing the Decision of the Court of Appeals (CA) in CA-G.R. CV No. 68476,^[1] which affirmed the decision of the Regional Trial Court (RTC), Branch 3, Legazpi City, Albay, sitting as a Special Agrarian Court (SAC) in Agrarian Case No. 95-01.^[2]

The facts are simple.

Respondent Conrado O. Colarina is the registered owner of three (3) parcels of agricultural land which he acquired from their former owner, Damiana Arcega. The parcels of land have a total area of 972,047 square meters with the following description:

TRANSFER CERTIFICATE OF TITLE (TCT) No.	AREA (hectares)	LOCATION
T-86402	12.5718	Herrera, Ligao, Albay
T-86448	48.3062	Herrera, Ligao, Albay
T-86449	36.3267	Amtic, Ligao, Albay

Upon acquisition thereof, respondent manifested his voluntary offer to sell the properties to the Department of Agrarian Reform (DAR) for coverage under Republic Act (R.A.) No. 6657, the Comprehensive Agrarian Reform Law (CARL). Respondent's assessment value of the properties was P45,000.00 per hectare.

The DAR, through petitioner Land Bank of the Philippines (LBP), assessed the properties and offered to purchase only 57.2047 hectares out of the 97.2047 hectares voluntarily offered for sale by respondent. The excluded area (40 hectares) fell under the exemptions and exclusions provided in Section 10^[3] of the CARL, *i.e.*, all lands with eighteen percent (18%) slope and over. In addition, the LBP assigned the following values to the properties:

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TCT No.	Covered Area	Excluded Area	Value
T-86402	6.5718	6	P 46,045.60
T-86448	28.3062	20	P 208,144.33
T-86449	22.3267	14	P 154,394.22

As the LBP's assessment and valuation of the properties was unacceptable to, and rejected by, respondent, he elevated the determination of just compensation of the properties to the Provincial Agrarian Reform Adjudicator (PARAD). Unfortunately for respondent, the PARAD affirmed the valuation set forth by the LBP.

Disappointed with the low valuation by petitioner and the DAR, respondent filed a Complaint^[4] before the RTC, Branch 3, Legazpi, Albay, for the judicial determination of just compensation.

In refutation, petitioner filed its Answer,^[5] denied the material allegations in the Complaint, and alleged that it had correctly assessed and valued the subject properties consistent with R.A. No. 6657 and DAR Administrative Order (AO) No. 6, Series of 1992.

During pre-trial, LBP manifested that the subject properties may be reassessed and revaluated based on the new guidelines set forth in DAR A.O. No. 11, Series of 1994. Intent on finding a common ground between petitioner and respondent and to amicably settle the case, the SAC ordered the revaluation. The new valuations of the LBP were:

TCT No.	Old Valuation	New Valuation
T-86402	P 46,045.60	P51,762.90 at P7,876.5178/ha.
T-86448	P208,144.33	P259,525.41 at P9,168.50/ha.
T-86449	P154,394.22	P217,223.60 at P9,729.3196/ha. ^[6]

The foregoing valuation was still rejected by respondent. Hence, trial ensued. To support his Complaint and valuation of the subject properties, respondent presented in evidence his own testimony and that of Carlito M. Oliva (Oliva), then Assistant Provincial Assessor of Camarines Sur and President of the Camarines Chapter of the National Real Estate Association.

As for petitioner, it presented the testimonies of Armel Alcantara (Alcantara), Chief of the Landowners Assistance Division of the LBP, and Melchor Balmaceda, officer of LBP, Sipocot Branch.

The SAC summarized the testimonies of the witnesses as follows:

Second witness Carlito M. Oliva, x x x testified that in several instances, he was deputized by the Honorable Court under RTC BR. 26 to chair the commission in the determination of the fair market value of properties subject for payment by the government. That the properties involved in this case is composed of three parcels. [T-86402] is situated at Barangay Herrera, Ligao, Albay which contains an area of 12.5718 has.; [T-86449] is also situated in the same Barangay with an area of 36.3267 has.; [a]nd [T-86448] is situated at Barangay Amtic, Ligao, Albay with an area of 48.3062 has or a total of 97.2047 has. Upon Mr. Colarina's request, he conducted an investigation and ocular inspection on the subject properties and made a narrative report relative thereto. That his recommendation as the reasonable market value of the properties is at P49,201.148/ha or a total of P4,788,415.20 using the productivity approach since the subject property is mostly agricultural. That the actual area planted to coconuts is about 43.84%; banana plants is 7.79%; corn land is 1.14%; homelots is 0.50% and 4.97% cogonal, while 5% is non-arable.

x x x x

Armel Alcantara testified that x x x before, he was the Division Chief of the Claim, Processing and Payment Division (CPPD) [of the LBP]. As such, he conducts review of claim folders covered by P.D. No. 27, E.O. No. 228 and R.A. No. 6657, most specifically the claim folders under voluntary offer to sell and compulsory acquisition claim folders. That he valued the subject lands owned by [respondent] based on AO No. 11 S. of 1996. Pursuant to the Hon. Court's order dated November 14, 1996. For TCT No. 86448, the area covered is 28.3062 has. [o]ut of 48.3062 has. Because some portion of the property is hilly and mountainous and underdeveloped which exceeded the 18% limit set forth under Sec. 10 of RA 6657. This lot is planted to corn, peanut and cogonal. The corn land is 13 has., peanut land is .25 has., cogonal is 15.0562 has.; the excluded portion which is mountainous and about 25% slope totals 20 has. The factor considered by Land Bank is under Formula No. 2 which is the Capitalized Net Income (CNI) x 90% and the market value per Tax declaration wherein they get the remaining 10%. The CNI was taken from the average gross production based on the field investigation report multiplied by the selling price from the Department of Agriculture municipal data, arriving at a total CNI of P10,291.67 per ha. The market value per Tax declaration was based on the third classification as furnished to Land Bank by the Municipal Assessor's office. The total MVPT as computed by Land Bank is P14,193.22, so, 10% of which is P1,419.32. After computing the CNI and the MVPT, he applied the applicable formula which is CNI x 90% and the MVPT x 10%. The CNI total is P9,262.5 and the MV is P1,419.32. Summing up the total amount of the two factors, the value per ha. Arrived at for corn land is P10,681.82 per ha. Multiply it by 13 has. For corn land, the total amount is P3,535.66. For peanut land, the total amount is P3,535.66 and for cogonal where they used the market value per tax declaration multiplied by 2. the total is P117,126.09. Therefore, the total valuation of this 28.3062 has. portion of the property acquired by the government is P259,525.41.

For Title No. 86449, 22.3267 has. out of 36.3267 has. [i]s carpable. The 14 has. [w]as excluded because this falls under the hilly and mountainous portion which is about 18% slope. Applying the same rules and regulations, the total valuation for this property is P217,223.60.

For Title No. 86402, the area covered is 6.5718 has. [o]ut of 12.5718 has. The area of 6 has. is excluded for it falls above 18% slope. Applying again the same rules and regulations, the total valuation for the 6.5718 has. [a]cquired by the government is P51,762.90.

That there are several valuations/formulas provided for under RA 6657 and the Land Bank follows the applicable formula as reflected in the field investigation report. Therefore, their basis in determining which factors will be applied are the result of the field investigation report. After determining the existence of the property, the DAR, Land Bank and the other agencies concerned conducted an ocular inspection of the property being offered for sale under CARP or covered by the CARP. The data input were gathered in the field including the number of fruit bearing trees also determined. The production data was also taken and a survey was being conducted in the field on adjacent properties. Said data were compared with the record of the Municipal agriculturist and other officers. That the valuation of the property was based under AO No. 11 existing at the time of the valuation of the property as of November 19, 1996.

Melchor Balmaceda testified that at present he is an officer of Land Bank of the Philippines, Sipocot Branch but before, he was connected with Land Bank VO, Legazpi City Branch as Agrarian Affairs Specialist. As such, he conducts ocular inspection on the properties covered by the CARP, and gathers information relative to land valuation. That sometime in 1991, he together with DAR personnel and BARC Chairman and caretakers of the property conducted an ocular inspection in question in the name of Damian Arcega, the former owner of the property, which property consisted of 3 parcels. That in connection thereto, they made a written report that the property is generally mountainous and majority is planted to coconut. A portion is planted to corn and minimal portion is planted to peanut and there is also a portion which is cogonal where there is no product. That all the areas are carpable. That they gather data information from government agencies and they compute the net income of the properties based on the produce.^[7]

Thereafter, the SAC rendered a decision reconciling the conflicting evidence of the parties. The SAC followed the formula of the LBP and its land use classification of the subject properties; the appraisal report on the valuation thereof. It disposed of the case, to wit:

To reconcile the conflicting figures both prayed for by [respondent] and [petitioner] Land Bank as the computation of the value of the properties to be paid to the [respondent], taking into account all the factors in determining just compensation and considering that the taking of private

agricultural properties under Agrarian Reform Law is a special kind of eminent domain which is revolutionary in character, the primary goal of which is to grant land to the landless and the need for high production, the just compensation for the lots subject matter of this case, using the value in the [respondent's] appraisal report and the land use of the properties as classified by the Land Bank, are as follows:

1) TCT No. T-86448 - carpable area - 28.3062 has.

Land Use:

A) Corn land

Area = 13.0000 has.

Value/Ha = P52,700/has (Per Appraisal Report)

Computation:

$P52,700/\text{ha} \times 13.0000 \text{ has} = P685,100.00$

B) Peanut

Area = .2500

Value/Ha = P60,000/has (Per Appraisal Report)

Computation:

$P60,000.00/\text{has} \times .2500 \text{ has} = P15,000.00$

C) Cogonal

Area = 15.0562 has.

Value/Ha = P5,270 (Per Appraisal Report)

Computation:

$P5,270.00/\text{has} \times 15.0562 \text{ has} = P79,346.17$

Total:

Corn land - P685,100.00

Peanut - 15,000.00

Cogonal - 79,346.17

P779,446.17

2) TCT No. T-86449 - carpable area - 22.3267 has.

Land Use:

A) Corn land

Value/Ha = P52,700.00/ha (Per Appraisal Report)

Area = 15.000 has

Computation:

$P52,700.00/\text{has} \times 15.0000 \text{ has} = P790,500.00$

B) Cogon: